MUSKINGUM UNIVERSITY
New Concord, Ohio

Consolidated Financial Statements
For the years ended June 30, 2026 and 2025

And Independent Auditor's Report Thereon

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Muskingum University
New Concord, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Muskingum University ("University"), which comprise the consolidated statements of financial position as of June 30, 2026 and 2025, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2026 and 2025, 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. 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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.

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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 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 consolidated financial statements.

In performing an audit in accordance with generally accepted 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 consolidated 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.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
October 23, 2026

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MUSKINGUM UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30	
ASSETS	**2026**	**2025**
Current assets		
Cash and cash equivalents	$ 5,028,064	$ 5,181,324
Debt service reserve fund	430,812	323,193
	5,458,876	5,504,517
Accounts receivable (less allowance for credit losses of $1,939,000 and $1,376,000 in 2026 and 2025, respectively)		
Students	1,585,398	2,711,207
Other	688,158	546,075
Pledges receivable, net	934,749	540,652
Prepaid expenses and other assets	606,201	476,829
Total current assets	9,273,382	9,779,280
Investments	99,588,916	100,588,689
Long-term receivables:		
Student loans (less allowance for credit losses of $3,113,000 and $2,007,000 in 2026 and 2025, respectively)	2,028,458	3,262,320
Pledges receivable, net	1,646,215	1,025,293
Total long-term receivables	3,674,673	4,287,613
Assets held in trust by others	4,907,785	4,008,766
Land, buildings and equipment, net	100,779,565	98,255,375
Total assets	$ 218,224,321	$ 216,919,723
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of notes payable	$ 647,239	$ 636,225
Current portion of annuities payable	118,102	117,113
Current portion of accrued retiree healthcare benefits	243,594	272,827
Accounts payable and other liabilities	1,385,056	1,431,764
Accrued salaries, vacation and related items	1,406,954	1,874,413
Student deposits payable and deferred revenue	3,464,600	3,616,381
Total current liabilities	7,265,545	7,948,723
Notes payable less current portion	26,941,275	27,588,514
Long-term annuities payable	468,788	484,453
Accrued retiree healthcare benefits	2,212,978	2,486,702
Total liabilities	36,888,586	38,508,392
Net assets		
Without donor restrictions	86,671,452	91,608,026
With donor restrictions	94,664,283	86,803,305
Total net assets	181,335,735	178,411,331
Total liabilities and net assets	$ 218,224,321	$ 216,919,723

See notes to consolidated financial statements.

MUSKINGUM UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2026
(with comparative totals for 2025)

	Without donor restrictions	With donor restrictions	Total 2026	Total 2025
Operating revenues, gains, and other support				
Gross tuition and fees	$ 45,565,830	-	$ 45,565,830	$ 45,127,514
Student discounts	(23,737,588)	-	(23,737,588)	(23,144,262)
Tuition and fees, net	21,828,242	-	21,828,242	21,983,252
Gifts and grants:				
Private gifts and grants	2,804,514	$ 4,092,744	6,897,258	5,651,022
Government grants	1,348,805	141,280	1,490,085	1,713,301
Total gifts and grants	4,153,319	4,234,024	8,387,343	7,364,323
Investment income designated for operations	1,106,200	2,822,864	3,929,064	3,720,014
Other income	1,848,892	127,428	1,976,320	1,969,984
Auxiliary enterprises	10,603,285	-	10,603,285	10,655,344
Net assets released from restrictions	3,173,457	(3,173,457)	-	-
Total operating revenues, gains, and other support	42,713,395	4,010,859	46,724,254	45,692,917
Expenses and losses				
Academic and general:				
Instruction and academic services	20,257,445	-	20,257,445	21,216,287
Student services	12,043,001	-	12,043,001	11,138,916
Institutional support	10,068,441	-	10,068,441	9,145,986
Total academic and general	42,368,887	-	42,368,887	41,501,189
Auxiliary enterprises	7,678,193	-	7,678,193	7,723,354
Total expenses and losses	50,047,080	-	50,047,080	49,224,543
Change in net assets from operations	(7,333,685)	4,010,859	(3,322,826)	(3,531,626)
Nonoperating items:				
Investment income in excess of amounts designated for current operations	1,652,756	4,137,368	5,790,124	4,383,055
Change in annuity obligations	-	(121,897)	(121,897)	(103,732)
Post-retirement benefit obligation related changes other than periodic costs	109,696	-	109,696	(310,279)
Net assets released from restrictions related to the capitalization of buildings and equipment	165,352	(165,352)	-	-
Employee retention tax credits (See Note 14)	-	-	-	5,019,967
Total nonoperating items	1,927,804	3,850,119	5,777,923	8,989,011
Change in net assets	(5,405,881)	7,860,978	2,455,097	5,457,385
Net assets at beginning of year	91,608,026	86,803,305	178,411,331	172,552,385
Contributed capital for LLCs (See Note 1)	469,307	-	469,307	401,561
Net assets at end of year	$ 86,671,452	$ 94,664,283	$181,335,735	$178,411,331

See notes to consolidated financial statements.

MUSKINGUM UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2025

	Without donor restrictions	With donor restrictions	Total
Operating revenues, gains, and other support			
Gross tuition and fees	$ 45,127,514	-	$ 45,127,514
Student discounts	(23,144,262)	-	(23,144,262)
Tuition and fees, net	21,983,252	-	21,983,252
Gifts and grants:			
Private gifts and grants	4,145,988	$ 1,505,034	5,651,022
Government grants	1,696,798	16,503	1,713,301
Total gifts and grants	5,842,786	1,521,537	7,364,323
Investment income designated for operations	1,108,316	2,611,698	3,720,014
Other income	1,894,051	75,933	1,969,984
Auxiliary enterprises	10,655,344	-	10,655,344
Net assets released from restrictions	2,579,595	(2,579,595)	-
Total operating revenues, gains, and other support	44,063,344	1,629,573	45,692,917
Expenses and losses			
Academic and general:			
Instruction and academic services	21,216,287	-	21,216,287
Student services	11,138,916	-	11,138,916
Institutional support	9,145,986	-	9,145,986
Total academic and general	41,501,189	-	41,501,189
Auxiliary enterprises	7,723,354	-	7,723,354
Total expenses and losses	49,224,543	-	49,224,543
Change in net assets from operations	(5,161,199)	1,629,573	(3,531,626)
Nonoperating items:			
Investment income (less than) in excess of amounts designated for current operations	1,052,618	3,330,437	4,383,055
Change in annuity obligations	-	(103,732)	(103,732)
Postretirement benefit obligation related changes other than periodic costs	(310,279)	-	(310,279)
Net assets released from restrictions related to the capitalization of buildings and equipment	218,582	(218,582)	-
Employee retention tax credits (See Note 14)	5,019,967	-	5,019,967
Total nonoperating items	5,980,888	3,008,123	8,989,011
Change in net assets	819,689	4,637,696	5,457,385
Net assets at beginning of year	90,386,776	82,165,609	172,552,385
Contributed capital for LLCs (See Note 1)	401,561	-	401,561
Net assets at end of year	$ 91,608,026	$ 86,803,305	$ 178,411,331

See notes to consolidated financial statements.

MUSKINGUM UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
Cash flows from operating activities		
Change in net assets	$ 2,455,097	$ 5,457,385
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	4,361,315	5,032,336
Provision for credit losses	1,824,833	929,491
Net realized and unrealized gains on long-term investments	(1,840,733)	(2,680,951)
Investment return in excess of amount designated for operations	(5,790,124)	(4,383,055)
Private gifts restricted for long-term investment	(740,502)	(909,958)
Pension changes other than periodic pension costs	(109,696)	310,279
Change in operating assets and liabilities:		
Accounts receivable	421,071	(844,925)
Pledges receivable	(1,171,438)	474,365
Accounts payable and other liabilities	(46,708)	260,664
Accrued salaries, vacation and related items	(467,459)	307,452
Student deposits payable and deferred revenue	(151,781)	614,628
Accrued retiree healthcare benefits	(193,261)	(234,104)
Other	(129,372)	(196,210)
Net cash (used in) provided by operating activities	(1,578,758)	4,137,397
Cash flows from investing activities		
Purchase of land, buildings and equipment	(6,885,505)	(4,151,963)
Contributed capital for purchases of land, buildings and equipment	469,307	401,561
Purchase of investments	(17,954,383)	(14,104,124)
Proceeds from sales of investments	19,895,870	11,288,252
Change in student loans receivable	128,103	333,619
Net cash used in investing activities	(4,346,608)	(6,232,655)
Cash flows from financing activities		
Principal payments on notes payable	(636,225)	(724,481)
Investment return in excess of amount designated for operations	5,790,124	4,383,055
Private gifts restricted for long-term investments	740,502	909,958
Change in annuities payable	(14,676)	(23,794)
Net cash provided by financing activities	5,879,725	4,544,738
Net (decrease) increase in cash and cash equivalents	(45,641)	2,449,480
Cash and cash equivalents at beginning of year	5,504,517	3,055,037
Cash and cash equivalents at end of year	$ 5,458,876	$ 5,504,517
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 650,000	$ 576,000

See notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Muskingum University ("Muskingum") is a private not-for-profit educational institution located in New Concord, Ohio. Muskingum is an institution of higher education that offers undergraduate and graduate programs designed to meet the needs of the student body. Muskingum's primary source of revenue is from tuition and auxiliary services from students.

Muskingum is the owner of "MU Student Housing Manager" and "MU Quad Center Management LLC" (collectively, "the LLCs"), which are Ohio limited liability companies established to manage certain properties located on Muskingum's campus. The LLCs themselves have ownership interests in certain other limited liability companies where certain state or federal investors have primary ownership. Muskingum has been determined to be the managing member of these entities, and accordingly, these entities are included within the consolidated financial statements. The amounts contributed by outside investors were approximately $469,000 and $402,000 for the years ended June 30, 2026 and 2025, respectively. Noncontrolling interests in these entities are not significant to the consolidated financial statements.

The consolidated financial statements include the accounts of Muskingum and the LLCs, collectively referred to as "the University."

Basis of Presentation: The accounting policies of the University conform to accounting principles generally accepted in the United States of America ("GAAP") and reflect practices appropriate for a not-for-profit organization. The consolidated financial statements have been prepared on the accrual basis of accounting.

Principles of Consolidation: The accompanying consolidated financial statements include the financial position, change in net assets, and cash flows of the University. All significant intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB"). Under FASB guidance, the University is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the University and changes therein are classified and reported as follows:

> Without donor restrictions: Net assets that are not subject to donor-imposed stipulations or are designated for use by the University's Board of Trustees ("Board").
>
> With donor restrictions: Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions may or will be met either by actions of the University and/or the passage of time. Other donor-imposed restrictions are maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates: The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Cash: Deposits in banks are insured by an agency of the federal government up to $250,000 at June 30, 2026 and 2025. Deposits in banks periodically exceed the insured limits.

Debt Service Reserve Fund: The debt service reserve fund (the “Fund”) represents a sinking cash fund required to be held by the University. The Fund is maintained in order to satisfy certain compliance requirements with the U.S. Department of Agriculture (“USDA”) pertaining to its loan agreement with the University. See Note 8.

Accounts and Student Loans Receivable and Credit Risk: Accounts receivable primarily consist of tuition and fee charges to students, on which interest is periodically charged. Accounts receivable are recorded net of an allowance for credit losses. The University estimates the allowance for credit losses based on historical collection experience, a review of the current aged status of receivables, current economic factors and judgment. Revisions to the allowance for expected credit losses are based on management’s judgment after consideration of facts and circumstances surrounding outstanding accounts and loans receivable. It is reasonably possible that the University’s estimate of the allowance for expected credit losses will change. As of July 1, 2024, the University had accounts and student loans receivable of $6,775,107.

Pledges Receivable: Unconditional promises to give received by the University, less an appropriate allowance for uncollectible pledges, are recorded at their estimated fair value, using the present value of estimated future cash flows. Gifts with donor-imposed restrictions for capital projects are recorded as nonoperating private gifts and grants in the accompanying consolidated statements of activities and changes in net assets.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, with gains and losses included in the consolidated statements of activities and changes in net assets. Investments received by gift are recorded at fair value on the date of the acquisition. Investments in real estate are reported at cost, which the University believes approximates fair value.

Interest and dividends from investments are included in investment income and are recognized when earned. Realized gains and losses on the sale of securities are recognized using the specific identification method at the time of the sale or redemption.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Alternative investments, for which there is no ready market, are valued at fair value as estimated by management. To estimate fair value, management may rely on valuations reported by the general partners of such investments and/or the University's independent investment advisor. Because of the inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of those investments may differ from the values that would have been used had a ready market existed for such investments or if the investments were realized, the differences could be significant. Such investments are, by their nature, generally considered to be long-term investments and are not intended to be liquidated on a short-term basis.

Land, Buildings and Equipment: Land, buildings and equipment, including equipment under finance leases, are stated at cost or fair value of the properties if acquired by gift. Repairs and maintenance are expensed as incurred, and the University's capitalization policy states that items with costs greater than $5,000 are capitalized. The University recognizes depreciation on a straight-line basis over the estimated useful life for each major category of assets. These estimated useful lives by major category are summarized as follows:

Land improvements	10 years
Building and building improvements	10 to 40 years
Equipment	3 to 10 years

The carrying value of the University's long-lived assets is reviewed to determine if facts or circumstances suggest that the assets may be impaired or that the remaining useful depreciable life may need to be changed. The University considers internal and external factors related to each asset, including the future asset utilization and business climate. If these factors indicate that the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value, if less than book value. As of June 30, 2026 and 2025, management believes that no impairments existed.

Interest cost during construction is capitalized as part of the cost of capital projects. For the years ended June 30, 2026 and 2025, capitalized interest costs were not significant to the consolidated financial statements.

Annuities Payable: The University has received annuity gifts whereby the donors have contributed assets to the University in exchange for the right to receive a fixed-dollar annual return during their lifetimes.

The fair value of the annuity gift over the present value of the liability for future payments, determined on an actuarial basis, has been recognized as a restricted contribution at the date of the gift. The liabilities are adjusted during the term of the annuities for changes in the estimated future liabilities. These changes are recognized in the consolidated statements of activities and changes in net assets as the change in annuity obligations.

Student Deposits Payable and Deferred Revenue: Student deposits payable and deferred revenue include amounts received for tuition and fees prior to the end of the fiscal year that relate to the subsequent accounting period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U.S. Government Grants Refundable: The University administers a federally funded Perkins Loan Program ("Perkins Program") for the benefit of its students. This liability represents the amount that would be returned to the federal government upon termination of the program. The Perkins Program has expired. The University is not required to assign the outstanding loans to the U.S. Department of Education ("ED") or liquidate their Perkins Loan revolving funds due to the wind-down of the Perkins Loan Program; however, the University may choose to liquidate at any time in the future. As of June 30, 2026, the University continues to service the Perkins Program and has assigned certain loans to ED in accordance with their requirements.

Revenues from Contracts with Customers: Revenues reported on the consolidated statements of activities and changes in net assets that were derived from contracts with customers include net tuition and fees and auxiliary enterprises. Revenues from gifts and grants, investment income and other income are not derived from contracts with customers and, therefore, are outside of the scope of FASB Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("Topic 606").

The University generates revenue from contracts with customers from two primary sources: tuition and fees; and room and board. Other sources of revenue from contracts with customers include bookstore, student center and other income. The provisions of Topic 606 are applied by the University on an individual contract basis. As a practical expedient, the University applies Topic 606 to a portfolio of contracts with similar characteristics for the tuition and fees and room and board revenue streams. The University expects that the effects of applying this guidance to the portfolios would not significantly differ from applying the guidance to the individual contracts within the portfolio.

Tuition and fees revenue is presented separately on the consolidated statements of activities and changes in net assets under its own caption and is derived from delivering academic programs to students. Tuition and fees are recognized over time as the academic programs are delivered to students, because the students simultaneously receive and consume the benefits provided by the University as it satisfies the performance obligation. Institutional scholarships and other student aid reduce the amount of revenue recognized. At the beginning of each academic term, there is a period in which students may adjust their course load or withdraw completely. Refunds issued to students reduce the amount of revenue recognized and are recorded as they occur and become known. Payments for tuition and fees are due approximately four to six weeks prior to the start of the academic term.

Payments for academic programs that extend past June 30, 2026 and 2025, respectively, represent contract liabilities and are recognized over time and are included in student deposits payable and deferred revenue on the consolidated statements of financial position as of June 30, 2026 and 2025. Those amounts as of July 1, 2024 were $3,001,753.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Room and board revenue is presented on the consolidated statements of activities and changes in net assets as part of auxiliary enterprises and is derived from providing on-campus lodging and meal plans to students enrolled in academic programs. Room and board is recognized over time as the lodging services and meal plans are delivered to enrolled students, because the students simultaneously receive and consume the benefits provided by the University as it satisfies the performance obligation. Payments for room and board services are due approximately four to six weeks before the living arrangements commence. Payments for room and board that extend past June 30, 2026 and 2025, respectively, are recognized over time and are included in student deposits payable and deferred revenue on the consolidated statements of financial position at June 30, 2026 and 2025.

At June 30, 2026 and 2025, the remaining performance obligations are the delivery of summer academic programs under the tuition and fees revenue stream, and the delivery of lodging and meal plans under the room and board revenue stream. The University applies the practical expedient in FASB ASC 606-10-50-14 and, therefore, does not disclose further information about remaining performance obligations that have original expected durations of one year or less.

The timing and the satisfaction of performance obligations were determined through careful analysis of the timing of when control of goods or services is transferred. Most performance obligations are satisfied over time as customers simultaneously receive and consume the benefits provided by the University's performance as it satisfies performance obligations. The transaction price is determined through Board-approved tuition and room and board rates.

Contributions: Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values.

Federal Income Tax: Muskingum has been determined to be exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 (the "Code"), as an organization described in Sections 501(c)(3) and 170(b)(l)(A)(ii) of the Code.

The LLCs are organized as limited liability companies. Under the provisions of the Code and similar state provisions, the LLCs are considered to be disregarded entities and not taxed. Under the provisions, the University reflects its proportionate share of the taxable income or loss on its tax returns.

GAAP prescribes recognition thresholds and measurement attributes for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if a tax position is more likely than not to be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management has concluded that it is unaware of any tax benefits or liabilities to be recognized at June 30, 2026 and 2025.

The University would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The University has no amounts accrued for interest or penalties for the years ended June 30, 2026 and 2025. The University does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The University is no longer subject to examination of its tax returns for years prior to 2023.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses: The costs of supporting the various programs and other activities have been summarized on a functional basis and natural classification in Note 13. Certain costs have been allocated among program and support categories based on the proportion of expenses in each category prior to the allocation.

Fair Value of Financial Instruments: Cash, accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments. Student loans receivable are not readily marketable. The University has estimated their fair value to be the carrying value. Pledges receivable approximate fair value because of the present value discount included in the carrying amount. Assets held in trust by others approximate fair value because the receivables are based upon the fair value of the assets carried in the applicable trusts. Investments are carried at fair value based upon quoted market prices. The carrying amount of the annuity liabilities approximates fair value based on life expectancies and the present value discount. The carrying value of accrued liabilities and deferred revenue approximates fair value due to the short-term nature of the obligations. The carrying value of notes payable approximates fair value due to the rates the University could obtain in the current market. The carrying values of all of the University's financial instruments approximated their fair values or net asset values at June 30, 2026 and 2025.

Subsequent Events: Subsequent events are defined as events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are issued or are available to be issued. Management has evaluated subsequent events through October 23, 2026, the date that the consolidated financial statements were issued.

Recent Accounting Pronouncements - In July 2025, the FASB issued Accounting Standards Update ("ASU") No. 2025-05, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets. The ASU provides a practical expedient and, if applicable, an accounting policy election to simplify the measurement of credit losses for certain receivables and contract assets. The ASU is effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted in any interim or annual period in which financial statements have not yet been issued or made available for issuance. The University has evaluated the impact of this ASU and does not believe that it will have a significant impact on the University's consolidated financial statements.

NOTE 2 - FINANCIAL ASSETS AND LIQUIDITY

The following table reflects the University's financial assets and liquidity resources as of June 30, respectively, reduced by amounts not available for general expenditures within one year.

	2026	2025
Financial Assets:		
Cash and cash equivalents	$ 5,028,064	$ 5,181,324
Debt service reserve fund	430,812	323,193
Student loans and accounts receivable	4,302,014	6,519,602
Pledges receivable	2,580,964	1,565,945
Investments	99,588,916	100,588,689
Assets held in trust by others	4,907,785	4,008,766
Financial Assets, at year-end	116,838,555	118,187,519
Less those not available for general expenditures within one year:		
Debt service reserve fund	(430,812)	(323,193)
Student loans and accounts receivable collectible beyond one year	(2,028,458)	(3,262,320)
Pledges receivable collectible beyond one year	(1,646,215)	(1,025,293)
Donor-restricted pledges receivable, collectible within one year	(870,873)	(454,985)
Donor-restricted funds	(81,345,240)	(76,653,496)
Board-designated endowment funds	(21,623,276)	(26,542,772)
Add:		
Board-approved appropriation from the University's endowment	3,929,064	3,720,014
Financial assets and liquidity resources available to meet cash needs for general expenditures within one year	$ 12,822,745	$ 13,645,474

As part of the University's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the University invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the University has an unsecured line of credit in the amount of $5,000,000 which it could draw upon. Additionally, the University has a Board-designated endowment of $21,623,276 and $26,542,772 as of June 30, 2026 and 2025, respectively. Although the University does not intend to spend from its Board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its Board-designated endowment could be made available if necessary.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are summarized as follows at June 30:

	2026	2025
Unconditional promises expected to be collected in:		
Less than one year, including past due	$ 1,061,928	$ 615,540
One year to five years	1,738,231	951,009
Over five years	186,518	248,690
	2,986,677	1,815,239
Less: Unamortized discount and allowance for doubtful pledges	405,713	249,294
	$ 2,580,964	$ 1,565,945

The amounts are recorded at the net present value of future cash flows based on discount rates ranging from 0.3% to 4.3%.

As of June 30, 2026 and 2025, approximately $717,000 and $756,000, respectively, of pledges receivable are due from members of the University's Board.

Fundraising costs incurred for the years ended June 30, 2026 and 2025 amounted to approximately $775,000 and $774,000, respectively.

NOTE 4 - INVESTMENTS

At June 30, the University's investments are composed of the following:

	2026	2025
Mutual funds:		
Short-term	$ 2,656,356	$ 1,941,896
Equity	27,487,237	34,179,253
Bond	21,453,721	21,087,606
Hedge funds - funds of funds	4,345,660	3,338,459
Private equity funds	42,673,894	39,069,427
Real estate	972,048	972,048
	$ 99,588,916	$ 100,588,689

NOTE 4 - INVESTMENTS (Continued)

Total investment return and its classification in the consolidated statements of activities and changes in net assets for the years ended June 30 are summarized as follows:

	2026	2025
Dividends and interest, net	$ 2,088,331	$ 1,039,063
Net realized and unrealized gains	7,630,857	7,064,006
Total return on investments	9,719,188	8,103,069
Investment return designated for operations	(3,929,064)	(3,720,014)
Investment income in excess of amounts designated for current operations	$ 5,790,124	$ 4,383,055

FASB guidance defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the University's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). The fair value of the University's short-term investments, which are composed of money market accounts, is estimated to approximate deposit account balances, as no discounts for credit quality or liquidity were applied (market approach) (Level 2 inputs).

For other investments for which there is no active market, generally referred to as "alternative investments," the University uses other methods for valuing these securities. The fair values of the University's hedge fund investments have been estimated using the net asset value ("NAV") per share of the investment, or its equivalent. The University's private equity fund investments were valued using the equivalent of net asset value per share, which includes an ownership interest in partners' capital to which a proportionate share of net assets is attributed for each of these funds. Investments using net asset value per share (or its equivalent) as a fair value expedient have not been classified in the fair value hierarchy. These investments are presented as NAV in the following tables to permit reconciliation of the fair value hierarchy table to the total investments at fair value presented in the consolidated statements of financial position.

NOTE 4 - INVESTMENTS (Continued)

Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility. This includes the University's investments in hedge funds of funds and private equity funds.

The hedge funds are invested with managers whose strategies are to generate equity-like returns with substantially reduced volatility over a full market cycle. These funds can be redeemed only quarterly with 90 days' notice provided by the University. The hedge funds in this category have no unfunded commitments.

Private equity funds are invested with 19 managers. These funds invest in private equity funds, investment partnerships, stakes in listed companies, and private real estate funds with the strategy to achieve long-term capital appreciation. Funds are invested both inside and outside the United States. Redemption policies of these private equity fund investments do not allow the University to withdraw any portion of its capital accounts prior to the termination of the funds. These funds are expected to terminate from one to 12 years from the University's June 30, 2026 fiscal year-end. The University's participation in the private equity investment partnerships has investment commitment levels of $52,207,000, with $11,076,000 remaining as of June 30, 2026.

Real estate is valued by the University based upon the original acquisition cost.

The fair value of beneficial interests in assets held by others is based on quoted prices of the underlying assets that are held by trustees. Due to restrictions on these assets that do not allow the University redemption rights, fair value is deemed to be based on Level 3 inputs.

Assets Measured on a Recurring Basis

Assets measured at fair value on a recurring basis at June 30 are summarized below:

	2026			
	Level 1	Level 2	Level 3	NAV
Mutual funds - short-term	$ 2,656,356	-	-	-
Mutual funds - equity	27,487,237	-	-	-
Mutual funds - bond	21,453,721	-	-	-
Hedge funds - funds of funds	-	-	-	$ 4,345,660
Private equity funds	-	-	-	42,673,894
Real estate	-	-	$ 972,048	-
Beneficial interest in assets held by others	-	-	4,907,785	-

NOTE 4 - INVESTMENTS (Continued)

	2025			
	Level 1	Level 2	Level 3	NAV
Mutual funds - short-term	$ 1,941,896	-	-	-
Mutual funds - equity	34,179,253	-	-	-
Mutual funds - bond	21,087,606	-	-	-
Hedge funds - funds of funds	-	-	-	$ 3,338,459
Private equity funds	-	-	-	39,069,427
Real estate	-	-	$ 972,048	-
Beneficial interest in assets held by others	-	-	4,008,766	-

The University reclassified on its investments totaling approximately $1,681,000 and $1,782,000 as of June 30, 2026 and 2025, respectively, from Level 1 to NAV based upon clarification of the investment holding. This change was reflected as of June 30, 2025 for comparative presentation.

NOTE 5 - FINANCING RECEIVABLES

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs, other loan programs or institutional resources. At June 30, student loans consisted of the following:

	2026	2025
Federal government program	$ 93,653	$ 184,745
Institutional and other	5,047,588	5,084,599
	5,141,241	5,269,344
Less - Allowance for credit losses:		
Beginning of year	(2,007,024)	(1,789,782)
Increases	(1,109,967)	(221,644)
Write-offs	4,208	4,402
End of year	(3,112,783)	(2,007,024)
Student loans receivable, net	$ 2,028,458	$ 3,262,320

The University participates in the Perkins Program, which is a revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loans and a decrease in the liability to the government.

NOTE 5 - FINANCING RECEIVABLES (Continued)

Allowances for credit losses are established based on prior collection experience and current economic factors, which, in management's judgment, could influence the ability of loan recipients to repay the amounts per loan terms. Institutional and other loan balances are written off only when they are deemed to be permanently uncollectible.

NOTE 6 - ASSETS HELD IN TRUST BY OTHERS

The University has been designated as a beneficiary for certain assets held in trust by others. The fair value of these assets and the net realized and unrealized gains or losses are recorded in the with donor restrictions net asset class. The fair value represents the quoted prices of the trust assets held by trustees adjusted for the University's pro-rata share of the trust income. Investment income received from these trusts, recorded as interest and dividends was $899,000 and $192,000 in 2026 and 2025, respectively.

NOTE 7 - LAND, BUILDINGS AND EQUIPMENT

As of June 30, land, buildings and equipment consisted of the following:

	2026	2025
Land and improvements	$ 11,712,039	$ 11,518,639
Buildings and building improvements	149,886,085	148,325,753
Equipment	19,890,509	18,295,836
	181,488,633	178,140,228
Less accumulated depreciation	84,762,920	80,401,604
	96,725,713	97,738,624
Construction in progress	4,053,852	516,751
	$ 100,779,565	$ 98,255,375

Depreciation expense totaled approximately $4,361,000 and $5,032,000 for 2026 and 2025, respectively.

Contractual commitments remaining under ongoing construction projects approximated $4,617,000 at June 30, 2026.

NOTE 8 - NOTES PAYABLE

The University entered into a loan agreement during 2013 with the proceeds used to refinance an existing note, originally used to fund renovations to a residence facility. Repayment on this note is made in monthly installments of $10,245 plus interest at the Secured Overnight Financing Rate ("SOFR") plus 1.70%, maturing in 2029. The interest rate at June 30, 2026 and 2025 was 5.34% and 6.15%, and the balance outstanding was approximately $1,426,000 and $1,549,000, respectively.

NOTE 8 - NOTES PAYABLE (Continued)

The University entered into a loan agreement with the USDA with the proceeds to be used for the construction of the Henry D. Bullock Health & Wellness Complex ("HBHWC"). Repayment will be made monthly over a term of 40 years at a fixed interest rate of 2.13%. Repayment began in November 2022 at approximately $90,000 per month. The University has pledged, assigned, conveyed, transferred, granted and ratified to the trustee a first-priority mortgage on the majority of the University's buildings through a Master Indenture. The balance outstanding at June 30, 2026 and 2025 was approximately $26,163,000 and $26,676,000, respectively. Pursuant to the University's loan agreement with the USDA, the University has maintained a debt service reserve fund ("Fund") that was approximately $431,000 and $323,000 as of June 30, 2026 and 2025, respectively. The University is required to deposit 10% of its annual loan installment each year into the Fund. The University is required to make these deposits until the Fund accumulates a balance that equals one annual loan installment, which is approximately $1,075,000.

Required future annual principal and interest payments on the notes as of June 30, 2026 are summarized as follows:

	Principal	Interest	Total
2027	$ 647,239	$ 627,063	$ 1,274,302
2028	658,490	609,244	1,267,734
2029	669,982	591,183	1,261,165
2030	681,721	572,876	1,254,597
2031	693,711	554,317	1,248,028
Thereafter	24,237,371	8,630,576	32,867,947
Total	$ 27,588,514	$ 11,585,259	$ 39,173,773

The University entered into an amended line-of-credit agreement in June 2026, for which the University has $5,000,000 available bearing interest at SOFR plus 1.85% and is unsecured. There were no outstanding borrowings as of June 30, 2026 or 2025. The interest rate at June 30, 2026 and 2025 was 5.49% and 5.72%, respectively. The line of credit expires in June 2027.

The University's long-term debt arrangements include certain covenant provisions with which the University is in compliance.

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions as of June 30 comprise the following:

	2026	2025
Undesignated	$ 65,048,176	$ 65,065,254
Designated by the Board for Endowment	21,623,276	26,542,772
	$ 86,671,452	$ 91,608,026

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	2026	2025
Subject to expenditure for specified purpose:		
Scholarships	$ 1,955,262	$ 1,697,176
Academic, student and athletic programs	4,111,310	4,349,914
Land, buildings and equipment	5,594,872	2,573,870
Student loans	1,657,599	1,528,849
	13,319,043	10,149,809
Endowments:		
Subject to appropriation and expenditure when a specified event occurs	31,063,391	28,291,923
Original value of gift is to be retained in perpetuity:		
Endowment - scholarships and operations	47,912,565	46,273,044
Annuity and life income funds	2,369,284	2,088,529
	81,345,240	76,653,496
Total Net Assets With Donor Restrictions	$ 94,664,283	$ 86,803,305

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from restrictions for the following purposes during the years ended June 30:

	2026	2025
Satisfaction of purpose restrictions		
Distributions for scholarships and other program expenses	$ 3,173,457	$ 2,579,595
Additions of land, buildings and equipment	165,352	218,582
	$ 3,338,809	$ 2,798,177

NOTE 11 - BENEFIT PLANS

The University contributed $974,000 and $1,038,000 during the years ended June 30, 2026 and 2025, respectively, to Teachers Insurance and Annuity Association and College Retirement Equities Funds, a recognized retirement plan for educational institutions. The plan covers substantially all academic and nonacademic personnel who meet certain eligibility requirements. The contributions made by the University are based on a percentage of each participant's salary. In addition, some academic and nonacademic personnel also make voluntary contributions to the plan.

The University provides certain healthcare benefits for retired employees. For retirees employed prior to September 1, 1995, the University contributes a portion of the cost of these benefits based on employment date, years of service and other criteria. Those whose employment began after September 1, 1995 may participate in the healthcare benefits at the retiree's expense.

The following table sets forth the funded status and amounts recognized in the consolidated statements of financial position at June 30:

	2026	2025
Accumulated benefit obligation:		
Accumulated benefit obligation	$ (2,456,572)	$ (2,759,529)
Fair value of plan assets	-	-
	$ (2,456,572)	$ (2,759,529)

NOTE 11 - BENEFIT PLANS (Continued)

The following table sets forth the activities related to this obligation for the years ended June 30:

	2026	2025
Accrued benefit cost		
Beginning of year balance	$ (2,759,529)	$ (2,683,354)
Interest cost	(140,432)	(140,488)
Service cost	(8,354)	(2,203)
Net periodic cost	(148,786)	(142,691)
Employer benefit payments	263,484	258,860
Post-retirement benefit obligation related changes other than periodic cost	188,259	(192,344)
Accrued postretirement liability recognized in the consolidated statement of financial position	$ (2,456,572)	$ (2,759,529)

The post-retirement healthcare costs for the year ended June 30, 2027 are expected to be $44,502. Contributions expected to be made next year are approximately $244,000. There is not expected to be any amortization of prior service costs for the year ended June 30, 2027. The amount of the prior service cost and the net gain or loss that has been recognized in net assets but not as a component of post-retirement benefit cost is approximately $1,461,000 and $1,351,000 at June 30, 2026 and 2025, respectively.

Assumptions used to determine the benefit obligations were as follows at June 30:

	2026	2025
Discount rate	5.45%	5.35%
Healthcare cost trend rate:		
Initial	8.00%	8.00%
Ultimate	4.00%	4.00%

Assumptions used to determine the net periodic postretirement benefit cost were as follows at June 30:

	2026	2025
Discount rate	5.35%	5.45%
Healthcare cost trend rate:		
Initial	8.00%	7.50%
Ultimate	4.00%	4.00%

NOTE 11 - BENEFIT PLANS (Continued)

Future net benefit payments are projected as follows:

Year	Amount
2027	$ 243,594
2028	239,901
2029	247,777
2030	219,866
2031	215,950
2032-2036	910,751

NOTE 12 - ENDOWMENT COMPOSITION

The University's endowment consists of mutual funds, held primarily at Park National Bank, as well as hedge and private equity funds held with other investment managers. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2026:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	-	$ 74,068,171	$ 74,068,171
Board-designated funds	$ 21,623,276	-	21,623,276
Assets held in trust by others	-	4,907,785	4,907,785
Total funds	$ 21,623,276	$ 78,975,956	$ 100,599,232

NOTE 12 - ENDOWMENT COMPOSITION (Continued)

Endowment net asset composition by type of fund as of June 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	-	$ 70,556,201	$ 70,556,201
Board-designated funds	$ 26,542,772	-	26,542,772
Assets held in trust by others	-	4,008,766	4,008,766
Total funds	$ 26,542,772	$ 74,564,967	$ 101,107,739

Changes in endowment net assets for years ended June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, June 30, 2024	$ 25,572,667	70,459,411	96,032,078
Investment return, net	2,078,421	5,807,296	7,885,717
Contributions	-	909,958	909,958
Appropriation of endowment assets for expenditure	(1,108,316)	(2,611,698)	(3,720,014)
Endowment assets, June 30, 2025	26,542,772	74,564,967	101,107,739
Investment return, net	2,086,704	6,493,351	8,580,055
Contributions	-	740,502	740,502
Appropriation of endowment assets for expenditure	(1,106,200)	(2,822,864)	(3,929,064)
Appropriation of Board-designated endowment assets for expenditure	(5,900,000)	-	(5,900,000)
Endowment assets, June 30, 2026	$ 21,623,276	$ 78,975,956	$ 100,599,232

During 2025, the University, with approval from the Board of Trustees, appropriated $5.9 million from the Board-designated endowment fund earmarked for operating and restructuring costs. Additional funds from the Board-designated endowment could be made available if necessary.

NOTE 12 - ENDOWMENT COMPOSITION (Continued)

Interpretation of UPMIFA: The Board of the University has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of 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 net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

Return Objectives and Risk Parameters: The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to achieve a rolling five-year total return that exceeds the combined rate of inflation and the risk-free rate by an ongoing amount ranging from 3% to 5%, which is assumed to be the risk premium. The strategic asset allocation ranges are meant to establish the outer bounds of acceptable investment risk while affording flexibility for the Investment Committee to manage risk on a tactical basis. The long-term goal is to achieve a superior total return, on a rolling five-year basis, compared to a blended benchmark comprised of appropriate asset class indices derived from the strategic asset allocation.

Strategies Employed for Achieving Objectives: The purpose of the Endowment Fund is to facilitate donors' desires to make substantial long-term gifts to the University and to develop a significant source of revenue for the University. Two specific long-term investment objectives have been identified for the Endowment Fund, which include (1) To preserve and grow the real (inflation adjusted) market value of the assets through a prudent long-term investment strategy, and (2) to generate real asset growth at least equal to the total annual spend (program spending plus administrative costs) over the long-term, in order to provide a significant, stable flow of resources to support institutional operations in line with endowment spending needs.

NOTE 12 - ENDOWMENT COMPOSITION (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy: The University uses a total return investment management policy to determine endowment spending. The University has adopted a policy that utilizes an amount of up to 4.5% of the prior five-year quarterly average market value of the endowment fund. The actual effective spending rate for fiscal 2026 and 2025 was 4.23% and 4.19%, respectively. This total return concept allows a portion of accumulated unrealized and realized capital gains to be used for current operations.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. The University has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Such deficiencies were not significant as of June 30, 2026 and 2025. These deficiencies resulted from unfavorable market fluctuations.

NOTE 13 - FUNCTIONAL EXPENSES

Expenses by functional and natural classification for the years ended June 30 consist of the following:

	2026				
	Instructional And Academic Services	Student Services	Institutional Support	Auxiliary	Total
Salaries	$ 8,901,947	$ 4,311,618	$ 3,258,126	-	$ 16,471,691
Benefits	2,958,333	1,504,291	1,525,216	-	5,987,840
Depreciation	1,905,022	1,170,141	59,750	$ 1,226,402	4,361,315
Interest	-	-	-	650,068	650,068
Facilities operation and maintenance	2,674,506	1,266,072	37,489	767,331	4,745,398
Food services	-	-	-	3,545,736	3,545,736
Other	3,817,637	3,790,879	5,187,860	1,488,656	14,285,032
Total	$ 20,257,445	$ 12,043,001	$ 10,068,441	$ 7,678,193	$ 50,047,080

NOTE 13 - FUNCTIONAL EXPENSES (Continued)

	2025				
	Instructional And Academic Services	Student Services	Institutional Support	Auxiliary	Total
Salaries	$ 11,249,309	$ 4,470,012	$ 2,665,296	-	$ 18,384,617
Benefits	2,726,308	1,317,317	1,726,535	-	5,770,160
Depreciation	2,198,124	1,350,176	68,943	$ 1,415,093	5,032,336
Interest	-	-	-	575,506	575,506
Facilities operation and maintenance	2,355,360	1,114,993	33,015	675,766	4,179,134
Food services	-	-	-	3,480,074	3,480,074
Other	2,687,186	2,886,418	4,652,197	1,576,915	11,802,716
Total	$ 21,216,287	$ 11,138,916	$ 9,145,986	$ 7,723,354	$ 49,224,543

NOTE 14 - GOVERNMENT GRANTS

The University participates in Government Student Financial Assistance Programs (“Title IV”) administered by ED for the payment of student tuitions. Substantial portions of the revenue and collection of accounts receivable as of June 30, 2026 and 2025 are dependent upon the University's continued participation in the Title IV programs. Institutions participating in Title IV programs are required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score less than 1.5 are subject to additional monitoring and may be required to submit financial guarantees in order to continue participation in the Title IV programs. As of and for the years ended June 30, 2026 and 2025, the University’s composite score was above 1.5.

Government Activity of the Federal Pell Grant Program is not reflected in the University’s consolidated statements of activities and changes in net assets. Students received $3,482,000 and $4,046,000 from the Federal Pell Grant Program during the years ended June 30, 2026 and 2025, respectively.

In a prior year, the University applied for approximately $4,652,000 of Employee Retention Tax Credits (“ERTC” or “ERTCs”), which are credits against certain payroll taxes allowed to an eligible employer for qualifying wages, as established by the C.A.R.E.S. Act and further amended by additional legislation. The ERTC provided qualifying employers up to $5,000 of credit for each employee based on certain wages paid after March 12, 2020, and before January 1, 2021. Subsequent legislation increased the credit for each employee to $7,000 per calendar quarter after December 31, 2020, through September 30, 2021. During the year ended June 30, 2025, the University received $5,020,000, inclusive of interest income, once the ERTCs were approved by the Small Business Administration and awarded to the University. This amount was recorded as a component of nonoperating on the consolidated statement of activities and changes in net assets for the year ended June 30, 2025, when the University met the barriers and conditions for recognition. No additional funds were received during the year ended June 30, 2026.

NOTE 15 - OTHER COMMITMENTS AND CONTINGENCIES

Amounts received and expended by the University under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the consolidated financial statements of the University.

The University is involved in other claims and legal actions arising in the course of operations. In the opinion of management, upon consultation with legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the University's consolidated financial statements.

In December 2022, the University entered into a solar power purchase agreement with a related party that has an initial term of 16 years, under which, the University has committed to purchase all of the electricity generated by the system at a rate of $0.11 per kilowatt hour ("kWh") for the first year. The rate per kWh will increase by 0.5% each contract year thereafter. The seller of the electricity generated from the system is contractually obligated to operate and maintain the system for the University.

NOTE 16 - RELATED-PARTY TRANSACTIONS

Members of the Board, officers and employees are subject to the University's written conflict-of-interest policy that requires annual disclosures from members of the Board, senior management and other employees of any actual or potential conflicts of interest, including business employment relationships or significant financial interest in businesses with which the University conducts business. Additionally, as described within Note 3, certain pledges to the University are received annually from Board members. All such business activity is conducted in accordance with the University's normal business practices. No other such relationships have been identified that are considered significant to the consolidated financial statements and require disclosure in accordance with GAAP, except as otherwise disclosed within the footnotes to the consolidated financial statements.