

American University

Consolidated Financial Statements
For the years ended June 30, 2024 and 2023
And report of independent auditors



In performing an audit in accordance with US GAAS, we:

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American University
Consolidated Statements of Financial Position
Years ended June 30, 2024 and 2023

(In thousands)	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 24,247	136,363
Accounts and University loans receivable, net	47,586	37,992
Contributions receivable, net	23,892	27,724
Prepaid expenses, inventory and other assets	42,558	33,608
Investments	1,437,114	1,284,353
Property, plant, and equipment, net	860,681	854,979
Interest in perpetual trust	23,654	23,374
Right of use assets under operating leases	4,429	4,817
Right of use assets under finance leases	85	120
Total assets	<u>\$ 2,464,246</u>	<u>\$ 2,403,330</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 66,028	87,046
Deferred revenue and contract liabilities	40,359	40,583
Notes payable and long-term debt	748,450	748,759
Refundable advances from the U.S. government	2,722	2,750
Operating lease liabilities	4,256	4,604
Finance lease liabilities	114	144
Total liabilities	<u>\$ 861,929</u>	<u>\$ 883,886</u>
Net assets:		
Without donor restrictions	\$ 1,244,695	\$ 1,189,973
With donor restrictions	357,622	329,471
Total net assets	<u>\$ 1,602,317</u>	<u>\$ 1,519,444</u>
Total liabilities and net assets	<u>\$ 2,464,246</u>	<u>\$ 2,403,330</u>

See accompanying notes to the consolidated financial statements

American University
Consolidated Statement of Activities
Year ended June 30, 2024

(In thousands)	Without donor restrictions	With donor restrictions	Total
Operating revenues and support Tuition and fees	\$ 434,132	\$ -	\$ 434,132

See accompanying notes to the consolidated financial statements

American University
Consolidated Statement of Activities
Year ended June 30, 2023

(In thousands)	Without donor restrictions	With donor restrictions	Total
Operating revenues and support Tuition and fees	\$ 441,069	-	

See accompanying notes to the consolidated financial statements

American University
Consolidated Statements of Cash Flows
Years ended June 30, 2024 and 2023

(In thousands)	2024	2023
Cash flows from operating activities		
Increase in net assets	\$ 82,873	52,966
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Contributed art and property	(767)	(481)
Net realized and unrealized capital gain	(109,738)	(79,589)
Loss (gain) on the disposal of fixed assets	88	(872)
Depreciation, amortization and accretion	38,691	39,659
Amortization of operating lease right-of-use assets	2,967	3,118
Interest on finance lease	37	44
Changes in assets and liabilities		
(Increase) decrease in accounts and university loans receivable, net	(9,615)	345
Decrease (increase) in contributions receivable, net	3,832	(7,318)
Increase in prepaid expenses, inventory, and other assets	(10,862)	(13,239)
(Decrease) increase in accounts payable and accrued liabilities	(28,907)	5,284
Decrease in deferred revenue, deposits and other refundable advance	(252)	(3,765)
Decrease in operating lease liabilities	(2,927)	(3,140)
Receipt of contributed securities	(2,795)	(1,266)
Sale of contributed securities	2,795	1,266
Contributions collected and revenues restricted for long-term investment	(14,692)	(10,332)

See accompanying notes to the consolidated financial statements

American University
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

1. American University

American University (the University) is an independent, coeducational university located on an 85-acre campus in northwest Washington, D.C. It was chartered by an Act of Congress in 1893 (the Act). The Act

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June 30, 2024 and 2023

is restricted by explicit donor stipulations or by law. Expirations of restrictions related to time or purpose

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June 30, 2024 and 2023

aggregate balances were in excess of the insurance coverage and, therefore, bear some risk since they are not collateralized. The University has not experienced any losses on its cash and cash equivalents or investments to date as it relates to FDICA and SIPC insurance limits.

Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprises' sales and services, loans receivable primarily related to donor-structured loans and federal student financial aid programs including the corresponding accrued interest, and amounts due from the state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Receivables are recorded net of estimated uncollectible amounts. The University reviews the individual receivables as well as the history of collectability to determine the collectible amount as of the date of the consolidated statement of financial position. Additionally, unsecured and secured university loan receivables are evaluated annually.

Investments

Investments are presented at fair value in the consolidated statement of financial position. Investments include endowment funds and university working capital (non-endowment) funds. Endowment investment return included in operating revenues consists of amounts allocated for spending of endowment funds in accordance with the University's spending policy. The realized gains and losses, and the change in unrealized gains and losses are calculated using the average cost of investments. Gains and losses from investments of endowment funds are reported as non-operating revenues in the consolidated statements of activities. Endowment investment return includes both the pooled endowment and separately managed endowments. The return is reported in endowment investment return and investment return net of endowment spending in the statement of activities. Investment return is accrued as earned and is reported net of management fees. Income and realized gains and losses on investments of working capital are reported as investment return included in operating revenues. Additionally, the University has elected the policy that all cash equivalents included within the investment portfolio are short-term investments and thus not included within cash and cash equivalents on the consolidated statement of cash flows.

Investments are valued based on the quoted market price when available. The University has interests in alternative investments consisting of limited partnerships and limited liability companies. For these alternative investments, the University uses Net Asset Value ("NAV") as a practical expedient to determine fair value. Alternative investments are less liquid than the University's other investments. Furthermore, the investments held in these limited partnerships and limited liability companies, as well as certain investment securities held in mutual funds classified as equity securities, may include derivatives and certain private investments which do not trade on public markets and therefore may be subject to greater liquidity risk. See Note 7 for an explanation of the methodology for determining fair value.

Property, Plant, and Equipment, Net

Property, plant, and equipment are stated at cost or date of acquisition or at estimated fair value if acquired by gift including interest capitalized on related borrowings during the period of construction, less accumulated depreciation. Certain costs associated with the financing of plant assets are deferred and

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Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

Deferred Revenue and Contract Liabilities

Deferred revenue and contract liabilities consist of amounts received by the University for tuition, housing and student fees, and exchange transactions with business before the commencement of the contract terms or the performance obligations are satisfied. Deferred revenue related to tuition, housing, and student fees was \$22.1 million and \$23.8 million on June 30, 2024, 2023, respectively, and are recognized as revenue in the following fiscal year as performance obligations are satisfied. Contract liabilities from exchange transactions were approximately \$1.1 million and \$15.3 million on June 30, 2024, and 2023, respectively, and are recognized as revenue when the performance obligations are satisfied, typically in the following fiscal year.

Refundable Advances from the U.S. Government

Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students. The Federal Perkins Loan program was not reauthorized by the federal government in September 2017, and therefore, collected funds will be turned to the United States Government and the University proportionate to their original funding. Such funds are ultimately refundable to the government. Per Department of Education guidance, the University completed assigning Perkins loans to the Department of Education. During fiscal years ended June 30, 2024 and 2023, \$21 thousand and \$2.5 million were assigned to the Department of Education.

Tuition, Fees and Scholarships

The University recognizes revenues from student tuition and fees within the fiscal year in which educational services are provided, and the performance obligations are satisfied. Students are billed upon registration, and payment is due before the start of the term.

Tuition discounts in the form of scholarships and fellowships, including those funded by the endowment, research funds, and gifts, have been reported as a reduction of tuition revenues.

Approximately 32% and 34% of tuition and fees revenue for the years ended June 30, 2024 and 2023, respectively, was funded by federal student financial aid programs (including loan, grant, and work-study programs).

Tuition and fees revenue is as follows for the years ended June 30, 2024 and 2023 (in thousands):

	2024	2023
Tuition and fees, gross	\$ 637,975	\$ 641,512
Less: Scholarship allowance	(203,843)	(200,443)
Tuition and fees	<u>\$ 434,132</u>	<u>\$ 441,069</u>

Grants and Contracts

The University receives grants and contracts revenue from various governmental and private sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided for the benefit of the University, the funding organization's mission, or the public at large. The University considers the majority of its grants and contracts from governmental sources and private foundations to be nonreciprocal conditional contributions. The University recognizes revenues associated with these grants and contracts as the related costs are incurred in accordance with the terms of the grant agreements. All other grants and contracts are considered exchange transactions, and the University recognizes revenue as performance obligations are satisfied.

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Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are recognized until the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

The University records contributed nonfinancial assets at their estimated fair value at the date of the gift. The general policy regarding the disposition of contributed nonfinancial assets is that the University divests itself of gifts as rapidly as possible unless the gift-in-kind is placed in use by the university. For the years ended June 30, 2024 and 2023, contributed nonfinancial assets included contributed artwork, gift cards, software licenses, vehicles, and services. The amounts recognized within the statement of activities totaled \$2.6 million and \$2.1 million and did not have donor-imposed restrictions.

It is the University's policy to sell all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program by the donor. No vehicles received during the year ended June 30, 2024 and 2023 were restricted for use. All vehicles were valued according to the actual cash proceeds at their disposition.

Contributed services recognized are made up of professional services from attorneys advising the University's public radio station WAMU-88.5 FM on various administrative, and legal matters. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services.

Cloud Computing Arrangements

For the fiscal years ended June 30, 2024 and 2023, the University recorded approximately \$18.4 million and \$13.4 million in prepaid expenses related to costs incurred to implement two technology platforms—an enterprise resource planning system and an admission customer relationship management system. Both systems went live during the fiscal year ended 2024; the University started amortizing the costs over the term of contracts with renewal options on a straight-line basis. The amortization expense of \$1.9M was recorded for the fiscal year ended June 30, 2024. No amortization was recorded for the fiscal year ended June 30, 2023.

Income Taxes

The University has been recognized by the Internal Revenue Service as exempt from federal income tax under Section 501(c)(3).

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in effect for the year in which the differences are expected to reverse. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. The University's policy is to record interest penalties as an increase in income taxes payable and a corresponding increase to income tax expense. No penalties have been recorded for the years ended June 30, 2024 or 2023.

3. Liquidity

The University strategically manages its fiscal assets to

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The university periodically performs fixed asset inventories to confirm that items recorded in the fixed asset subledger physically exist and are appropriately maintained and utilized as intended. The results of the inventory and subsequent write-off of unusable assets are reflected in the table above.

Construction in progress at June 30, 2024 and 2023 relates to building improvements and renovations.

For the years ended June 30, 2024 and 2023, depreciation expense was approximately \$36.9 million and \$39.9 million, respectively.

7. Fair Value Measurements

The University determines fair value in accordance with fair value measurement accounting standards. These standards establish a framework for measuring fair value, a fair value hierarchy based on the observability of inputs used to measure fair value, and disclosure requirements for fair value measurements. Financial assets and liabilities are classified and disclosed in one of the following categories based on the lowest level input that is significant to the fair value measurement in its entirety:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than Level 1, that are observable either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Assets and Liabilities Measured at Fair Value

The following table displays the carrying value and estimated fair value of the University's financial instruments as of June 30, 2024 (in thousands):

	(Level 1)	(Level 2)	(Level 3)				
Assets							
Investments							
Cash and Short Term Investments	\$ 222,016	\$ -	\$ -	\$ -	\$ -	\$ -	222,016
Equity - Corporate Stocks	262,253	-	-	-	-	-	262,253
Equity - Domestic Funds	68,552	-	-	-	6,194	-	74,746
Equity - International Stocks	113,162	-	-	-	-	-	113,162
Equity - International Funds	76,706	-	-	-	-	-	76,706
Equity - Hedge Funds	-	-	-	-	209,150	-	209,150
Equity - Real Asset Funds	2,987	-	-	-	84,062	-	87,049

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The following table displays the carrying value and net fair value of the University's financial instruments as of June 30, 2023 (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	
Assets					
Investments					
Cash and Short Term Investments	\$ 209,147	\$ -	\$ -	\$ -	\$ 209,147
Equity - Corporate Stocks	213,921	-	-	-	213,921
Equity - Domestic Funds	61,566	-	-	4,975	66,541
Equity - International Stocks	100,468	-	-	-	100,468
Equity - International Funds	77,785	-	-	-	77,785
Equity - Hedge Funds	-	-	-	176,229	176,229
Equity - Real Asset Funds	2,884	-	-	72,524	75,408
Equity - Private Equity Funds	-	-	-	202,007	202,007
Fixed Income - Corporate Bonds	-	77,060	-	-	77,060
Fixed Income - Government Agency Bonds	-	28,966	-	-	28,966
Fixed Income - International Bonds	-	3,949	-	-	3,949
Fixed Income - Treasury Securities	20,398	7,870	-	-	28,268
Fixed Income - Domestic Bond Funds	23,949	8	-	478	24,435
Deposits with trustees	169	-	-	-	169
Interest in perpetual trust	-	-	-	23,374	23,374
Total assets at fair value	\$ 710,287	\$ 117,853	\$ 23,374	\$ 456,213	\$ 1,307,727

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June 30, 2024 and 2023

expedient as outlined in Topic 820: Fair Value Measurement. Investments in such funds do carry certain risks including lack of regulatory overs

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Investments that Calculate Net Asset Value

Investments in certain entities that calculate net asset value at June 30, 2024 and 2023 are as follows (in thousands):

	June 30, 2024			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic Equity Funds	\$ 6,194	\$ -	Daily	Same day
Domestic Bond Funds	490	-	Daily	Same day
Real Asset Funds	84,062	80,080	N/A	N/A
Hedge Funds	209,150	-	Monthly, quarterly, annually	30 - 90 days
Private Equity Funds	225,671	175,860	N/A	N/A
Total	<u>\$ 525,567</u>	<u>\$ 255,940</u>		

	June 30, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic Equity Funds	\$ 4,975	\$ -	Daily	Same day
Domestic Bond Funds	478	-	Daily	Same day
Real Asset Funds	72,524	81,471	N/A	N/A
Hedge Funds	176,229	-	Monthly, quarterly, annually	30 - 90 days
Private Equity Funds	202,007	165,998	N/A	N/A
Total	<u>\$ 456,213</u>	<u>\$ 247,469</u>		

Investments in debt securities and equity securities consist primarily of investments in funds managed by external investment managers.

For the years ended June 30, 2024 and 2023, the University's investment management fees directly paid to external managers were approximately \$12 million and \$13.2 million, respectively.

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities June 30, 2024 and 2023 consists of the following (in thousands):

	2024	2023
Trade payables	\$ 27,066	\$ 38,375

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Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

9. Notes Payable and Long-term Debt

Notes payable and long-term debt at June 30, ~~2024~~ 2023 consists of the following (in thousands):

	2024	2023
American University Taxable Bonds, Issue Series 2015 maturing in fiscal year 2045	\$ 128,500	128,500

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Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

The endowment net assets composition by type of fund at June 30, 2023 as follows (in thousands):

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 307,665	\$ 307,665
Board-designated endowment funds	724,358	-	724,358
Total endowment funds	\$ 724,358	\$ 307,665	\$ 1,032,023

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, July 1, 2023	\$ 683,297	\$ 277,869	\$ 961,166
Total investment return	71,695	27,428	99,123

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June 30, 2024 and 2023

The endowment net assets composition by type of fund at June 30, 2024 as follows (in thousands):

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allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. While the portfolio can be adjusted

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Amounts that have been recognized as changes in net assets without donor restrictions arising from a defined benefit plan but not yet reclassified as components of periodic benefit cost are as follows (in thousands):

	2024	2023
New actuarial (gain) loss	\$ (731)	\$ (701)
New prior service credit	\$ -	\$ -

The weighted discount rate used in the actuarial valuation at the June 30, 2024 and June 30, 2023 measurement dates is as follows:

	2024	2023
End of year benefit obligation	5.20%	4.80%
Net periodic postretirement benefit cost	4.80%	4.30%
Remeasurement for plan amendment	N/A	N/A

A 8.0% healthcare cost trend rate was assumed for the year ended June 30, 2024, with the rates in the following fiscal years assumed to be 7.0%, 6.8% and 6.6%, reaching an ultimate rate of 4.5% in fiscal year 2038.

The expected benefit payments by the University for the plan are as follows (in thousands):

Year ending June 30,	
2025	970
2026	984
2027	996
2028	992
2029	991
2030-2032	4,695

American University
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

12. Expenses

The University has developed and implemented a system of allocating expenses related to more than one function. These expenses are depreciation, interest on operations and maintenance of facility. Depreciation is allocated by individual fixed assets to the function utilizing that asset. Interest is allocated based on the use of borrowed money in the individual functional category. The operations and maintenance of plant and technology are divided into expenses used for the institution not charged back to the operating units, and those expenses charged to some units but not others. Technology costs include expenses associated with the operation and maintenance of administrative systems, network and telecommunications systems and related support for students, staff, and faculty. The allocation was determined through a study of departmental uses of the operations and maintenance and technology budgets within each category.

For the year ended June 30, 2024, the University program services and supporting services were as follows (in thousands):

Natural Account	Instruction	Research	Public Service	Student & Academic Support	Institutional & Auxiliary Support	Total Expenses
Salaries and benefits	\$ 156,966	\$ 51,015	\$ 14,287	\$ 106,095	\$ 77,595	\$ 405,959

American University
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

For the years ended June 30, 2024 and 2023, the university's fundraising expenses totaled approximately \$23.9 million and \$23.2 million, respectively. These expenses are included in institutional support in the accompanying statements of activities.

13.

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Notes to the Consolidated Financial Statements
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The University leases equipment under the terms of finance leases. The University's financing leases had a weighted average discount rate of 1.87% and 1.84% at June 30, 2024 and 2023 and weighted average remaining terms of 2.2 years and 3.2 years, respectively.

The total cost of finance leases (in thousands) consists of the following for the years ended June 30:

	2024	2023
Amortization on finance lease assets included in depreciation and amortization	\$ 35	\$ 35
Interest on Finance lease liabilities included in interest on indebtedness	37	44
Total	\$ 72	\$ 79

Minimum lease payments under these agreements as follows (in thousands) as of June 30, 2024:

	Finance Lease	Operating Leases
Year ending June 30:		
2025	\$ 66	\$ 3,197
2026	66	858
2027	24	263
2028	-	188
2029	-	128
Thereafter	-	42
Total minimum lease payments	156	4,676
Less: amounts representing interest	(42)	(420)
Present value of lease liabilities	\$ 114	\$ 4,256

Rent expenses in the years ended June 30, 2024 and 2023 were approximately \$3.4 million and \$3.5 million, respectively.

15. Income Taxes

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Notes to the Consolidated Financial Statements
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tax assets during the years ended June 30, 2024 and 2023. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning in evaluating whether it is more likely than not that deferred tax assets will be realized.

The University has analyzed its filing positions related to Airlie in each jurisdiction where required to file income tax returns and believes that its income tax positions will be sustained on audit. To date, Airlie has not been audited by the IRS or any state jurisdiction and remains subject to examination by U.S. federal and various state authorities for the years 2016 forward. Additionally, Airlie has not been assessed interest and/or penalties by taxing jurisdictions. In the event Airlie is assessed interest and/or penalties, those costs will be classified in the consolidated statements of activities as income tax expense.

Airlie Foundation paid \$0 for income taxes for the years ending June 30, 2024 and June 30, 2023.

16. Commitments and Contingencies

At June 30, 2024 and 2023, commitments of the University under contracts for construction of plant facilities amounted to approximately \$61.9 million and \$21.2 million, respectively.

Amounts received and expended by the University under various federal programs are subject to audit by governmental agencies. In the opinion of the University's administration, audit adjustments, if any, will not have a significant effect on the financial position, cha