Harrisburg University of Science and Technology

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2024 and 2023
with Independent Auditor's Report

MaherDuessel

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

YEARS ENDED JUNE 30, 2024 AND 2023

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HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

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Independent Auditor's Report

Board of Trustees
Harrisburg University of Science and Technology

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Harrisburg University of Science and Technology (University), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter

As discussed in Note 8 to the consolidated financial statements, the University violated certain covenants of its Series 2020 revenue bond agreement at June 30, 2024 and 2023, primarily as a result of insufficient tuition and contribution revenue. The University has made all required debt service payments through June 30, 2024 and has not received a waiver related to the covenant violations under the terms of the bond. While the holders of those bonds could demand repayment in full, no such demand has been made. The consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 1 to the consolidated financial statements, the University adopted ASU 2016-13, "*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*," which requires new and enhanced disclosures surrounding the expected credit losses on financial assets measured at amortized cost basis. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The financial responsibility supplementary schedule, consolidating statement of financial position, consolidating statement of activities, and supplemental schedule notes as required by the U.S. Department of Education and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2025 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
February 13, 2025

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Assets		
Cash and cash equivalents	$ 3,165,586	$ 14,970,250
Tuition and fees receivable, less allowance of $1,962,000 for 2024 and $1,855,000 for 2023	3,799,762	2,112,304
Contributions receivable	7,671,732	8,775,955
Grants receivable	66,050	48,442
Other receivables	878,897	886,610
Notes receivable, less allowance of $641,467 for 2024	-	626,467
Prepaid expenses	694,313	868,026
Security deposits	272,697	224,697
Investments held for the benefit of others	268,554	277,893
Investments	-	57
Property and equipment, net	172,065,032	177,256,403
Operating lease right-of-use asset, net	3,659,705	3,398,693
Financing lease right-of-use asset, net	137,214	3,471,810
Restricted bond fund investments	13,146,232	11,734,021
Endowment funds	1,528,280	1,251,035
Other assets	21,001	78,801
Total Assets	$ 207,375,055	$ 225,981,464
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 1,983,964	$ 1,496,127
Other liabilities	2,228,101	2,304,371
Accrued interest	1,773,548	1,799,931
Other accrued expenses	3,324,729	3,106,961
Deposits and deferred revenue	10,134,431	10,444,956
Operating lease liability	3,798,508	3,501,302
Financing lease liability	2,200,632	3,573,484
Line of credit	7,814,963	5,000,000
Notes payable	6,919,708	9,455,163
Bonds payable	146,260,901	147,723,036
Total Liabilities	186,439,485	188,405,331
Net Assets:		
Without donor restrictions		
Investment in property and equipment	19,814,399	21,873,921
Undesignated	(13,513,004)	4,690,846
Total without donor restrictions	6,301,395	26,564,767
With donor restrictions		
Purpose restrictions	5,181,443	1,079,631
Passage of time	8,010,732	8,755,955
Perpetual in nature	1,442,000	1,175,780
Total with donor restrictions	14,634,175	11,011,366
Total Net Assets	20,935,570	37,576,133
Total Liabilities and Net Assets	$ 207,375,055	$ 225,981,464

The accompanying notes are an integral part of the financial statements.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support:			
Educational and general:			
Tuition and fees	$ 63,411,828	$ -	$ 63,411,828
Less student aid	(7,760,757)	-	(7,760,757)
Tuition and fees, net	55,651,071	-	55,651,071
Contributions of cash and other financial assets	1,160,988	5,372,116	6,533,104
Contributions - noncash	95,000	-	95,000
Governmental grants	3,465	819,867	823,332
Interest and dividends	584,489	48,406	632,895
Other sources	3,722,704	-	3,722,704
Total educational and general	61,217,717	6,240,389	67,458,108
Auxiliary revenues	670,938	-	670,938
Realized losses on investments	-	13,240	13,240
Unrealized gains on investments	2,531	119,401	121,932
Net assets released from restrictions	2,750,221	(2,750,221)	-
Total revenues, gains and other support	64,641,408	3,622,809	68,264,217
Expenses:			
Educational and general:			
Instructional	40,742,112	-	40,742,112
Research	877,471	-	877,471
Academic support	7,431,814	-	7,431,814
Student services	15,031,688	-	15,031,688
Auxiliary	856,570	-	856,570
Institutional support	20,186,413	-	20,186,413
Fundraising	1,104,925	-	1,104,925
	86,230,993	-	86,230,993
Total expenses	86,230,993	-	86,230,993
Change in Net Assets Before Other Income/Expense:	(21,589,585)	3,622,809	(17,966,776)
Other Income/Expense			
Gain on debt forgiveness	3,848,403	-	3,848,403
Impairment of assets	(2,522,190)	-	(2,522,190)
Total Other Income/Expense	1,326,213		1,326,213
Total Change in Net Assets	(20,263,372)	3,622,809	(16,640,563)
Net Assets:			
Beginning	26,564,767	11,011,366	37,576,133
Ending	$ 6,301,395	$ 14,634,175	$ 20,935,570

The accompanying notes are an integral part of the financial statements.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support:			
Educational and general:			
Tuition and fees	$ 58,039,906	$ -	$ 58,039,906
Less student aid	(8,747,800)	-	(8,747,800)
Tuition and fees, net	49,292,106	-	49,292,106
Contributions of cash and other financial assets	749,913	9,579,380	10,329,293
Contributions of nonfiniancial assets	-	-	-
Governmental grants	-	3,175,497	3,175,497
Interest and dividends	445,556	89,828	535,384
Other sources	535,647	-	535,647
Total educational and general	51,023,222	12,844,705	63,867,927
Auxiliary revenues	975,569	-	975,569
Realized losses on investments	(98,695)	-	(98,695)
Unrealized losses on investments	126,752	-	126,752
Net assets released from restrictions	4,547,168	(4,547,168)	-
Total revenues, gains and other support	56,574,016	8,297,537	64,871,553
Expenses:			
Educational and general:			
Instructional	36,024,053	-	36,024,053
Academic support	6,282,119	-	6,282,119
Student services	13,636,564	-	13,636,564
Auxiliary	688,991	-	688,991
Institutional support	15,548,486	-	15,548,486
Fundraising	1,056,693	-	1,056,693
Total expenses	73,236,906	-	73,236,906
Change in Net Assets	(16,662,890)	8,297,537	(8,365,353)
Net Assets:			
Beginning	43,227,657	2,713,829	45,941,486
Ending	$ 26,564,767	$ 11,011,366	$ 37,576,133

The accompanying notes are an integral part of the financial statements.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	$ (16,640,563)	$ (8,365,353)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Forgiveness of debt	(3,848,403)	-
Impairment of assets	2,522,190	-
Depreciation and amortization	6,671,723	4,316,654
Noncash donations capitalized	(95,000)	-
Unrealized losses (gains) on investments	(119,401)	(126,752)
Realized losses (gains) on investments	(13,240)	98,695
Changes in assets and liabilities:		
(Increase) decrease in:		
Tuition, fees, and student loans receivable	(1,794,461)	(758,844)
Contributions receivable	1,104,223	(8,100,136)
Provision for credit losses on receivables	748,467	-
Grants receivable	(17,608)	53,148
Other receivables	(33,755)	2,073,266
Other assets	-	(25,000)
Right-of-use assets - leases	(218,058)	-
Security deposits	(48,000)	-
Prepaid expenses	173,713	71,625
Increase (decrease) in:		
Accounts payable	487,807	(2,111,910)
Accrued interest	(26,383)	(3,742)
Accrued expenses	217,768	(3,689,080)
Lease liabilities	(248,395)	-
Other liabilities	(76,270)	2,304,371
Deposits and deferred revenue	(310,525)	2,153,878
Net cash provided by (used in) operating activities	(11,564,171)	(12,109,180)
Cash Flows From Investing Activities:		
Purchases of investments	(147,469)	(260,023)
Sale and maturities of investments	(1,400,352)	16,232,854
Purchases of property and equipment	-	(31,279,184)
Payments on finance lease liabilities	-	(36,652)
Investment in notes receivable	(1,358,884)	(40,000)
Net cash provided by (used in) investing activities	(2,906,705)	(15,383,005)

(Continued)

The accompanying notes are an integral part of the financial statements.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

(Continued)

	2024	2023
Cash Flows From Financing Activities:		
Principal paid on debt	(1,462,133)	(1,565,000)
Proceeds from line of credit	9,256,516	5,000,000
Payments on line of credit	(6,441,553)	-
Proceeds from issuance of notes payable	6,039,420	10,065,191
Payments on notes payable	(4,726,038)	(610,028)
Net cash provided by (used in) financing activities	2,666,212	12,890,163
Net Increase (Decrease) in Cash and Cash Equivalents	(11,804,664)	(14,602,022)
Cash and Cash Equivalents:		
Beginning of year	14,970,250	29,572,272
End of year	$ 3,165,586	$ 14,970,250
Unrestricted and Restricted Cash and Cash Equivalents:		
Cash and cash equivalents	$ 3,165,586	$ 14,970,250
	$ 3,165,586	$ 14,970,250
Supplemental Disclosures of Cash Flows Information		
Cash paid for interest, net of capitalized interest of $3,419,987 in 2023	$ 10,033,585	$ 5,383,053

(Concluded)

The accompanying notes are an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Nature of Operations

Harrisburg University of Science and Technology (the "University" or "HU") is an independent not-for-profit institution located in Harrisburg, Pennsylvania. The University is the nation's only comprehensive university that integrates an affiliated college preparatory high school and a business accelerator. The University's academic and research programs in mathematics, science, and technology are designed to meet the needs of the region's youth, workforce, and businesses, and to expand, attract, and create economic opportunities in the region.

The University admitted its first class of students for the Fall 2005 term. In June 2009, the University was accredited by the Middle States Commission on Higher Education. The Middle States Commission on Higher Education is an institutional agency recognized by the U.S. Secretary of Education and the Council for Higher Education Accreditation.

During the year ended June 30, 2021, the University formed the Center for Innovation and Entrepreneurship, Inc. (CIE), which is a wholly owned subsidiary of the University. CIE was formed to provide capital for entrepreneurs on joint ventures the University may wish to pursue.

In October 2022, the University received accreditation approval for a Dubai campus in the United Arab Emirates. In November 2022, the Board of Trustees of the University approved forming a subsidiary of the University in the Dubai International Financial Center to conform to UAE governance requirements to offer degree programs. The Dubai Campus ceased operations on June 30, 2024.

Principles of Consolidation

The consolidated financial statements include the accounts of the University and its subsidiary, CIE Inc., and the University in the Dubai International Finance Center. All significant intercompany transactions have been eliminated.

Basis of Accounting

These consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United

States of America, with income recognized when earned and expenses recognized when incurred.

Other Revenue and Expense

Other revenue and expense are those not directly related to the primary mission and activities of the University. These items are reported separately in the Statement of Activities. These items include loss on impairment and gain on debt forgiveness.

Use of Estimates

Management of the University has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Accordingly, actual results could differ from those estimates. Significant estimates that could ultimately result in changes to amounts reflected in these consolidated financial statements include provisions for credit losses, discount on pledges, and depreciation of property and equipment. It is at least reasonably possible that a change in estimates could occur in the near term.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

Contributions, including unconditional promises to give, are recorded as revenues in the period the promise is made. Conditional promises to give are not recognized until the conditions are met or the pledge payments are received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year (including those under the terms of gift annuities and charitable remainder trusts) are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible contributions receivable is determined based on management's judgment including such factors as prior collection history, type of contribution, and nature of the fundraising activity.

Contributions with donor-imposed restrictions are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor-imposed restriction. Contributions restricted for the acquisition of property and equipment are reported as with donor restrictions revenue. Those contributions are reclassified to net assets without donor restrictions when restrictions have been met. Unconditional promises to give are considered a passage of time restriction until the pledge is paid, at which time the restriction would be released. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as net asset without donor restriction support.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments (including overnight repurchase agreements) with original maturities of three months or less, that are not held for endowment or other long-term purposes. The University maintains its cash accounts in various financial institutions.

Bond Funds

Bond funds represent funds originated from bond proceeds that are set aside for payment of interest and principal on the University Revenue Bonds as described in Note 7 and for future capital projects. The terms of the bond agreements require a minimum balance of $4,168,381 for the Series of 2017 and $7,356,750 for the Series of 2020 bonds. The University maintained funds of $4,810,033 and $4,315,374 for the Series of 2017 bonds at June 30, 2024 and 2023, respectively, and $8,336,199 and $7,416,932 for the Series of 2020 bonds at June 30, 2024 and 2023, respectively, which are in excess of the required balance due to accumulated earnings on these funds. In addition, the University had remaining bond proceeds of $0 and $38 at June 30, 2024 and 2023, respectively, for future capital projects and $9 and $1,677 set aside as capitalized interest to be used for future debt payments at June 30, 2024 and 2023, respectively.

Tuition and Fees Receivable and Allowance for Credit Losses

The University provides credit in the normal course of business to its students for tuition, fees, and room and board. It is the University’s policy to provide an allowance for expected credit losses on uncollectible tuition and fees receivable based on an evaluation of the underlying account balances, the historical collection experience of the University on such balances, the past due status, and other factors which, in management's judgment, require consideration in estimating expected credit losses. Management believes the historical loss information is a reasonable basis to which to determine expected credit losses because the composition of accounts receivable has been consistent in congruence with the University's collection policies. Further, management has determined that current and reasonably supported forecasted economic conditions are consistent with historical information used to estimate credit losses. As a result, credit losses have not been adjusted for any forecasted changes. Actual write-offs of uncollectible accounts are done periodically after collection efforts have been unsuccessful. Accounts receivable for tuition and fees, net were $3,799,762, $2,112,304, and $1,353,460 as of June 30, 2024, June 30, 2023, and July 1, 2022, respectively. The allowance for credit losses is estimated at $1,962,000 and $1,855,000 as of June 30, 2024 and 2023, respectively, as determined by the allowance rollforward below:

	2024	2023
Beginning balance	$ 1,855,000	$ 1,890,000
Provision for credit losses	448,918	153,123
Write-offs	(337,363)	(179,011)
Recoveries	(4,555)	(9,112)
Ending balance	$ 1,962,000	$ 1,855,000

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Consolidated Statements of Financial Position. Unrealized gains and losses are included in the change in net assets.

Investments of the University are exposed to various risks, such as interest rate, market, currency, and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment assets reported in the consolidated financial statements.

Property and Equipment

Property and equipment values represent cost at date of acquisition, or fair value at date of donation in the case of gifts. The University uses a capitalization threshold of $2,500. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	40 years
Leasehold improvements	5 - 30 years
Furnishings and equipment	5 - 7 years
Library contents	10 years

The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the period of disposal.

Leases

The University leases locations for classroom instruction, student union space, and miscellaneous equipment. The University determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position. Finance leases are included in financing lease right-of-use assets, and financing lease liabilities on the Consolidated Statements of Financial Position.

ROU assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the University's leases do not provide an implicit rate, the incremental borrowing rate is used which is based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The University's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Some of the University's lease agreements include rental payments based on changes in the consumer price index (CPI). Lease liabilities are not remeasured as a result of changes in the CPI. Instead, changes in the CPI are treated as variable lease payments and are excluded from the measurement of the right-of-use asset and lease liability. The University also does not recognize short-term leases, those leases with initial terms of less than twelve months. These payments are recognized in the period in which the related obligation was incurred. The variable lease cost recognized and disclosed for those leases in 2024 and 2023 were $587,999 and $568,717, respectively.

Additionally, for certain equipment leases, the University applies a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

In evaluating contracts to determine if they qualify as a lease, the University considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

In determining the discount rate used to measure the right-of-use asset and lease liability, the University uses rates implicit in the lease, or if not readily available, they use their incremental borrowing rate. The incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the University's assets. Determining a credit spread as secured by the assets may require significant judgment.

Debt Issuance Costs

Debt issuance costs and discounts, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs and discounts relate. Amortization of debt issuance costs and discounts is reported as components of interest expense and is computed using the straight-line method, which is not materially different than the effective interest method.

Deposits and Deferred Revenue

Deposits and deferred revenue related to summer session tuition for the portion of the session occurring after June 30 and all fall session tuition received prior to June 30.

Net Assets

The University reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. A description of the two net asset categories follows:

> **Without Donor Restrictions:** Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.
>
> **With Donor Restrictions:** Net assets whose use by the University is subject to donor-imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time and net assets subject to donor-imposed restrictions that are to be maintained permanently by the University.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are generally reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Advertising Expense

The University expenses advertising costs as incurred. This expense was $3,244,858 and $1,736,062 for the years ended June 30, 2024 and 2023, respectively.

Tax Status

Under provisions of the Internal Revenue Code, Section 501 (c)(3), and the applicable tax regulations of Pennsylvania, the University is exempt from taxes on income other than unrelated business income. The University's policy is to charge penalties and interest to income tax expense as incurred. The University files Form 990, "Return of Organization Exempt from Income Tax." Form 990 is generally subject to examination for a period of three years after the returns are filed.

CIE, Inc. is a corporation that is required to file an annual Form 1120. Any applicable federal income taxes are paid by the corporation.

The University follows generally accepted accounting principles, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition for income taxes recognized in the University's consolidated financial statements.

Defined Contribution Pension Plan

The University sponsors a 403(b) pension plan covering substantially all employees. The University may make discretionary contributions to the plan annually. Through January 2016, the plan was funded solely by employee contributions. The University provided matching contributions of 8% effective July 1, 2022. Contributions by the University to the plan were $1,732,088 and $1,730,103 for the years ended June 30, 2024 and 2023, respectively. Since the plan is a defined contribution plan, the University has no financial obligations to the plan other than making any matching requirements it approves.

Deferred Compensation Plan

The University also sponsors a 457(f) supplemental deferred compensation plan to provide a deferred compensation plan for the President and certain other selected senior executives. Annual contributions to the plan with respect to the President are based on amounts specified in the President's employment agreement. Annual contributions for the other participants are determined by the President. These contributions are also subject to review and approval by the Executive Committee during their annual review of the compensation package for the President. The President has the discretion to fund selected senior executives. The participants in the plan become 100% vested in the portion attributable to contributions and earnings for each plan year on the third anniversary of the first day of each plan year as long as the participant remains employed by the University. As long as the participant remains employed by the University, the participant becomes 100% vested in their entire account upon the earliest to occur of (1) involuntary termination (other than for "cause"); (2) voluntary termination for "good reason"; (3) age 60; (4) disability; or (5) death. Plan assets and liabilities under the plan at June 30, 2024 were $268,554 and $372,079, respectively. Plan assets and liabilities under the plan at June 30, 2023 were $277,893 and $339,719, respectively.

Revenue Recognition

Generally accepted accounting principles require recognition and disclosure of the recognition of revenues under ASC 606, “Revenue from Contracts with Customers”. The sources of revenue for the University are tuition and fees, contributions, government grants, interest and dividends, other sources, and auxiliary revenues. Revenue is recognized as earned based on contractual terms, as transactions occur, or as services are provided. All revenues determined to be in the scope of ASC 606 are presented within the Consolidated Statements of Activities and are recognized as performance obligations are met. Contributions, government grants, interest and dividend income, and unrealized gains/(losses) are recognized on the accrual basis, but these revenues are outside the scope of ASC 606.

Following is further detail of the various types of revenue the University earns and when it is recognized under ASC 606:

Tuition and Fees: The University recognizes tuition revenue over the applicable period of instruction. The University enters into contracts with students to provide delivery of the academic program and housing during an academic term. Revenue recognition commences once a student begins attending a course.

The University’s tuition and fees receivables (contract receivables) represent unconditional rights to consideration from its contracts with students. Students are invoiced and payment is due prior to the start of the term.

Tuition and auxiliary services revenue are considered to be separate performance obligations. The performance obligation for tuition is the delivery of the academic program and the performance obligation for auxiliary services revenue is the University providing housing arrangements during the applicable academic term. The University recognizes tuition and housing revenues over the duration of the academic period to which the charges relate.

The University determines the transaction price based on the standard charges for tuition and housing, reduced by refunds and certain institutional scholarships and aid in accordance with the University’s policies for granting such aid. Refunds were approximately 1.44% and 1.31% of the total amount billed for June 30, 2024 and 2023, respectively.

If a student withdraws during the academic term, the student is refunded based on a defined refund schedule and which week the student is in within the academic term. No refunds are awarded after the end of the third week of the academic term. There is no refund liability at June 30, 2024 and 2023.

The University's contract liabilities are reported as deposits and deferred revenue in the Consolidated Statements of Financial Position. Student deposits and deferred revenue in any period represent the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue in the Consolidated Statements of Activities and are reflected as liabilities in the accompanying Consolidated Statements of Financial Position.

The following table provides information about significant changes in deferred revenues for the years ended June 30:

	Other Deferred Revenue	Summer Tuition	Total
Deferred revenue at July 1, 2022	$ 4,609,337	$ 3,644,656	$ 8,253,993
Revenue recognized during the year ended June 30, 2022	4,609,337	3,644,656	8,253,993
Deferred revenue at July 1, 2023	6,210,411	4,234,545	10,444,956
Revenue recognized during the year ended June 30, 2023	6,210,411	4,234,545	10,444,956
Cash received in advance of performance	5,470,891	4,663,541	10,134,431
Deposits and deferred revenue at June 30, 2024	$ 5,470,891	$ 4,663,541	$ 10,134,431

Other Sources: The University charges certain administrative and consulting fees for services to students and recognizes other income from various sources based on services provided. Revenues are recognized based on the delivery of goods and services which corresponds to the satisfaction of the performance obligation.

Auxiliary Revenues*:* Auxiliary revenues consist of housing and rental income. The performance obligation for auxiliary services revenue is the University providing housing arrangements during the applicable academic term. The University recognizes housing revenues over the duration of the academic period to which the charges relate.

Adopted Accounting Standards

The provisions of these Standards Updates have been adopted and incorporated into these financial statements:

ASU 2016-13, *"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments."* These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only

Pending Accounting Standards Updates

The Financial Accounting Standard Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2021-08, *"Business Combinations (Topic 805) Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,"* is effective for reporting periods beginning after December 15, 2022. The amendments in this update require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606.

ASU 2023-09 "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*," is effective for fiscal years beginning after December 15, 2025 for entities other than public business entities. The amendments in this update improve tax related disclosures primarily related to the rate reconciliation and income taxes paid information.

2. Liquidity and Availability

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. In addition, the University has a line of credit available to cover any short term funding shortfalls in the amount of $9,000,000, of which $1,185,037 was available to the University at June 30, 2024. Subsequent to year-end, an additional line of credit in the amount of $6,500,000 was obtained to be used for operations for short-term funding shortfalls (see "Subsequent Event" footnote).

As of June 30, 2024 and 2023, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Financial assets at year-end:		
Cash and cash equivalents	$ 3,165,586	$ 14,970,250
Tuition, fees and other receivables, net	4,678,659	2,998,914
Contributions and grants receivable, net	7,737,782	8,824,397
Investments	-	57
Endowment and bond funds	14,674,512	12,985,056
Total financial assets	30,256,539	39,778,674
Less amounts not available to meet general expenditures within one year:		
Future expendable donor-restricted endowment	86,280	-
Portion of donor-restricted endowment to be retained in perpetuity	1,442,000	1,175,798
Contributions not due in the next fiscal year	6,250,500	7,014,500
Bond funds	13,146,232	11,734,021
Financial assets available to meet general expenditures within one year	$ 9,331,527	$ 19,854,355

3. Contributions and Notes Receivables

Contributions receivable, representing donor promises to give, are discounted to present value assuming their respective terms. The effective interest rate applicable to the discount on unconditional promises to give was 4.66% and 3.56% at June 30, 2024 and 2023, respectively. The pledges are scheduled to be collected as follows, net of the allowance for uncollectible promises to give:

	2024	2023
Unconditional promises to give:		
Receivable in less than one year	$ 1,627,250	$ 1,979,750
Receivable in one year to five years	4,320,500	4,132,000
Receivable in five year to nine years	1,930,000	2,882,500
Total	7,877,750	8,994,250
Less allowance for uncollectible promises to give	-	-
Discount for present value of cash flows	(206,018)	(218,295)
Unconditional promises to give, net	$ 7,671,732	$ 8,775,955

At June 30, 2024, two donors accounted for 90.1% of total promises to give. Three contributors accounted for approximately 68% of total contribution revenue for the year ended June 30, 2023.

On July 1, 2021 the University entered into a convertible promissory note receivable with a medical partners company ("the Company") for the development of an osteopathic medical school at another university. Under the terms of the agreement, advances can be made up to $2,000,000 for 24 months in accordance with milestone events outlined in the agreement with interest accruing on draws at 2.50%. The note is due and payable on demand of the University at any time after the later of 36 months from the drawdown date of the initial advance or the matriculation date, which is the first day of the calendar month following the first day of classes for the medical school.

The note receivable has a conversion feature that allows, at the Company's option, for the outstanding amount to be converted into equity securities on the later of the matriculation date or the initial closing of the Company. In lieu of converting the note, the Company may elect to repay the entire outstanding principal and accrued interest plus a premium equal to 20% of the principal that has been drawn. The principal amount outstanding on this note was $600,000 at June 30, 2024. Due to subsequent events at the Company, the University does not believe that any outstanding amount on the receivable will be collected in the future and has placed an allowance for expected credit loss in the amount of $641,467, including principal and accrued interest, pending final outcome of their outstanding claims. The net amount recorded for this note receivable is $-0- as of June 30, 2024.

4. Investments

The University's investments consisting of restricted bond funds, investments held for the benefit of others, and general investments, including endowments, which are summarized as follows at June 30:

	2024			
	Cost	Unrealized Gains	Unrealized Losses	Total Fair Value
Money markets	$ 13,164,763	$ -	$ -	$ 13,164,763
Fixed income mutual funds	728,793	-	(67,230)	661,563
Equity mutual funds	729,471	79,408	-	808,879
Alternative fixed income core diversified mutual funds	44,258	-	(4,951)	39,307
	$ 14,667,285	$ 79,408	$ (72,181)	$ 14,674,512

	2023			
	Cost	Unrealized Gains	Unrealized Losses	Total Fair Value
Money markets	$ 12,020,393	$ -	$ -	$ 12,020,393
Fixed income mutual funds	512,861	-	(69,195)	443,666
Equity mutual funds	402,881	-	(37,753)	365,128
Alternative equity core diversified mutual funds	138,017	19,378		157,395
Alternative fixed income core diversified mutual funds	71,823	-	(6,013)	65,810
	$ 13,145,975	$ 19,378	$ (112,961)	$ 13,052,392

5. Endowments

The University has one endowment established by a donor to provide investment income for student scholarships. Net assets associated with the endowment are classified and reported as net assets with donor restrictions based on the existence of donor-imposed restrictions.

The Commonwealth of Pennsylvania has not adopted the Uniform Prudent Management of Institutional Funds Act of 2006. Guidance for the administration of endowment funds in Pennsylvania is provided in Act 141, which was passed by the Pennsylvania legislature in 1998. Under Act 141, Pennsylvania not-for-profit organizations are permitted to elect an annual amount that may be used from their endowment funds based on an annual spending rate between 2% and 7%. Act 141 permits the spending of accumulated principal and income from an endowment fund if the amount withdrawn is less than or equal to the annually elected percentage. The University's interpretation of Act 141 classifies capital appreciation earned by the donor-restricted endowment fund investments as with donor restrictions activity. The University intends to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as donor-restricted net assets the original value of the gifts donated to the endowment and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The University considers several factors when making a determination to appropriate or accumulate donor-restricted endowment funds. These factors include the duration and preservation of the fund, the mission of the University, the purpose of the donor-restricted endowment fund, satisfaction of specific donor instructions, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, and other resources.

The University seeks to achieve the optimal return possible from the endowment investment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the organization to retain as a fund of perpetual duration. There are no deficiencies in endowment funds for fiscal years 2024 and 2023.

Endowment assets are invested as follows at June 30:

	2024			
	Cost	Unrealized Gains	Unrealized Losses	Total Fair Value
Money markets	$ 18,531	$ -	$ -	$ 18,531
Fixed income mutual funds	773,051	-	(72,180)	700,871
Equity mutual funds	729,471	79,407		808,878
	$ 1,521,053	$ 79,407	$ (72,180)	$ 1,528,280

	2023			
	Cost	Unrealized Gains	Unrealized Losses	Total Fair Value
Money markets	$ 207,470	$ -	$ -	$ 207,470
Fixed income mutual funds	549,012	-	(74,885)	474,127
Equity mutual funds	399,871	-	(41,245)	358,626
Equities	206,855	12,207	(8,250)	210,812
	$ 1,363,208	$ 12,207	$ (124,380)	$ 1,251,035

The changes in endowment net assets for the years ended June 30, 2024 and 2023 were as follows:

	With Donor Restrictions
Endowment net assets at July 1, 2022	$ 1,068,010
Contributions	134,000
Appropriation for expenditure	(40,803)
Investment return, net	89,828
Endowment net assets at June 30, 2023	1,251,035
Contributions	108,000
Appropriation for expenditure	(11,801)
Investment return, net	181,046
Endowment net assets at June 30, 2024	$ 1,528,280

6. Property and Equipment

A summary of property and equipment of the University as of June 30 is as follows:

	2024		
	Cost	Accumulated Depreciation	Depreciated Cost
Land	$ 7,290,030	$ -	$ 7,290,030
Buildings and improvements	179,047,476	29,722,239	149,325,237
Leasehold improvements	7,503,555	2,254,691	5,248,864
Furnishings and equipment	17,717,240	7,540,938	10,176,302
Library contents	41,405	22,837	18,568
Construction in process	6,031	-	6,031
Total	$ 211,605,737	$ 39,540,705	$ 172,065,032

	2023		
	Cost	Accumulated Depreciation	Depreciated Cost
Land	$ 7,290,030	$ -	$ 7,290,030
Buildings and improvements	178,645,481	25,251,346	153,394,135
Leasehold improvements	7,318,528	1,939,441	5,379,087
Furnishings and equipment	10,380,710	5,658,526	4,722,184
Library contents	38,036	19,670	18,366
Construction in process	6,452,601	-	6,452,601
Total	$ 210,125,386	$ 32,868,983	$ 177,256,403

Depreciation expense (including amortization expense of assets under finance leases) for the years ended June 30, 2024 and 2023 was $6,671,722 and $4,324,959, respectively.

7. Leases

The University has several long-term leases with a related party (see Note 14) for office space. The leases run for five (5) years and have one (1) year renewal options. The University has a 48-month lease agreement for the use of copiers. The University has a lease with the Whitaker Center for eSports space with a term of 30 years, with the option to cancel after 10 years. The University has an additional lease with the

Whitaker Center with a lease term of 28 years for the student union space. The University also has various leases for units with a local apartment complex in order to provide student housing.

On January 12, 2024, the University entered into an agreement with a third party to lease 32,771 square feet at 1500 Spring Garden Street, Philadelphia, Pennsylvania. Under the terms of the agreement, the "commencement date" of the lease was retroactive to August 1, 2023. The lease is for a term of thirty-six (36) months, in addition to the rental payments common area expenses are also charged to the University. Monthly base rent for the first three years after the "commencement date" is $36,075, $48,000, and $49,440 for lease years one, two, and three, respectively.

On September 14, 2021, the University entered into an agreement with Messiah College to sublease 11,000 square feet and a paved parking area of approximately 2,550 square feet at 28 South Dewberry Street, Harrisburg, PA. The lease commenced on August 1, 2022 and will expire on July 31, 2027. Annual base rent is $141,000 with an increase based on the consumer price index each year.

On March 29, 2023, the University entered into an agreement with Cogito Human Capital FZCO, a United Arab Emirates company to finance the occupancy of Building 19 in the Dubai Knowledge Park, which housed the University's Dubai campus. The lease included the building along with all the fit outs to occupy the building. The lease commenced on January 5, 2023 and will expire on January 5, 2026. Monthly base rent is approximately $29,800 for the term of the lease. These leases have been terminated and a settlement entered for a note payable of $646,000 payable by September 2025 which resulted in forgiveness of debt of $358,107.

On March 2, 2023, the University entered into an agreement with Tecom Investments FZ, LLC., a United Emirates company for the lease of approximately 15,600 square feet in the Dubai Knowledge Park. The lease commenced on January 24, 2023 and will expire on January 24, 2028. Monthly rent is approximately $24,300 in the first year rising to approximately $50,500 in the final year of the lease agreement. This lease was intended to provide space for classrooms. During the year ended June 30, 2024, it was determined no classes would be held in the classrooms and the related asset was considered impaired and shown as impairment of assets on the Consolidated Statement of Activities.

Total amount of financing and operating leases right of use assets that were recorded as of June 30, 2024 and 2023 were the following:

June 30, 2024	Financing	Operating
Right-of-use asset	$ 3,997,287	$ 5,288,746
Accumulated amortization and terminated lease	(3,860,073)	(1,629,041)
Total, net	$ 137,214	$ 3,659,705

June 30, 2023	Financing	Operating
Right-of-use asset	$ 3,943,564	$ 4,130,212
Accumulated amortization	(471,754)	(731,519)
Total, net	$ 3,471,810	$ 3,398,693

The amount shown as accumulated amortization for financing includes $2,464,390 for impaired leases.

The components of lease expense were as follows as of June 30, 2024 and 2023:

	2024	2023
Operating lease cost	$ 1,070,612	$ 981,255
Short-term lease cost	587,999	568,747
Finance lease cost:		
Amortization of right-of-use assets	918,211	471,754
Interest on lease liabilities	60,815	40,510
Total finance lease costs	$ 979,026	$ 512,264

Other information related to leases as of June 30, 2024 and 2023 was as follows:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 1,070,612	$ 981,255
Operating cash flows from finance leases	918,211	471,754
Financing cash flows from finance leases	60,815	40,510
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	648,302	617,830
Finance leases	-	3,898,758
Weighted average remaining lease term:		
Operating leases	14.8 years	17.18 years
Finance leases	3.35 years	3.99 years
Weighted average discount rate:		
Operating leases	5.65%	5.41%
Finance leases	0.77%	4.09%

Future minimum lease payments under leases as of June 30, 2024 were as follows:

Year Ending June 30,	Operating Leases	Finance Leases
2025	$ 1,139,761	$ 671,531
2026	457,534	655,803
2027	373,712	619,241
2028	298,500	305,106
2029	173,297	-
Thereafter	3,369,935	-
Total future minimum lease payments	5,812,739	2,251,681
Less: interest	(2,014,231)	(51,049)
Total	$ 3,798,508	$ 2,200,632

See Note 14 for related party rent expense.

8. Bonds and Notes Payable

The changes in bonds and notes payable as of June 30 are as follows:

		2024			
		Beginning	Addition	Deletion	Ending
A)	Revenue Bonds - Series of 2017	$ 50,775,000	$ -	$ (1,640,000)	$ 49,135,000
	Bond issuance costs/underwriter's discount	(710,399)	-	46,029	(664,370)
	Original issue discount	(1,019,570)	-	65,840	(953,730)
	Net Series of 2017 bonds payable	49,045,031	-	(1,528,131)	47,516,900
B)	Revenue Bonds - Series of 2020	100,000,000	-	-	100,000,000
	Bond issuance costs/underwriter's discount	(1,321,995)	-	65,996	(1,255,999)
	Net Series of 2020 bonds payable	98,678,005	-	65,996	98,744,001
	Subtotal - bonds payable	147,723,036	-	(1,462,135)	146,260,901
C)	Notes payable - HMS	-	2,486,197	-	2,486,197
D)	Notes payable - individuals	2,000,000	-	(2,000,000)	-
E)	Construction note payable	7,455,163	-	(3,667,652)	3,787,511
F)	Notes payable - ESTA	-	646,000	-	646,000
	Subtotal - notes payable	9,455,163	3,132,197	(5,667,652)	6,919,708
	Total bonds and notes payable	$ 157,178,199	$ 3,132,197	$ (7,129,787)	$ 153,180,609

		2023			
		Beginning	Addition	Deletion	Ending
A)	Revenue Bonds - Series of 2017	$ 52,340,000	$ -	$ (1,565,000)	$ 50,775,000
	Bond issuance costs/underwriter's discount	(758,960)	-	48,561	(710,399)
	Original issue discount	(1,085,609)	-	66,039	(1,019,570)
	Net Series of 2017 bonds payable	50,495,431	-	(1,450,400)	49,045,031
B)	Revenue Bonds - Series of 2020	100,000,000	-	-	100,000,000
	Bond issuance costs/underwriter's discount	(1,387,812)	-	65,817	(1,321,995)
	Net Series of 2020 bonds payable	98,612,188	-	65,817	98,678,005
	Subtotal - bonds payable	149,107,619	-	(1,384,583)	147,723,036
D)	Notes payable - individuals	-	2,000,000	-	2,000,000
E)	Construction note payable	-	8,065,191	(610,028)	7,455,163
	Subtotal - notes payable	-	10,065,191	(610,028)	9,455,163
	Total bonds and notes payable	$ 149,107,619	$ 10,065,191	$ (1,994,611)	$ 157,178,199

Bonds Payable

(A) Revenue Bonds - Series of 2017

On July 12, 2017, the University issued bonds in the amount of $58,015,000 with the Dauphin County General Authority ("DCGA"). The proceeds of the bonds were used to pay off the Revenue Bonds – Series B of 2007 and cover the costs of issuing the bonds. Interest is payable semiannually on April 15 and October 15, commencing October 15, 2017. The bonds are payable in principal installments ranging from $1,505,000 to $4,060,000 through October 15, 2041 with interest ranging from 4.000% to 5.125%.

The Series 2017 Bonds are secured by all University's revenues without donor restrictions and a first mortgage lien on the "Education Unit" within the Market Street property and its undivided percentage interests in the common elements and limited common elements of the condominium unit. The book value of this property is $39,010,895 at June 30, 2024.

(B) Revenue Bonds - Series of 2020

On December 30, 2020, the University issued bonds in the amount of $100,000,000 with the Dauphin County General Authority ("DCGA"). The proceeds of the bonds were used to fund the construction of the health sciences center and cover the costs of issuing the bonds. Interest is payable semiannually on April 15 and October 15, commencing April 15, 2021. The bonds are payable in principal installments ranging from $1,360,000 to $6,950,000 through October 15, 2053 with interest ranging from 4.250% to 6.250%.

The Series 2020 Bonds are secured by all University's revenues without donor restrictions and a first mortgage lien on Chestnut Street Land and the Chestnut Street Building during construction. Upon completion of construction, the mortgage lien automatically converts to a mortgage lien solely on the "Education Unit" within the Chestnut Street property and its undivided percentage interests in the common elements and limited common elements of the Chestnut Street condominium unit. The book value of this property as of June 30, 2024 was $103,674,018.

Under the terms of the Series of 2017 and 2020 Bond agreements, the University is required to maintain a Debt Service Reserve Fund as described in Note 1.

In addition, the University is also required to meet certain financial covenants including 75 days cash on hand and a coverage ratio of at least 1.10 to 1 each year. If either of the covenants is not met, engagement of an independent consultant will be triggered to submit a written report and make recommendations with respect to revenues and other financial matters of the University to increase cash on hand or the coverage ratio. The University was in compliance with the days cash on hand as of June 30, 2024. The University was not in compliance with the coverage ratio as of June 30, 2024, as such University was in technical default with the coverage ratio as of June 30, 2024. (see "Subsequent Event" footnote).

In the prior fiscal year, the University retained a consultant to review operations for areas concerning expense reduction and/ or revenue enhancement. During the current year, a consultant will expand the work performed as part of the prior year's engagement. The engagement will focus on evaluation of the progress made on recommendations from the previous consultant, gaining operational efficiency and stabilizing the institution. Further, during the current year the University settled certain outstanding debt as described in the footnotes, that will result in increased cash flow in the future. In addition, the University is actively looking for an entity to sublease space (or assign the lease) that currently is not in use but for which there is a long-term lease commitment. Finally, the University will comply with enhanced reporting requirements to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board as a result of not meeting financial covenants.

Amortization of debt issuance costs to interest expense related to the 2017 and 2020 bonds was $47,554 and $48,560 for the years ended June 30, 2024 and 2023, respectively. Amortization of the underwriter's bond discount to interest expense for the years ended June 30, 2024 and 2023 was $64,471 and $66,039, respectively. Amortization of the original issue discount, only applicable to the Series 2017 bonds, for the years ended June 30, 2024 and 2023 was $65,840 and $69,460, respectively.

Principal payments due over the next five years and thereafter on the 2017 and 2020 bonds are as follows:

Year Ended June 30:	Amount
2025	$ 3,080,000
2026	3,225,000
2027	3,385,000
2028	3,540,000
2029	3,720,000
2030-2034	21,690,000
2035-2039	28,325,000
2040-2044	28,455,000
Thereafter	53,715,000
	$ 149,135,000

Line of Credit

The University has a $9,000,000 revolving line of credit with a credit union, secured by assets of the University. Borrowings under the line bear interest at the Wall Street Journal prime rate plus 1.5%, or a floor of 3.99% and ceiling of 18.00% (10.0% at June 30, 2024). Accrued interest and principal are due at maturity. Total amount outstanding on the line of credit as of June 30, 2024 and 2023 was $7,814,963 and $5,000,000, respectively.

Notes Payable

(C) Notes Payable - HMS

As part of the settlement agreement with the management company (described in Note 18), the University has a note payable of $2,486,197 at June 30, 2024. The note bears an interest rate of 6%. Beginning on November 25, 2024, the University will make twelve interest only payments in the amount of $12,431. Beginning on November 25, 2025, the University will make a monthly payment of principal and interest in the amount of $81,913 until the final payment on July 25, 2028.

A second note payable for amounts due after June 30, in the amount of $1,414,171, was issued under the same settlement agreement with the management company and was recorded subsequent to year-end. This note bears interest at a rate of 6%. Beginning November 25, 2024, the note requires the University to make six monthly payments of interest in the amount of $7,071. Beginning on May 25, 2025, the University shall make six monthly payments of principal and interest in the amount of $121,713, and a final balloon payment of $839,377 on October 25, 2025.

(D) Individuals

The University had entered into a promissory note with a board member. Interest on this note accrued at 7.5%, and principal and interest are payable in full on August 1, 2023. The principal balance of $2,000,000 is recorded under notes payable. This note was paid in full on July 14, 2023.

(E) Construction note payable

In June 2023, the University entered into a settlement agreement with the construction manager of the Health Science Tower. The University agreed to enter into a note payable for the remaining portion of the construction contract in the amount of $8,065,191. Monthly installment payments varying between $300,000 and $350,000 for 23 months beginning in September of 2023. The note carries an interest rate of 10% and comes with a final balloon payment of $1,784,436 in July 2025. On December 10, 2024, the University entered into a settlement agreement with the construction manager which required a payment of $3 million and results in debt forgiveness of $1,551,642. A Trustee contributed $2 million of the amount paid and agreed to loan the remaining $1 million on a short-term basis which was repaid in January 2025.

Principal payments due over the next two years on the notes payable are as follows:

Year Ended June 30:	Amount
2025	$ 3,787,511
2026	-
	$ 3,787,511

Total interest expense was $10,033,585 and $5,383,053 (net of capitalized interest of $3,413,987) for the years ended June 30, 2024 and 2023, respectively.

(F) Notes Payable – ESTA

As part of the settlement agreement with Emirates Specialized Trading Agencies – Sole Proprietorship LLC (ESTA) in which Cogito Human Capital FZCO is an affiliate (described in Note 7), a note was issued in the principal amount of $646,000. The note bears interest at 6% and requires twelve monthly payments of principal and interest in the amount of $55,599.

9. Restrictions on Net Assets

The nature of net assets with restrictions at June 30 was as follows:

	2024	2023
Net assets with donor restrictions		
Endowment net assets subject to expenditure for specified purposes		
Scholarship fund interest	$ 86,280	$ 75,235
Endowment net assets to be maintained in perpetuity		
Scholarship fund	1,442,000	1,175,800
Net assets subject to expenditure for specified purposes		
Educational program development	2,050,000	850,000
Research grants	-	9,426
Contributions used for donor purpose	2,807,263	1,250
Scholarships	237,900	123,700
Net assets subject to passage of time		
Pledges receivable	8,010,732	8,775,955
	$ 14,634,175	$ 11,011,366

Restricted net assets consist of endowment investments and other funds restricted for specific purposes on the Consolidated Statements of Financial Position. This consists of a Scholarship Fund Endowment (Note 5) established with a donor-imposed stipulation that the principal shall remain intact indefinitely, except as due to market fluctuations in the underlying investments, and the interest income is to be used to provide scholarships to students of the University. Other funds are to be used for specified purposes based on donor established restrictions.

10. Assets Released from Restrictions

Net assets released from restrictions consist of the following for the years ended June 30, 2024 and 2023:

	2024	2023
Time restriction accomplished		
State grant - IAG	$ 169,740	$ 164,780
County grant	10,000	50,000
Other state and federal grants	650,127	2,960,717
Research grants	83,859	152,659
Collections of outstanding pledges and contributions utilized for donor purposes	1,708,324	802,750
Scholarships	128,171	-
Sponsorships	-	99,842
Educational program development	-	316,420
	$ 2,750,221	$ 4,547,168

11. Government Grants

In 2008, the University was approved for a $25 million Redevelopment Assistance Capital Program (RACP) reimbursement grant funded through the Commonwealth of Pennsylvania Office of Budget. In 2010, the University received approval for an additional $1.25 million grant. These funds, along with $1.4 million remaining from a prior $12 million RACP grant, a $5.0 million RACP grant approved in July 2011, and a $6.0 million RACP grant approved in September 2011 brought the total RACP funding for the combined Harrisburg University and Harrisburg Sci-Tech High project to $49.25 million.

There was no revenue from this grant in the years ended June 30, 2024 and 2023. Cumulative revenue recognized from the RACP grants applicable to this project was $46,133,988, leaving a balance of $2,807,262 in RACP grant funding to be recognized in future periods contingent upon meeting various matching requirements. This grant expired on December 31, 2017; however, the Commonwealth has extended the agreement to expire on September 30, 2025.

The University was awarded Job Training and Education Programs Grant from the Commonwealth of Pennsylvania in the amount of $2,000,000 for year ended June 30, 2023. The amount was received and recognized as revenue in the amount of $2,000,000 as of June 30, 2023.

The University is the recipient of various other federal and state government grants. Revenue from these grants in the amounts of $823,332, including $66,050 in grants receivable at June 30, 2024, was recognized for the year ended June 30, 2024. Revenue of $3,175,497, including grants receivable of $48,442 at June 30, 2023, was recognized for the year ended June 30, 2023.

12. Contributed Non-Financial Assets and Services

During the year ended June 30, 2024, the University recognized contributions of nonfinancial assets and services within revenue, which did not have a donor-imposed restriction. It is the University's policy for management to assess noncash gifts prior to acceptance and make the decision to accept the gift based on management's analysis of the noncash gift's useability in the classroom, reduction in facility or operational costs, or if the asset is readily convertible to cash. University management will make a determination whether to hold or sell donated financial securities.

Information about contributed nonfinancial assets as of June 30, 2024, is as follows:

Contributed Asset/Service	Revenue Recognized	Utilization in Programs/Activities	Donor Restriction	Valuation Techniques and Inputs
High Temperature Printer	$ 95,000	Educational programs	No associated donor restrictions	The University estimated the value of the equipment based on an independent appraisal of the subject property compared to other similar equipment.

13. Functional Expenses

Expenses are presented by functional classification in alignment with the overall mission of the University. The University's primary service mission is academic instruction and research which includes directly supporting functions such as the University's library system and Project Management Institute. Academic support and student services include various student supporting functions such as admission, financial aid, registrar, and student services. Auxiliary enterprises include all expenses relating to the operation of the University's auxiliary activities such as housing. Institutional support activities include centralized expenses incurred to provide support services for the University's primary mission and program functions. This category includes the University's fundraising activities as well as executive management, fiscal operations, general administration, and central technology.

Natural expenses attributable to more than one functional expense category are allocated using reasonable cost allocation techniques such as time and efforts. Depreciation and amortization expenses, interest expense and fundraising expenses are allocated based on cost center allocations and the time and effort estimates for each expense category.

Functional expenses by natural classification as of June 30, 2024 are as follows:

	Program Activities					Supporting Activities		
	Academic, Instruction, and Research	Academic Support	Student Services	Auxiliary	Total Program	Institutional Support	Fundraising	Total Expenses
Salaries & wages	$ 19,548,446	$ 3,743,327	$ 3,140,072	$ -	$ 26,431,845	$ 6,947,426	$ 756,476	$ 34,135,747
Taxes and benefits	3,994,836	809,239	893,806	-	5,697,881	1,788,313	91,360	7,577,554
Travel, meals and lodging	592,478	57,435	164,612	-	814,525	123,250	37,130	974,905
Supplies and equipment	473,864	27,756	99,420	75,558	676,598	41,900	-	718,498
Technology	406,575	568,094	39,774	-	1,014,443	1,249,155	-	2,263,598
Marketing	1,154,324	66,975	460,039	-	1,681,338	421,259	219,959	2,322,556
Facility management	1,689,499	-	-	781,012	2,470,511	3,181,262	-	5,651,773
Administration	4,161,700	252,539	8,614,980	-	13,029,219	2,851,836	-	15,881,055
Allocations:								
Interest expense	5,764,692	1,145,056	972,399	-	7,882,147	2,151,438	-	10,033,585
Depreciation expense	3,833,169	761,393	646,586	-	5,241,148	1,430,574	-	6,671,722
Total Expenses	$ 41,619,583	$ 7,431,814	$ 15,031,688	$ 856,570	64,939,655	$ 20,186,413	$ 1,104,925	$ 86,230,993

Functional expenses by natural classification as of June 30, 2023 are as follows:

	Program Activities					Supporting Activities		
	Academic, Instruction, and Research	Academic Support	Student Services	Auxiliary	Total Program	Institutional Support	Fundraising	Total Expenses
Salaries & wages	$ 17,724,722	$ 3,337,644	$ 2,850,898	$ -	$ 23,913,264	$ 5,869,722	$ 618,429	$ 30,401,415
Taxes and benefits	4,086,020	816,561	838,880	-	5,741,461	1,650,547	85,642	7,477,650
Travel, meals and lodging	679,794	39,364	120,931	-	840,089	81,267	21,271	942,627
Supplies and equipment	473,864	16,165	118,435	67,615	676,079	41,256	-	717,335
Technology	551,764	943,463	23,616	-	1,518,843	1,087,889	-	2,606,732
Marketing	1,374,955	18,810	517,054	-	1,910,819	94,580	331,351	2,336,750
Facility management	1,340,758	-	-	621,376	1,962,134	1,883,891	-	3,846,025
Administration	4,110,180	37,259	8,250,356	-	12,397,795	2,802,565	-	15,200,360
CARES Act - payment to students	-	-	-	-	-	-	-	-
Allocations:								
Interest expense	3,153,341	595,402	508,572	-	4,257,315	1,125,738	-	5,383,053
Depreciation expense	2,528,655	477,451	407,822	-	3,413,928	911,031	-	4,324,959
Total Expenses	$ 36,024,053	$ 6,282,119	$ 13,636,564	$ 688,991	56,631,727	$ 15,548,486	$ 1,056,693	$ 73,236,906

14. Related Party Transactions

The University received private gifts and contributions from members of its Trustees totaling $50,925 and $103,125 during the years ended June 30, 2024 and 2023, respectively.

At June 30, 2023, the University had a short-term note with a board member in the amount of $2,000,000. This note was paid in full on July 14, 2023.

A Trustee's family owns a building in which the University has a five-year lease for two floors of office space and a parking lot, which began in fiscal year 2016. The University paid $72,920 and $74,800 in rental payments under the terms of this lease during the years ended June 30, 2024 and 2023, respectively.

A Trustee is the former President of UPMC, and UPMC rents 2 (two) office suites in Strawberry Square and the former Temple University space in Strawberry Square. UMPC signed a lease for the Health Sciences Center and has naming rights on the Health Science center due to a pledge of $7,250,000.

A Trustee is the President and CEO of a non-profit organization that the University leases various office space from. The University subleases living space that is owned by this non-profit to use for student housing. The University has multiple leases with this non-profit and made payment amounts of $275,630 and $305,491 for rent and utilities for the years ended June 30, 2024 and 2023, respectively. The University made payments in the amounts of $125,327 and $118,936 for the Dewberry location. (Dewberry, Strawberry Square Associates and Strawberry Square Development Corporation).

15. Other Investments

Investments held for the benefit of others consists of 457(f) supplemental deferred compensation plan assets invested in mutual funds with a fair value of $268,554 and $277,893 at June 30, 2024 and 2023, respectively.

16. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices available in active markets for identical assets or liabilities that the organization can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs that are unobservable inputs for the asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for instruments measured on a recurring basis at estimated fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Money Market Funds and Mutual Funds

Money Market Funds and Mutual Funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at the price. The mutual funds held are deemed to be actively traded.

Common Equity Securities

Common equity securities are valued at quoted market prices in an active market at daily closing prices.

The following table sets forth by level within the fair value hierarchy, the University's financial assets that were accounted for at fair value on a recurring basis as of June 30, 2024 and 2023:

2024

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 13,210,019		$ 13,210,019	$ -
Fixed income domestic mutual funds	17,566	17,566	-	-
Equity domestic mutual funds	137,778	137,778	-	-
Equity international mutual funds	3,746	3,746	-	-
Alternative equity core diversified mutal funds	23,586	23,586	-	-
Alternative fixed income core diversified mutual funds	40,621	40,621	-	-
Mutual funds:				
Large cap	470,016	470,016	-	-
Small/mid cap	162,083	162,083	-	-
Developed international	111,138	111,138	-	-
Other international	65,643	65,643	-	-
US treasuries	150,624	150,624	-	-
High yield	77,294	77,294	-	-
Multi-sector	433,645	433,645	-	-
Global multi-sector	39,307	39,307	-	-
Total	$ 14,943,066	$ 1,733,047	$ 13,210,019	$ -

2023	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 12,020,393	$ -	$ 12,020,393	$ -
Fixed income domestic mutual funds	443,666	443,666	-	-
Equity domestic mutual funds	259,121	259,121	-	-
Equity international mutual funds	106,007	106,007	-	-
Alternative equity core diversified mutual funds	157,395	157,395	-	-
Alternative fixed income core diversified mutual funds	65,810	65,810	-	-
Equities:				
Materials	4,954	4,954	-	-
Energy	8,274	8,274	-	-
Information technology	63,387	63,387	-	-
Consumer discretion	22,318	22,318	-	-
Consumer staples	10,682	10,682	-	-
Industrials	24,613	24,613	-	-
Financials	24,477	24,477	-	-
Healthcare	23,673	23,673	-	-
Utilities	9,458	9,458	-	-
Communication services	18,778	18,778	-	-
Total	$ 13,263,006	$ 1,242,613	$ 12,020,393	$ -

The University had no liabilities subject to fair value reporting requirements at June 30, 2024 and 2023.

17. Related Party Disclosure Required by the U.S. Department of Education

The following list of related party transactions is provided solely to comply with the Financial Responsibility, Administrative Capability, Certification Procedures, Ability to Benefit regulation promulgated by the U.S. Department of Education:

Name	Location	Relationship	Type of Transaction	Amount of Transaction
University of Pittsburgh Medical Center (UPMC)	Harrisburg, PA	Trustee was a former executive at UPMC	Pledges of Contributions	$ 2,817,262
Select Medical	Mechanicsburg, PA	Trustee is executive chairman and Co-Founder	Contributions	$ 1,155,000

The University failed the financial responsibility composite score for fiscal years ending June 30, 2023 and 2024 and is required to have the appropriate letters of credit in the amount of $505,000 to fulfill it's obligation to the Department of Education.

18. Commitments and Contingencies

Memorandum of Understanding

A memorandum of understanding (MOU) with the Harrisburg School District was executed on October 12, 2006 under which the University agrees to provide fully funded scholarships to each graduate of the SciTech High program attending the University, as long as the graduates agree to remain Harrisburg residents for five years after graduation from the University and attain sufficient academic grades as identified in the agreement.

Contractual Commitment

The University has a marketing and recruiting agreement with a management company under which the University pays a fee to assist in marketing and recruiting international graduate students. Under the terms of the agreement, the University was obligated to pay the management company $6,000,000 per year to recruit first time students and an additional 10% of all program tuition paid by repeat students that were recruited by the management company which was $2,484,500 and $1,755,600 for the years ended June 30, 2024, and 2023, respectively. On October 25, 2024, the University entered into a settlement agreement with the management company requiring the University to make a lump sum payment of $3,000,000 to settle the outstanding balance. The agreement results in debt forgiveness of $1,938,654 as of June 30, 2024, and debt forgiveness of $362,640 as of October 25, 2024. As of June 30, 2024, the other accrued expense balance includes $3 million payable to the management company. The agreement changed the fee structure with the management company to $640 per enrolled international student for every semester they are enrolled and added benchmarks that allows for a performance fee to be paid to the management company for increments of newly enrolled students.

Financial Responsibility

34 CFR §668 addresses the requirements for the University to be considered "financially responsible" in order to continue to participate in Title IV Federal Student Aid.

An institution may be provisionally certified for a period up to three complete award years. Continued participation in Title IV Federal Student Aid is subject to ongoing approval by the U. S. Department of Education. The University was notified in January 2023 that its certification was extended for an additional period ending December 31, 2027.

19. Concentrations

The University has deposits at local financial institutions which exceed the Federal Deposit Insurance Corporation limits at times throughout the year. Management considers this a normal business risk.

Over the last several years, the University has experienced a significant growth in the number of international students enrolled in its graduate programs, primarily in science, technology, engineering, and math (STEM) curricula. International students comprised 83% and 82.8% of the total student enrollment for the 2023-2024 and 2022-2023 academic years, respectively. All of the international students attending the University reside in the United States on an F-1 student visa.

It is not possible at this time to predict what specific immigration or visa reforms may be implemented, or to quantify their potential impact on the University or its ability to attract new or retain existing international students. However, a significant drop in enrollment of international students, particularly at the graduate level, would have a material adverse effect on the revenues, operations, and financial condition of the University. The University recognizes such risks and is taking various steps to hedge against them.

20. Subsequent Events

During October 2024, the University entered into a settlement agreement with the architect involved in the construction of the University's building located in Harrisburg. The settlement required the University to make a payment of approximately $281,963 to the architect and for the University to receive $731,963 from the architect to resolve claims associated with the design of the building.

On January 30, 2025, the University entered into a consent and forbearance agreement related to the Revenue Bond Series of 2017 and 2020. The agreement is in effect until February 28, 2025, and provided for the University obtain an additional revolving line of credit. On January 30, 2025, the University obtained the additional revolving line of credit with a credit union in the amount of $6,500,000. The line of credit will be used as needed for operations and is guaranteed by certain board members.

SUPPLEMENTARY INFORMATION

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

YEAR ENDED JUNE 30, 2024

Primary Reserve Ratio:

Financial Statement Reference		**Description**	**Amount**
Expendable Net Assets:			
Statement of Financial Position- net assets without donor restrictions	Page 1	Net assets without donor restrictions	$ 6,301,395
Statement of Financial Position- net assets with donor restrictions	Page 1	Net assets with donor restrictions	14,634,175
		Total net assets	$ 20,935,570
Less:			
None		Secured and unsecured related party receivable	-
None		Unsecured related party receivable	-
Financial responsibility supplemental schedule notes	Page 45, Line 5	Property, plant and equipment, net (includes CIP)	172,202,246
Financial responsibility supplemental schedule notes	Page 45, Line 2c	Property, plant and equipment, pre-implementation without outstanding debt or original purpose	45,306,031
Financial responsibility supplemental schedule notes	Page 45, Line 4c	Property, plant and equipment, post-implementation with outstanding debt or original purpose	104,485,822
Financial responsibility supplemental schedule notes	Page 45, Line 4a	Property, plant and equipment, post-implementation without outstanding debt or original purpose	22,404,362
Financial responsibility supplemental schedule notes	Page 45, Line 4b	Construction in progress	6,031
Statement of Financial Position- Operating right-of-use assets, net	Page 1	Lease, right-of-use asset, net	3,659,705
None		Lease, right-of-use asset, pre-implementation	-
Statement of Financial Position- Operating right-of-use assets, net	Page 1	Lease, right-of-use asset, post-implementation	3,659,705
None		Intangible assets	-
None		Postemployment and pension liabilities	-
Plus:			
Financial responsibility supplemental schedule notes	Page 45 Line 8	Long-term debt for long term purposes	152,249,044
Financial responsibility supplemental schedule notes	Page 45 Line 6c	Long-term debt for long term purposes pre-implementation	47,516,900
Financial responsibility supplemental schedule notes	Page 45 Line 7g	Long-term debt for long term purposes post-implementation	105,378,144
Financial responsibility supplemental schedule notes			
None		Line of credit for construction in progress	-
Statement of Financial Position- Operating right-of-use liability	Page 1	Lease right-of-use asset liability	3,798,508
None		Pre-implementation of right-of-use lease liabilities	-
Statement of Financial Position- Operating right-of-use liability	Page 1	Post-implementation right-of-use lease liabilities	3,798,508
None		Annuities, term endowments and life income with donor restrictions	-
			-
None		Annuities with donor restrictions	-
None		Life income funds with donor restrictions	-
None			
Less:			
Statement of financial position- with donor restrictions, perpetual in nature	Page 1	Net assets with donor restrictions: restricted in perpetuity	1,442,000
		Total expendable net assets	$ 325,171
		Total Expenses and losses:	
Statement of Activities - Total expenses	Page 2	Total expenses without donor restrictions	$ 86,230,993

Equity Ratio:

		Modified Net Assets:	
Statement of Financial Position- net assets without donor restrictions	Page 1	Net assets without donor restrictions	$ 6,301,395
Statement of Financial Position- net assets with donor restrictions	Page 1	Net assets with donor restrictions	14,634,175
		Total modified net assets	$ 20,935,570
		Modified Assets:	
Statement of Financial Position- Total Assets	Page 1	Total Assets	207,375,055
		Total modified assets	$ 207,375,055

Net Income Ratio:

	Page 2	Change in Net Assets without donor restrictions	$ (20,263,372)
Statement of Activities - Total revenues and support	Page 2	Total Revenues and Gains without Donor Restrictions	$ 64,641,408

The Department of Education issued regulations, effective July 1, 2020, regarding a supplemental schedule and additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV. The supplemental schedule on the previous page and these disclosures are not required by accounting principles generally accepted in the Unites States of America but are intended for use by the Department of Education and to ensure compliance with Federal Title IV regulations.

Net Assets			
1.	Net assets with donor restrictions: restricted in perpetuity		$ 1,442,000
Property, Plant, and Equipment, net			
2.	Pre-implementation property, plant, and equipment, net		
	a. Ending balance of last audited financial statements submitted to the Department of Education (June 30, 2019 financial statement)	$ 76,187,344	
	b. Less subsequent depreciation and disposals	(30,881,313)	
	c. Balance pre-implementation property	45,306,031	
4.	Post-implementation property, plant and equipment, net		
	a. Long-lived assets acquired without use of debt subsequent to June 30, 2019	22,404,362	
	b. Construction in Progress	6,031	
	c. Long-lived assets acquired with use of debt subsequent to June 30, 2019	104,485,820	
5.	Total property, plant and equipment, net- June 30, 2024		$ 172,196,213
Debt to be excluded from expendable net assets			
6.	Pre-implementation long-term debt:		
	a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2019)	$ 54,481,367	
	b. Less subsequent debt repayments, net of bond cost amortization	(6,964,467)	
	c. Balance Pre-implementation long-term debt		$ 47,516,900
7.	Post-implementation long-term debt:		
	a. Long-term debt - for long term purposes post-implementation	$ 98,167,480	
	b. Less subsequent debt repayments, net of bond cost amortization	(2,515,183)	
	c. Balance post-implementation debt for long term purposes		95,652,297
	d. Long-term debt - for operational purposes	8,411,264	
	e. Less subsequent debt repayments, net of bond cost amortization	19,593	
	f. Total post implementation debt for operational purposes	8,430,857	
	g. Total post implementation long-term debt:	$ 104,732,144	
8.	Total long-term debt for long term purposes		$ 152,249,045

9.

Debt Issue Date	Debt Maturity Date	Nature of Capitalized Amounts	Amounts Capitalized
July 20, 2017	October 15, 2041	Building	$ 64,345,072
December 20, 2020	October 15, 2053	Building	$ 107,934,394

Harrisburg University of Science and Technology

Independent Auditor's Reports
In Accordance with
Government Auditing Standards

Year Ended June 30, 2024

MaherDuessel

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Harrisburg University of Science and Technology

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harrisburg University of Science and Technology (University), which comprise the consolidated statement of financial position as of June 30, 2024 and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 13, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Harrisburg, Pennsylvania
February 13, 2025

MaherDuessel

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees
Harrisburg University of Sciences and Technology

Report on Compliance for its Major Federal Program

Opinion on its Major Federal Program

We have audited the Harrisburg University of Science and Technology (University)'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the University's major federal program for the year ended June 30, 2024. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on its Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maher Duessel

Harrisburg, Pennsylvania
February 13, 2025

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal ALN	Pass-Through Entity Identifying Number	Grant Period	Revenues	Expenditures	Pass Through to Subrecipients
U.S. Department of Education:						
Student Financial Assistance Cluster:						
Federal Supplemental Educational Opportunity Grant Program	84.007	N/A	7/1/2023 - 6/30/2024	$ 69,280	$ 69,280	$ -
Federal Work Study Program	84.033	N/A	7/1/2023 - 6/30/2024	58,890	58,890	-
Federal Pell Grant Program	84.063	N/A	7/1/2023 - 6/30/2024	2,023,493	2,023,493	-
Federal Direct Student Loans	84.268	N/A	7/1/2023 - 6/30/2024	3,847,710	3,847,710	-
Total Student Financial Assistance Cluster				5,999,373	5,999,373	-
Total U.S. Department of Education				5,999,373	5,999,373	-
U.S. Department of Health and Human Services:						
Passed through SCPA Works:						
Temporary Assistance for Needy Families (TANF)	93.558	PY23-3361-4	7/1/2023 - 6/30/2024	200,000	200,000	-
U.S. Department of Health and Human Services:						
Passed through Pennsylvania Department of Health						
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	4400019979	5/6/2022-7/31/2024	108,474	108,474	-
Total U.S. Department of Health and Human Services				108,474	108,474	-
U.S. Department of Transportation:						
Aircraft Pilots Workforce Development Grant Program	20.111	N/A	1/18/2022-9/21/2023	11,172	11,172	-
Aircraft Pilots Workforce Development Grant Program	20.111	N/A	3/4/2024-3/4/2026	42,117	42,117	-
Total U.S. Department of Transportation				53,289	53,289	
National Aeronautics and Space Administration:						
Science	43.001	80NSSC23K1411	10/1/2023-9/30/2024	68,757	68,757	-
Total Expenditures of Federal Awards				$ 6,429,893	$ 6,429,893	$ -

See accompanying notes to schedule of expenditures of federal awards.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

1. General

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Harrisburg University of Science and Technology (University). The University is described in Note 1 to the University's consolidated financial statements.

2. Basis of Accounting/Indirect Cost Rate

The accompanying is presented using the accrual basis of accounting, which is described in Note 1 to the University's consolidated financial statements.

The University has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Relationship to Consolidated Financial Statements

Amounts reported in the accompanying Schedule agree with amounts included in the University's consolidated financial statements in all material respects.

4. Federal Direct Student Loans

The University is only responsible for the performance of certain administrative duties and is not considered the lender with respect to the student loan programs, and accordingly, these loans and are not included in its consolidated financial statements, and it is not practical to determine the balance of loans outstanding to students and former students of the University under these programs. The amount reported on the Schedule represents new loan advances during the year.

5. Financial Responsibility

The University's Equity, Primary Reserve, and Net Income ratios for the year ended June 30, 2024 yield a composite score of 0.1 out of a possible 3.0 as described in 34 C.F.R. §668.172, Financial Ratios. Data required for the calculation of the ratios in the Financial Responsibility Supplemental Schedules.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

   Material weakness(es) identified? ☐ yes ☒ no
   Significant deficiency(ies) identified that are not considered to be material weakness(es)?
   ☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

   Material weakness(es) identified? ☐ yes ☒ no
   Significant deficiency(ies) identified that are not considered to be material weakness(es)?
   ☐ yes ☒ none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☐ yes ☒ no

7. Major Programs:

ALN (s)	Name of Federal Program or Cluster
Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

8. Dollar threshold used to distinguish between type A and type B programs: $750,000

9. Auditee qualified as low-risk auditee? ☐ yes ☒ no

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

None

III. Findings and questioned costs for federal awards.

None

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2024

NONE