Messiah University

Financial Statements

June 30, 2026 and 2025

Messiah University

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Independent Auditors' Report

To the Board of Trustees of
Messiah University

Opinion

We have audited the financial statements of Messiah University (the University), which comprise the statements of financial position as of June 30, 2026 and 2025, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 Financial Statements

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

In preparing the 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 financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

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

Baker Tilly US, LLP

Allentown, Pennsylvania
October 19, 2026

Messiah University

Statements of Financial Position
June 30, 2026 and 2025

	2026	2025
Assets		
Cash and cash equivalents	$ 2,934,120	$ 4,186,429
Notes and accounts receivable, net	9,039,593	7,761,615
Promises to give, net	4,190,378	3,612,791
Interest receivable	173,128	145,422
Inventories	1,004,533	850,287
Prepaid expenses and other assets	2,367,229	1,674,316
Investments, endowment	151,593,926	141,089,533
Investments, gift annuities and trusts	7,679,187	7,207,966
Investments, other	14,702,286	13,768,762
Loans receivable, students	937,509	946,508
Deposits with trustee under debt agreements, restricted	-	4,231,880
Beneficial interest in perpetual trusts	4,630,602	4,361,396
Right-of-use assets, operating	1,820,592	2,660,795
Right-of-use assets, financing	62,969	98,456
Property and equipment, net	130,052,885	132,443,035
Total assets	$ 331,188,937	$ 325,039,191
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 7,255,718	$ 8,317,839
Student deposits	1,677,328	1,487,794
Funds held in custody for others	194,214	151,116
Deferred revenue	2,744,477	2,668,087
Annuities payable	3,558,786	3,460,953
Funds held in trust for others	297,985	334,775
Lease liabilities, operating	1,820,592	2,660,795
Lease liabilities, financing	4,443	59,742
Long-term debt	67,641,732	69,699,898
U.S. government grants refundable	863,796	691,979
Other liabilities	2,757,193	2,756,389
Total liabilities	88,816,264	92,289,367
Net Assets		
Without donor restrictions	165,595,667	162,491,896
With donor restrictions:		
Restricted, time and purpose	22,584,297	18,394,822
Restricted, in perpetuity	54,192,709	51,863,106
Total net assets with donor restrictions	76,777,006	70,257,928
Total net assets	242,372,673	232,749,824
Total liabilities and net assets	$ 331,188,937	$ 325,039,191

See notes to financial statements

Messiah University

Statement of Activities
Year Ended June 30, 2026

	Without Donor Restrictions	With Donor Restrictions: Restricted, Time and Purpose	With Donor Restrictions: Restricted, in Perpetuity	With Donor Restrictions: Subtotal	Total
Operating Revenues					
Net tuition and fees	$ 61,549,821	$ -	$ -	$ -	$ 61,549,821
Government grants and appropriations	2,397,604	324,192	-	324,192	2,721,796
Gifts and grants	1,181,014	1,776,319	-	1,776,319	2,957,333
Capital gifts and grants	-	2,210,708	-	2,210,708	2,210,708
Endowment return designated for operations	5,058,900	2,481,300	-	2,481,300	7,540,200
Investment income	1,146,866	210,272	-	210,272	1,357,138
Other sources	6,503,841	(69,650)	-	(69,650)	6,434,191
Auxiliary enterprises	23,292,466	-	-	-	23,292,466
Net assets released from restrictions	4,631,235	(4,631,235)	-	(4,631,235)	-
Net assets released from restrictions, capital	1,994,301	(1,994,301)	-	(1,994,301)	-
Total operating revenues	107,756,048	307,605	-	307,605	108,063,653
Operating Expenses					
Educational program services:					
Instructional	36,180,082	-	-	-	36,180,082
Academic support	9,339,222	-	-	-	9,339,222
Student services	23,305,874	-	-	-	23,305,874
Public service	4,368,164	-	-	-	4,368,164
Auxiliary enterprises	17,746,291	-	-	-	17,746,291
Supporting services, institutional support	19,265,007	-	-	-	19,265,007
Total operating expenses	110,204,640	-	-	-	110,204,640
Changes in net assets from operating activities	(2,448,592)	307,605	-	307,605	(2,140,987)
Nonoperating Revenues, Expenses and Other Changes					
Endowment and life income gifts	11,296	21,289	1,562,857	1,584,146	1,595,442
Endowment investment return, net of amount designated for operations	4,894,943	4,268,032	-	4,268,032	9,162,975
Change in value of beneficial interest in perpetual trusts	-	-	269,205	269,205	269,205
Investment return for trusts and gift annuities	190,866	84,366	1,052,502	1,136,868	1,327,734
Change in value of split-interest agreements	(84,885)	54,875	(561,510)	(506,635)	(591,520)
Transfer of net assets	540,143	(546,692)	6,549	(540,143)	-
Total nonoperating revenues, expenses and other changes, net	5,552,363	3,881,870	2,329,603	6,211,473	11,763,836
Changes in net assets	3,103,771	4,189,475	2,329,603	6,519,078	9,622,849
Net Assets, Beginning	162,491,896	18,394,822	51,863,106	70,257,928	232,749,824
Net Assets, Ending	$ 165,595,667	$ 22,584,297	$ 54,192,709	$ 76,777,006	$ 242,372,673

See notes to financial statements

Messiah University

Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions: Restricted, Time and Purpose	With Donor Restrictions: Restricted, in Perpetuity	With Donor Restrictions: Subtotal	Total
Operating Revenues					
Net tuition and fees	$ 58,951,494	$ -	$ -	$ -	$ 58,951,494
Government grants and appropriations	1,066,323	241,249	-	241,249	1,307,572
Gifts and grants	1,290,954	3,122,900	-	3,122,900	4,413,854
Capital gifts and grants	-	2,175,758	-	2,175,758	2,175,758
Endowment return designated for operations	4,717,301	2,746,100	-	2,746,100	7,463,401
Investment income	1,679,674	85,406	-	85,406	1,765,080
Other sources	5,739,803	(52,420)	-	(52,420)	5,687,383
Auxiliary enterprises	22,078,087	-	-	-	22,078,087
Net assets released from restrictions	4,715,602	(4,715,602)	-	(4,715,602)	-
Net assets released from restrictions, capital	3,090,855	(3,090,855)	-	(3,090,855)	-
Total operating revenues	103,330,093	512,536	-	512,536	103,842,629
Operating Expenses					
Educational program services:					
Instructional	34,705,582	-	-	-	34,705,582
Academic support	9,336,538	-	-	-	9,336,538
Student services	23,163,381	-	-	-	23,163,381
Public service	4,330,063	-	-	-	4,330,063
Auxiliary enterprises	17,319,868	-	-	-	17,319,868
Supporting services, institutional support	18,630,291	-	-	-	18,630,291
Total operating expenses	107,485,723	-	-	-	107,485,723
Changes in net assets from operating activities	(4,155,630)	512,536	-	512,536	(3,643,094)
Nonoperating Revenues, Expenses and Other Changes					
Endowment and life income gifts	46,101	(57,830)	1,602,654	1,544,824	1,590,925
Endowment investment return, net of amount designated for operations	4,308,254	3,320,198	-	3,320,198	7,628,452
Change in value of beneficial interest in perpetual trusts	-	-	237,965	237,965	237,965
Investment return for trusts and gift annuities	118,552	61,713	588,238	649,951	768,503
Change in value of split-interest agreements	(55,665)	(34,621)	(306,111)	(340,732)	(396,397)
Total nonoperating revenues, expenses and other changes, net	4,417,242	3,289,460	2,122,746	5,412,206	9,829,448
Changes in net assets	261,612	3,801,996	2,122,746	5,924,742	6,186,354
Net Assets, Beginning	162,230,284	14,592,826	49,740,360	64,333,186	226,563,470
Net Assets, Ending	$ 162,491,896	$ 18,394,822	$ 51,863,106	$ 70,257,928	$ 232,749,824

See notes to financial statements

Messiah University

Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025
Cash Flows From Operating Activities		
Changes in net assets	$ 9,622,849	$ 6,186,354
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	11,248,717	11,123,070
Amortization of right-of-use assets	875,690	831,657
Accretion	804	3,180
Amortization of bond discount and issuance costs, net	91,834	91,834
Change in allowance for credit losses	133,703	212,313
Net realized and unrealized gains on beneficial interest in perpetual trusts	(269,205)	(237,965)
Net realized and unrealized gains on investments	(13,858,879)	(11,517,416)
Gain on sale of property and equipment	(92,479)	(90,378)
Contributions for long-term purposes	(5,629,880)	(6,285,562)
(Increase) decrease in operating assets:		
Notes and accounts receivable	(1,411,681)	186,300
Promises to give	(577,587)	448,475
Inventories	(154,246)	43,202
Other assets	(794,898)	(73,819)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	849,090	263,080
Funds held in custody for others	43,098	(21,304)
Student deposits	189,534	32,445
Deferred revenue	76,390	174,342
Funds held in trust for others	(36,790)	25,611
Lease liabilities, operating	(840,203)	(796,170)
Net cash (used in) provided by operating activities	(534,139)	599,249
Cash Flows From Investing Activities		
Proceeds from sale of investments	76,456,322	85,185,005
Purchases of investments	(76,420,621)	(82,071,155)
Purchase of property and equipment	(8,851,888)	(12,526,739)
Student loan principal payments received	134,887	192,578
Disbursements for loans to students	(132,730)	(93,877)
Proceeds from sale of property and equipment	99,158	182,655
Net cash used in investing activities	(8,714,872)	(9,131,533)
Cash Flows From Financing Activities		
Contributions for long-term purposes	5,704,159	6,188,566
Principal payments on long-term debt	(2,150,000)	(2,105,000)
Decrease in U.S. government grants refundable	171,817	(104,142)
Increase (decrease) in annuities payable	97,833	(66,550)
Payments on finance lease liabilities	(58,987)	(58,987)
Net cash provided by financing activities	3,764,822	3,853,887
Net decrease in cash and cash equivalents and deposits with trustee under debt agreements	(5,484,189)	(4,678,397)
Cash and Cash Equivalents and Deposits With Trustee Under Debt Agreements, Restricted, Beginning	8,418,309	13,096,706
Cash and Cash Equivalents and Deposits With Trustee Under Debt Agreements, Restricted, Ending	$ 2,934,120	$ 8,418,309

See notes to financial statements

Messiah University

Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized	$ 2,348,026	$ 2,395,605
Supplementary Disclosure of Noncash Investing and Financing Activities		
Property and equipment in accounts payable	$ 51,830	$ 1,963,041
Reconciliation of Cash and Cash Equivalents and Deposits With Trustee Under Debt Agreements, Restricted to Statements of Financial Position		
Cash and cash equivalents	$ 2,934,120	$ 4,186,429
Deposits with trustee under debt agreements, restricted	-	4,231,880
Total cash and cash equivalents and deposits with trustee under debt agreements	$ 2,934,120	$ 8,418,309

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Messiah University (the University) is a private Christian university of the liberal and applied arts and sciences. Founded in 1909 by the Brethren in Christ Church, the University is located in Mechanicsburg, Pennsylvania. The University is accredited by the Middle States Commission on Higher Education and has a student body of approximately 3,450 undergraduate and graduate students.

Basis of Presentation

These financial statements present financial information showing the financial position, the activities and the cash flows of the University reflecting the presence or absence of donor-imposed restrictions. Accordingly, the amounts of net assets are classified according to the nature of such restrictions, as follows:

Net Assets With Donor Restrictions, in Perpetuity - Net assets which are subject to donor-imposed restrictions that they be 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.

Net Assets With Donor Restrictions, Time and Purpose - Net assets which are subject to donor-imposed restrictions that will be met when expenditures are made for the designated purposes or with the passage of time. The expiration of time or purpose restrictions on net assets is reported in the statements of activities as net assets released from restrictions. Contributions with time and purpose restrictions and endowment income whose restrictions are not met in the same period as received or earned are reported as increases in net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed restrictions. The Board of Trustees (Board) has several standing Board policies that affect the presentation of Board designations on net assets. Proceeds from matured gift annuities without donor restrictions and trusts without donor restrictions are designated for long-term investment in the endowment (quasi-endowment).

Government Grants and Student Aid

The government grants and student aid amounts reported do not include funds credited to students under various federal and state grant programs. These grants are similar to agency funds as the University acts only as custodian and disbursing agent.

The University has been awarded a reimbursable state grant to support a construction project. As of June 30, 2026, the University incurred approximately $1,250,000 in costs under the grant and has determined that the conditions for revenue recognition have been met. Accordingly, a receivable of $1,250,000 was recorded and an equal amount of grant revenue was recognized for the year ended June 30, 2026.

Title IV Requirements

The University participates in Government Student Financial Assistance Programs (Title IV) administered by the U.S. Department of Education (ED) for the payment of student tuition. 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 to demonstrate financial responsibility. Financial responsibility is determined 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 between 1.0 and 1.4 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation. The University's composite score is expected to exceed 1.5 in 2026 and 2025.

Cash and Cash Equivalents

Cash and cash equivalents represent highly liquid investments with an original maturity date not exceeding 90 days.

Notes and Accounts Receivable, Net

Student accounts receivable are recorded net of allowance for credit losses. Other items included are notes receivable from employees and faculty, grants receivable from federal and state agencies and receivables from unrelated individuals, companies and organizations.

The University offers Income Share Loans (ISL). Detailed in Note 3, ISLs are a 0% interest agreement different from a loan or a conventional tuition payment plan. Under an ISL, a student is required to pay a fixed percentage of their earned income each month for a fixed period of time. ISL payments are only required when the borrower's gross income exceeds certain thresholds. The total amount paid may be less than or equal to the ISL amount and will vary in proportion to future earned income. ISLs are similar to the Income Share Agreements (ISA) that the University previously offered.

Allowance for Credit Losses

The University recognizes an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. The University pools these receivables based on similar risk characteristics in estimating expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the University measures those receivables individually. Receivables are written off when the University determines that such receivables are deemed uncollectible.

The University utilizes the roll rate method in determining its lifetime expected credit losses on accounts receivable and its income share loans. In determining its loss rates, the University evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. The allowance for credit losses was approximately $1,796,000 and $1,662,000 as of June 30, 2026 and 2025, respectively.

Loans Receivable, Students

The student loans receivable primarily represents loans to students funded by advances to the University by the federal government under the Perkins and Nursing Student Loan Programs (the Programs). Nursing funds may be re-loaned by the University after collection. The Perkins Loan Program expired on September 30, 2017; after June 30, 2018, no new loans were permitted. Institutions are permitted to liquidate all Perkins loans or continue to service all or some of its outstanding Perkins loans. The University is continuing to service its Perkins loans during this wind-down period. Per federal directive, the University has assessed its loan portfolio to identify loans that must be assigned to the federal government according to its criteria. Following the final wind-down of the Perkins loan program, the federal amounts provided are refundable to the federal government.

The federal government's portion of these funds at June 30, 2026 and 2025, was $863,796 and $691,979 respectively.

Promises to Give, Net

Unconditional promises to give (pledges) are recorded as receivables and revenues. Intentions to give are not recorded until the contribution is made. The University distinguishes between contributions received for each net asset category in accordance with any donor-imposed restrictions. Revocable pledges are reviewed based on collectability and factors such as giving history and relationships with the donors. Pledges that rise to the level of promises to give are included with the recorded receivables.

Contributions for donor-restricted purposes (other than capital) are reported as revenues without donor restrictions when the restriction is satisfied within the same year that the contribution is received. Contributions with donor-imposed restrictions (for purposes other than capital and those to be held in perpetuity) that are not met in the same year as received are reported as revenues with donor restrictions (time and purpose restrictions) and are reclassified to net assets without donor restrictions when an expenditure is incurred that satisfies the donor-imposed restriction.

Contributions restricted for the acquisition of plant and equipment (capital) are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when the asset acquisitions are placed in service.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their net present value. The discount is computed using a credit-adjusted interest rate. Conditional promises to give are not recorded until such time as the conditions are substantially met.

Inventories

Inventories are valued at the lower of cost or net realizable value on a first-in, first-out basis. Inventories consist of dining services supplies, Messiah Press, postage and facilities supplies.

Investments

The majority of investments held by the University are reported at fair value. The fair values of private equity and real asset-based fund investments (alternative investments) have been estimated using the net asset value of the University's ownership interest in partner's capital. The University reports its investment in a real estate development company using the equity method. Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported in the statements of activities. Parcels of undeveloped land are valued using a combination of independent third-party appraisals, discounted cash flow models and market comparables, depending on the nature of the asset and availability of observable inputs. The cost of investments received as gifts is fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in fair value of investments, and all income from investments, are reported as changes in net assets without restrictions unless their use is restricted by explicit donor-imposed stipulations, or by law.

Deposits With Trustee

Deposits with trustee under debt agreements, restricted at June 30, 2025 consisted of cash and money market funds from unspent bond proceeds.

Property and Equipment, Net

Physical plant and equipment are stated at cost when purchased, and gifts of plant assets are reflected at fair value when received. The University's policy is to capitalize property and equipment costing greater than $3,000 for a single item and $5,000 for a bundled purchase. Land, buildings, equipment and furniture are stated at cost less accumulated depreciation which is computed on a straight-line basis over the respective estimated useful lives as follows:

	Years
Building and improvements	10 - 40
Leasehold improvements	5 - 12
Equipment	4 - 20
Furniture	4 - 20

As permitted by accounting principles generally accepted in the United States of America (GAAP), the University does not generally capitalize its museum and art collections. The University's intention is to preserve these archives and use them as a resource for students of the University.

Impairment of Long-Lived Assets

Management of the University reviews long-lived assets (including property and equipment and other assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management considers the undiscounted cash flow expected to be generated by the use of the asset and its eventual disposition to determine when, and if, an impairment has occurred. An impairment loss is recognized to the extent that the carrying value of assets exceeds their fair value. Write-downs due to impairment are charged to operations at the time a material impairment is identified. No such write-downs were required in 2026 and 2025.

Leases

The University has entered into a variety of leases for office and classroom space, copiers and other equipment. Effective July 1, 2020, the University adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* (as amended). Under the provisions of Topic 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, in the statements of financial position. The obligations associated with these leases have been recognized as a liability in the statements of financial position based on future lease payments, discounted by the incremental borrowing rate. The University makes certain assumptions and judgements in determining the discount rate, as most leases do not provide an implicit rate. The University uses their incremental borrowing rate for collateralized borrowing based on information available at the commencement date in determining the present value of lease payments. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the leasing activities.

The University also elected the package of practical expedients, which permits the University to not reassess prior conclusions about lease identification, classification and initial direct costs and not separating lease and nonlease components. In addition, the University elected the short-term lease recognition exemption for all leases that qualify under Topic 842.

Lease terms may include options to extend or terminate certain leases. Any such option is reflected in the valuation, if it is reasonably certain an option to extend or terminate will be exercised.

The University has certain leases that are for periods of 12 months or less. Leases with an initial term of 12 months or less are not recorded on the statements of financial position since the University has elected the practical expedient to exclude these leases from right-of-use asset and lease liabilities. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

Annuity and Trust Funds

The University has entered into split-interest agreements with donors primarily consisting of charitable gift annuities and charitable trusts. Assets for which the University serves as trustee are included in assets held in trust. Contribution revenues are recognized at the date the annuities and trusts are established after recording liabilities for the present value of the estimated future annuity payments to be made to the donors and/or other beneficiaries. Such revenues are recorded as increases in net assets with donor restrictions unless the donor has given the University the right to use such assets without restriction. Changes in the value of the associated liabilities are recorded within "change in value of split-interest agreements" throughout the term of the agreements to reflect the current estimated present value of future cash outflows. Contributions arising from split interest agreements amounted to $32,585 and $10,977 for the years ended June 30, 2026 and 2025, respectively.

The University is also a beneficiary of certain perpetual trusts held and administered by others. Under the terms of the trust agreements, the University has the irrevocable right to receive a portion of the income earned on trust assets in perpetuity, but never receives the assets held in the trusts. The present values of the estimated future cash receipts from the trusts are recognized as assets and contribution revenues at the dates the trusts are established.

Revenue Recognition

Tuition and fee revenue is recognized over time in the fiscal year in which the associated academic programs are delivered. Sales and services of auxiliary enterprises revenue, which consists of room and board and related services, is recognized when the related service is provided or performed. Tuition and fee and auxiliary enterprise contracts are considered to have a duration of less than one year.

Transaction prices for tuition, fees, room and board are determined based on applicable University pricing schedules. Institutional financial aid and discounts provided by the University are reflected as a reduction of tuition and fee revenue, with the exception of specifically identified auxiliary discounts such as room grants, which are reflected as a reduction in auxiliary revenue. The University awards grants-in-aid and scholarships to individuals who meet the University's academic standards. The amounts of such awards are based upon the financial needs and/or merit of each applicant. Scholarships and discounts applied to tuition and fee revenue amounted to $53,325,166 and $48,819,137 for the years ended June 30, 2026 and 2025, respectively.

Amounts are due for tuition, fees, room and board at the beginning of each semester or in full during the semester if participating in an approved payment plan which allows for multiple installments. In accordance with the University's refund policies, undergraduate students may receive a full or partial refund as specified in the undergraduate refund chart. Graduate students may receive a full or partial refund as specified in the graduate refund policy. Student accounts receivable includes amounts to which the University is unconditionally entitled; the University considers such amounts as unconditional based on the payment due date.

Student-related deferred revenue for billed services not yet performed totaled approximately $1,186,000 at June 30, 2026, and consists primarily of amounts related to 2026 summer sessions. The University's student deposits at June 30, 2026 include amounts collected but not yet earned of approximately $1,677,000. These amounts will be recognized as revenue in fiscal 2027 as academic services are provided.

Student-related deferred revenue for billed services not yet performed totaled approximately $1,132,000 at June 30, 2025, and consists primarily of amounts related to 2025 summer sessions. The University's student deposits at June 30, 2025 include amounts collected but not yet earned of approximately $1,485,000. These amounts were recognized as revenue in fiscal 2026 as academic services were provided.

Most private and government grants and appropriations received by the University are deemed to be nonexchange (nonreciprocal) transactions under the contribution accounting guidance. Under this guidance, revenue related to conditional grants and contracts is recorded when the conditions are met. Most grants and contracts are on a cost reimbursement basis and require the University incur eligible expenses prior to the release of funds. The University reports these grants and contracts as changes in net assets without donor restrictions when restrictions are met in the same period.

From time to time the University receives private grants and contracts that are exchange (reciprocal) transactions. The performance obligation for each grant or contract is deemed to be the research itself and revenue is recognized as the eligible grant activities are conducted. Transaction prices are based on budgets in the award agreement. Exchange contracts are not significant to the University's financial statements.

Functional Allocation of Certain Expenses

The statements of activities present expenses by functional classification. The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the University. These expenses include depreciation and amortization, interest, information technology support and facilities operations and maintenance. Depreciation and operations and maintenance are allocated based on usage of square footage and interest is allocated based on usage of bond proceeds. Costs of other categories were allocated on estimates of time and effort. A summary of functional and natural classification is available at Note 14.

Fundraising Costs

The University expenses fundraising costs when incurred. Fundraising costs were approximately $1,531,000 and $1,680,000 for the years ended June 30, 2026 and 2025, respectively, and are included in institutional support in the statements of activities.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Subsequent Events

The University evaluated subsequent events for recognition or disclosure through October 19, 2026, the date the financial statements were issued.

2. Cash and Cash Equivalents

The University maintains cash balances in high credit financial institutions in excess of the federally insured limit under the Federal Deposit Insurance Corporation (FDIC). The exposure of the University to uninsured balances as of June 30, 2026 and 2025, was approximately $3,027,000 and $4,424,000, respectively. Historically, the University has not experienced any losses and management believes it is not exposed to any significant credit risk.

3. Notes and Accounts Receivable, Net

Notes and accounts receivable, net consist of the following as of June 30:

	2026	2025
Student balances	$ 2,516,338	$ 2,812,914
Student Income Share Loans	5,352,786	5,097,240
Employees and faculty	142,137	139,199
University-related organizations	989	433
Federal and state agencies	1,564,972	259,151
Other unrelated individuals, companies and organizations	1,258,387	1,114,991
Subtotal	10,835,609	9,423,928
Allowance for credit losses	(1,104,321)	(1,030,659)
Income Share Loans allowance for credit losses	(691,695)	(631,654)
Notes and accounts receivable, net	$ 9,039,593	$ 7,761,615

4. Promises to Give, Net

Included in promises to give, net are the following unconditional promises to give as of June 30:

	2026	2025
Capital campaign	$ 2,810,353	$ 2,180,023
Endowed scholarships	162,541	80,763
Other promises to give	1,531,990	1,619,915
Unconditional promises to give, before unamortized discount	4,504,884	3,880,701
Unamortized discount	(314,506)	(267,910)
Present value of pledges receivable	$ 4,190,378	$ 3,612,791
Amounts due in:		
Less than one year	$ 2,444,516	$ 2,118,004
One to five years	1,910,368	1,512,697
More than five years	150,000	250,000
Total	$ 4,504,884	$ 3,880,701

Discount rates ranged from 0.29% to 4.33% for the years ended June 30, 2026 and 2025.

All promises to give are reviewed by management and evaluated for collectability when received. Promises to give that are deemed uncollectible are not recognized. As such, the University considers the entire amount to be collectible.

5. Investments, Fair Value Measurements and Other Financial Instruments

Investments consist of the following as of June 30:

	2026			
	Endowment	Gift Annuities and Trusts	Other	Total
Money market accounts	$ 3,889,375	$ 85,648	$ 38,336	$ 4,013,359
Equity funds and common stocks	92,354,893	5,756,450	1,187,551	99,298,894
Fixed income	38,041,073	1,837,089	13,475,376	53,353,538
Private equity and venture capital	5,059,533	-	-	5,059,533
Accrued net income receivable	577,576	-	534	578,110
Local real estate development company, including real estate	485,663	-	-	485,663
Real assets, land (direct holding)	11,180,000	-	-	11,180,000
Real asset-based funds	5,813	-	489	6,302
Total investments	$ 151,593,926	$ 7,679,187	$ 14,702,286	$ 173,975,399

	2025			
	Endowment	Gift Annuities and Trusts	Other	Total
Money market accounts	$ 4,821,768	$ 97,086	$ 79,865	$ 4,998,719
Equity funds and common stocks	77,633,235	4,833,056	688,256	83,154,547
Fixed income	39,560,202	2,277,824	12,965,671	54,803,697
Private equity and venture capital	4,850,448	-	-	4,850,448
Accrued net income receivable	501,531	-	-	501,531
Local real estate development company, including real estate	2,542,349	-	-	2,542,349
Real assets, land (direct holding)	11,180,000	-	-	11,180,000
Real asset-based funds	-	-	34,970	34,970
Total investments	$ 141,089,533	$ 7,207,966	$ 13,768,762	$ 162,066,261

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The following tables present the assets measured at fair value as of June 30, 2026 and 2025 by caption on the statements of financial position by the valuation hierarchy defined above:

	2026			
	Total Fair Value	**Level 1**	**Level 2**	**Level 3**
Reported at fair value:				
Money market accounts	$ 4,013,359	$ 4,013,359	$ -	$ -
Equity funds and common stocks:				
Domestic	83,724,545	83,724,545	-	-
International	14,102,140	14,102,140	-	-
Emerging markets	573,790	573,790	-	-
Other	898,419	898,419	-	-
Total equity funds and common stocks	99,298,894	99,298,894	-	-
Fixed income:				
Intermediate term bond mutual funds	37,387,690	37,387,690	-	-
Global fixed income funds	279,377	279,377	-	-
Inflation-protected bond mutual funds	90,465	90,465	-	-
Fixed, high yield funds	12,494,497	12,494,497	-	-
Government and agency bonds	639,936	639,936	-	-
Bond fund (including convertibles and other)	2,461,573	2,461,573	-	-
Total fixed income	53,353,538	53,353,538	-	-
Real assets, land (direct holdings)	11,180,000	-	11,180,000	-
Accrued net income receivable	578,110	578,110	-	-
Subtotal	168,423,901	157,243,901	11,180,000	-
Other investments measured at net asset value:				
Private equity and venture capital	5,059,533	-	-	-
Real asset-based funds	6,302	-	-	-
Local real estate development company (a)	485,663	-	-	-
Total investments and assets held in trust	173,975,399	157,243,901	11,180,000	-
Beneficial interest in perpetual trusts	4,630,602	-	-	4,630,602
	$ 178,606,001	$ 157,243,901	$ 11,180,000	$ 4,630,602

	2025			
	Total Fair Value	Level 1	Level 2	Level 3
Reported at fair value:				
Money market accounts	$ 4,998,719	$ 4,998,719	$ -	$ -
Equity funds and common stocks:				
Domestic	72,631,656	72,631,656	-	-
International	8,960,156	8,960,156	-	-
Emerging markets	428,512	428,512	-	-
Other	1,134,223	1,134,223	-	-
Total equity funds and common stocks	83,154,547	83,154,547	-	-
Fixed income:				
Intermediate term bond mutual funds	32,490,922	32,490,922	-	-
Global fixed income funds	1,717,225	1,717,225	-	-
Inflation-protected bond mutual funds	263,192	263,192	-	-
Fixed, high yield funds	16,905,148	16,905,148	-	-
Government and agency bonds	1,391,444	1,391,444	-	-
Municipal bonds	201,500	-	201,500	-
Bond fund (including convertibles and other)	1,834,266	1,834,266	-	-
Total fixed income	54,803,697	54,602,197	201,500	-
Real assets, land (direct holdings)	11,180,000	-	11,180,000	
Accrued net income receivable	501,531	501,531	-	-
Subtotal	154,638,494	143,256,994	11,381,500	-
Other investments measured at net asset value:				
Private equity and venture capital	4,850,448	-	-	-
Real asset-based funds	34,970	-	-	-
Local real estate development company, including real estate (a)	2,542,349	-	-	-
Total investments and assets held in trust	162,066,261	143,256,994	11,381,500	-
Beneficial interest in perpetual trusts	4,361,396	-	-	4,361,396
	$ 166,427,657	$ 143,256,994	$ 11,381,500	$ 4,361,396

(a) Investments include member interest in a local real estate development company, totaling $485,663 and $2,542,349 at June 30, 2026 and 2025, respectively. The University is the sole member of this corporation, which has an independent board. Activity included distributions from the real estate development company to the University of $225,000 and $205,000 during the years ended June 30, 2026 and 2025, respectively. The University reports its investment in the real estate development company using the equity method.

Valuation Methodologies

Level 1 - Fair value of money market accounts, equity funds, common stock securities and fixed income funds was based on quoted market prices for the identical security.

Level 2 - Municipal bonds are valued based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 - Prices or valuation techniques that are unobservable in the market and require significant management judgment or estimation to measure fair value.

Beneficial interest in perpetual trusts - The University's beneficial interest in perpetual trusts held by others is based on the University's share of the fair value of the trusts' holdings as reported by the trustees as an estimate of the cash flows to be received from the trusts. This is considered a Level 3 measurement because even though the measurement is based on the underlying fair value of the trust assets as reported by the trustees, the University will never receive those assets or have any ability to direct the trustee to redeem them. Valuation of these assets involves significant unobservable inputs in determining fair value. The University believes the inputs used reflect the best estimates at the reporting date. However, due to the perpetual nature of the trust and the lack of observable market data, changes in these assumptions could materially affect the fair value measurement. There were no purchases, issues or transfers during the years ended June 30, 2026 and 2025. The University's proportionate share of the net asset values of funds held in trust by others as of June 30, 2026 and 2025 were $4,630,602 and $4,361,396, respectively.

Private equity and venture capital and real asset-based funds - Fair value of these alternative investments was based upon estimated net asset values provided by investment managers. The University measures the fair value of an investment that does not have a readily determinable fair value based on the net asset value of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different than the net asset value. These values are determined using the audited financial statements of the investment and evaluating any cash flows or outflows post-audit. Management reviews and evaluates the values and agrees with the methods and assumptions used.

Real assets - The University owns parcels of undeveloped land which are valued using a combination of independent third-party appraisals and market comparables, depending on the nature of the asset and availability of observable inputs.

There were no changes in the valuation methodologies during the years ended June 30, 2026 and 2025.

The fair values of several of the investment instruments above have been estimated using the net asset value of the University's ownership interest in partner's capital. Those are:

Private equity and venture capital: This category includes funds that invest primarily in technology, emerging growth and real estate companies. These investments can never be redeemed at the option of the investor. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the various funds will be liquidated over the next two years, dependent upon extensions allowable under Partnership Agreements. As of June 30, 2026, the University has committed $14,080,000 to these funds, of which approximately $865,000 remains unfunded.

Real asset-based funds: This category includes funds that invest primarily in commercial real estate properties and partnerships in the United States. Distributions from each fund will be received as the underlying investments of the funds are liquidated. As of June 30, 2026, the University has committed $1,000,000 to the funds, of which $186,232 remains unfunded.

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30:

	2026			
		With Donor Restrictions		
	Without Donor Restrictions	Restricted, Time and Purpose	Restricted, in Perpetuity	Total
Dividends and interest, net of expense	$ 3,699,098	$ 1,971,913	$ 127,362	$ 5,798,373
Net realized and unrealized gains	7,592,477	5,072,057	1,194,345	13,858,879
Total return on investments	$ 11,291,575	$ 7,043,970	$ 1,321,707	$ 19,657,252
Operating investment income:				
Endowment return designated for operations	$ 5,058,900	$ 2,481,300	$ -	$ 7,540,200
Investment income	1,146,866	210,272	-	1,357,138
Nonoperating investment income:				
Endowment investment return, net of amount designated for operations	4,894,943	4,268,032	-	9,162,975
Change in value of beneficial interest in perpetual trusts	-	-	269,205	269,205
Investment return for trusts and gift annuities	190,866	84,366	1,052,502	1,327,734
Total return on investments	$ 11,291,575	$ 7,043,970	$ 1,321,707	$ 19,657,252

	2025			
		With Donor Restrictions		
	Without Donor Restrictions	Restricted, Time and Purpose	Restricted, in Perpetuity	Total
Dividends and interest, net of expense	$ 4,267,491	$ 1,958,918	$ 119,576	$ 6,345,985
Net realized and unrealized gains	6,556,290	4,254,499	706,627	11,517,416
Total return on investments	$ 10,823,781	$ 6,213,417	$ 826,203	$ 17,863,401
Operating investment income:				
Endowment return designated for operations	$ 4,717,301	$ 2,746,100	$ -	$ 7,463,401
Investment income	1,679,674	85,406	-	1,765,080
Nonoperating investment income:				
Endowment investment return, net of amount designated for operations	4,308,254	3,320,198	-	7,628,452
Change in value of beneficial interest in perpetual trusts	-	-	237,965	237,965
Investment return for trusts and gift annuities	118,552	61,713	588,238	768,503
Total return on investments	$ 10,823,781	$ 6,213,417	$ 826,203	$ 17,863,401

6. Property and Equipment, Net

Property and equipment, net consist of the following as of June 30:

	2026		
	Acquired Value	Less Accumulated Depreciation	Net Book Value
Land	$ 2,724,531	$ -	$ 2,724,531
Improvements	22,663,539	17,371,244	5,292,295
Buildings	288,235,962	179,219,815	109,016,147
Leasehold improvements	2,871,191	2,181,894	689,297
Equipment	92,584,016	82,038,731	10,545,285
Construction in progress	1,785,330	-	1,785,330
	$ 410,864,569	$ 280,811,684	$ 130,052,885

	2025		
	Acquired Value	Less Accumulated Depreciation	Net Book Value
Land	$ 2,724,531	$ -	$ 2,724,531
Improvements	19,982,022	16,995,384	2,986,638
Buildings	283,780,650	171,088,974	112,691,676
Leasehold improvements	2,871,191	1,940,794	930,397
Equipment	87,535,435	80,025,317	7,510,118
Construction in progress	5,599,675	-	5,599,675
	$ 402,493,504	$ 270,050,469	$ 132,443,035

Depreciation expense totaled $11,248,717 and $11,123,070 for the years ended June 30, 2026 and 2025, respectively.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at June 30:

	2026	2025
Accounts payable	$ 2,737,577	$ 1,887,846
Construction payable	51,830	1,963,041
Accrued salaries and benefits	4,051,131	3,641,044
Other	415,180	825,908
Total	$ 7,255,718	$ 8,317,839

8. Line of Credit

The University has an unsecured line of credit with a national bank that renews annually in the amount of $10,000,000 during the years ended June 30, 2026 and 2025. The line of credit bears interest at 1.76% above one-month term Secured Overnight Financing Rate (SOFR) with an interest period duration of one day (5.45% at June 30, 2026). There were no amounts outstanding under the line of credit as of June 30, 2026 or 2025.

9. Long-Term Debt

Long-term debt consists of the following as of June 30:

	2026	2025
2015 Messiah University Revenue Bonds	$ 11,385,000	$ 11,385,000
2016 Messiah University Revenue Bonds	16,655,000	16,655,000
2018 Messiah University Revenue Bonds	5,500,000	5,500,000
2020 SS2 Messiah University Revenue Bonds	7,415,000	7,415,000
2020 SS3 Messiah University Revenue Bonds	15,755,000	17,905,000
2024 Messiah University Revenue Bonds	12,735,000	12,735,000
Total	69,445,000	71,595,000
Unamortized discount and issuance costs on bonds payable, net	(1,803,268)	(1,895,102)
	$ 67,641,732	$ 69,699,898

2015 Messiah University Revenue Bonds

The 2015 Revenue Bonds have interest rates ranging from 3.375% to 4.00% with principal maturing in various amounts beginning November 1, 2029 through November 1, 2046. The bonds are secured by a lien on the University's revenues without donor restrictions and the loan agreement between the University and the issuer of the bonds contains a rate covenant.

Bond discount and issuance costs relating to the 2015 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net discount amounted to $260,774 and $274,499 as of June 30, 2026 and 2025, respectively.

2016 Messiah University Revenue Bonds

The 2016 Revenue Bonds have interest rates ranging from 3.00% to 3.25% with principal maturing in various amounts beginning November 1, 2032 through November 1, 2046. The bonds are secured by a lien on the University's revenues without donor restrictions and the loan agreement between the University and the issuer of the bonds contains a rate covenant.

Bond discount and issuance costs relating to the 2016 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net discount amounted to $424,521 and $446,865 as of June 30, 2026 and 2025, respectively.

2018 Messiah University Revenue Bonds

The 2018 Revenue Bonds have interest rates ranging from 5.00% to 5.25% with principal maturing in various amounts beginning May 1, 2033 through May 1, 2048. The bonds are subject to a mandatory sinking fund redemption prior to maturity beginning in 2033. The bonds are secured by a lien on the University's revenues without donor restrictions and the loan agreement between the University and the issuer of the bonds contains a rate covenant.

Bond premium and issuance costs relating to the 2018 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net premium amounted to $321,944 and $336,578 as of June 30, 2026 and 2025, respectively.

2020 Messiah University Revenue Bonds

The 2020 SS2 Revenue Bonds have an interest rate of 3.25%, with the principal maturing in various amounts beginning November 1, 2048 through November 1, 2050. The 2020 SS3 Revenue Bonds have interest rates ranging from 1.575% to 3.00%, with principal currently maturing in various amounts through November 1, 2034. The bonds are secured by a lien on the University's revenues without donor restrictions and the loan agreement between the University and the issuer of the bonds contains a rate covenant.

Bond discount and issuance costs relating to the 2020 SS2 and SS3 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net discount amounted to $717,920 and $747,833 as of June 30, 2026 and 2025, respectively.

2024 Messiah University Revenue Bonds

The 2024 Revenue Bonds have interest rates ranging from 4.00% to 4.375%, with principal maturing in various amounts from May 1, 2033 through May 1, 2044. Proceeds from the bond issuance were used to pay off the 2014 Multi-Mode Revenue Bonds and fund various construction projects on campus. The bonds are secured by a lien on the University's revenues without donor restrictions and the loan agreement between the University and the issuer of the bonds contains a rate covenant.

Bond discount and issuance costs relating to the 2024 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net discount amounted to $721,998 and $762,484 as of June 30, 2026 and 2025, respectively.

The approximate aggregate amount of principal maturities of debt outstanding as of June 30, 2026 for the five subsequent fiscal years follows:

2027	$ 2,195,000
2028	2,245,000
2029	2,300,000
2030	2,350,000
2031	2,410,000
Thereafter	57,945,000
Total	$ 69,445,000

Interest expense on long-term debt was $2,206,974 in 2026 and $2,352,405 in 2025, net of capitalized interest of $221,756 and $120,543, respectively.

10. Retirement Plan

The University provides retirement benefits to eligible employees through a defined contribution plan. The University made retirement contributions of $2,472,160 and $2,395,561 for the years ended June 30, 2026 and 2025, respectively.

11. Liquidity and Availability of Resources

The following reflects the University's financial assets as of the statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the statements of financial position date have not been subtracted as unavailable. In addition, the University invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the University has a committed line of credit, which it could have drawn upon at $10,000,000 through June 30, 2026 and 2025.

	2026	2025
Total assets	$ 331,188,937	$ 325,039,191
Less nonfinancial assets	(135,308,208)	(137,726,889)
Financial assets, year-end	$ 195,880,729	$ 187,312,302

Nonfinancial assets include inventories, prepaid expenses and other assets, property and equipment, and right-of-use assets.

Financial assets available to meet general expenditures over the next 12 months:

	2026	2025
Cash and equivalents	$ 2,934,120	$ 4,186,429
Notes and accounts receivable, net	4,838,503	3,376,030
Promises to give, net without restriction and due in one year or less	240,736	418,464
Investments other (without donor or Board restrictions)	14,702,286	13,768,762
	22,715,645	21,749,685
Less restricted or designated resources	(12,954,684)	(12,563,519)
Total financial assets available to meet general expenditures over the next 12 months	9,760,961	9,186,166
Bank line of credit	10,000,000	10,000,000
Total financial assets and liquidity resources	$ 19,760,961	$ 19,186,166

The University's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The University is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the University must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

In addition, the University invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the University has a committed line of credit which it could draw upon. Additionally, the University has a quasi-endowment of approximately $90.9 million and $85.8 million at June 30, 2026 and 2025, respectively. Although the University does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary. However, both the quasi-endowment and donor-restricted endowments contain investments with provisions that would reduce the total investments that could be made available (see Note 12 for disclosures about the endowment).

12. Endowment and Net Assets Released From Restrictions

The University's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, 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.

The Board of the University has developed a policy 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 of Pennsylvania law, the University classifies as net assets with donor restrictions, restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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, restricted in perpetuity is classified as either net assets with donor restrictions, restricted by time or purpose or without donor restrictions based on the existence of donor restrictions or by law. Board-designated investment funds are balances functioning as an endowment that are established by the University from either donor or institutional monies and are usually to be retained and invested rather than expended. Since Board-designated investment funds are established by the University rather than an external source, the principal may be expended, as directed by the Board.

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 University 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 University

(7) The investment policies of the University

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 produce results that exceed the sum of the endowment's spending rate, anticipated inflation, all fees and administrative costs and any portfolio growth factor that the Committee on Finance recommends to the Board, while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide a long-term rate of return, net of fees, of approximately 8.5% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

Commonwealth of Pennsylvania law permits the University to allocate to income each year a portion of its endowment. Pennsylvania legislation was enacted which limited the amount that may be spent to a minimum of 2.0%, and a maximum of 7.0% of a three-year moving average of the fair value of the donor restricted endowed assets. Since endowment net realized and unrealized gains may eventually be expended by the University, donor endowment net realized and unrealized gains are recorded in the financial statements as net assets with restrictions until transferred to net assets without donor restrictions. For the years ended June 30, 2026 and 2025, the University's spending policy was 5.0% of the 12-quarter average fair market value of the donor endowed assets calculated as of the prior June 30. Based upon this formula, total distributed income on donor-restricted funds for the years ended June 30, 2026 and 2025 amounted to $2,481,300 and $2,746,100, respectively.

Changes in endowment net assets for the years ended June 30, 2026 and 2025:

	2026			
		With Donor Restrictions		
	Without Donor Restrictions	Restricted, Time and Purpose	Restricted, in Perpetuity	Total
Endowment net assets, July 1, 2025	$ 85,811,368	$ 10,348,173	$ 45,122,871	$ 141,282,412
Investment return:				
Dividends and interest, net of expense	2,519,696	1,640,370	-	4,160,066
Net realized and unrealized gains	7,434,147	5,108,962	-	12,543,109
Total investment return	9,953,843	6,749,332	-	16,703,175
Contributions	-	-	1,562,857	1,562,857
Other changes:				
Transfers	168,913	(258,307)	6,549	(82,845)
Endowment spending	(5,058,900)	(2,481,300)	-	(7,540,200)
Total other changes	(4,889,987)	(2,739,607)	6,549	(7,623,045)
Endowment net assets, June 30, 2026	$ 90,875,224	$ 14,357,898	$ 46,692,277	$ 151,925,399

	2025			
		With Donor Restrictions		
	Without Donor Restrictions	Restricted, Time and Purpose	Restricted, in Perpetuity	Total
Endowment net assets, July 1, 2024	$ 81,425,513	$ 7,355,869	$ 43,520,217	$ 132,301,599
Investment return:				
Dividends and interest, net of expense	2,826,655	1,771,840	-	4,598,495
Net realized and unrealized gains	6,198,900	4,294,458	-	10,493,358
Total investment return	9,025,555	6,066,298	-	15,091,853
Contributions	-	-	1,579,949	1,579,949
Other changes:				
Transfers	77,601	(327,894)	22,705	(227,588)
Endowment spending	(4,717,301)	(2,746,100)	-	(7,463,401)
Total other changes	(4,639,700)	(3,073,994)	22,705	(7,690,989)
Endowment net assets, June 30, 2025	$ 85,811,368	$ 10,348,173	$ 45,122,871	$ 141,282,412

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration (i.e., underwater endowments). At June 30, 2026 and 2025, underwater funds reported in net assets with donor restrictions were $958 and $7,090, respectively.

	2026				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains (Losses)	Total	Total Funds June 30, 2026
Board-designated funds	$ 90,875,224	$ -	$ -	$ -	$ 90,875,224
Donor-restricted funds:					
Underwater funds	-	111,632	(958)	110,674	110,674
Other funds	-	46,580,645	14,358,856	60,939,501	60,939,501
Total endowment funds	$ 90,875,224	$ 46,692,277	$ 14,357,898	$ 61,050,175	$ 151,925,399

	2025				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains (Losses)	Total	Total Funds June 30, 2025
Board-designated funds	$ 85,811,368	$ -	$ -	$ -	$ 85,811,368
Donor-restricted funds:					
Underwater funds	-	554,263	(7,090)	547,173	547,173
Other funds	-	44,568,608	10,355,263	54,923,871	54,923,871
Total endowment funds	$ 85,811,368	$ 45,122,871	$ 10,348,173	$ 55,471,044	$ 141,282,412

13. Net Assets

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

	2026	2025
Unrestricted promises to give	$ 290,736	$ 418,464
Gift annuities and trusts, net	767,968	652,054
Loan funds	837,086	837,086
Funds designated for long-term investment in endowment	90,875,224	85,811,368
Net investment in property and equipment	60,095,607	61,874,135
Designated and other funds available for operations	12,729,046	12,898,789
	$ 165,595,667	$ 162,491,896

Net assets with donor restrictions, time and purpose included the following as of June 30:

	2026	2025
Balances of restricted gifts:		
Academic programs	$ 665,400	$ 750,915
Athletics	874,899	833,500
Community engagement and outreach	374,428	315,073
Foundation-funded grants	72,661	200,012
Research programs	239,052	214,077
School enrichment funds	239,307	254,481
Student enrichment funds and awards	221,217	197,550
Student scholarships and other aid	494,176	396,065
Student investment club, including market appreciation	968,858	763,326
Other student activities and organizations	351,284	334,909
Other institutional programs and initiatives	984,387	1,066,171
Gift annuities and trusts, net	140,731	336,978
Capital projects	2,599,999	2,383,592
Donor endowment restricted, time and purpose	14,357,898	10,348,173
	$ 22,584,297	$ 18,394,822

Net assets with donor restrictions to be held in perpetuity are restricted as follows as of June 30:

	2026	2025
Investments to be held in perpetuity, the income from which is expendable to support:		
Scholarships and awards	$ 37,825,457	$ 36,359,945
Faculty chairs	1,433,687	1,433,687
Instruction	1,976,574	1,975,162
Faculty development	749,553	742,984
Campus ministries	682,631	669,562
General operations and other purposes	3,870,466	3,861,903
Gift annuities and trusts, net held in perpetuity	2,869,829	2,378,839
Beneficial interest in perpetual trusts	4,630,602	4,361,396
Pledges and bequests (endowment designation)	153,910	79,628
Total principal of donor endowment	$ 54,192,709	$ 51,863,106

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors.

The income received from net annuities held in perpetuity and perpetual trusts are primarily restricted for scholarships and instruction.

14. Expenses

Expenses by natural classification for the years ended June 30, 2026 and 2025 consist of the following:

	2026							
	Educational Programs Services							
	Instructional	Academic Support	Student Services	Public Service	Auxiliary Enterprises	Supporting Services, Institutional Support	Physical Plant	Total
Compensation and benefits	$ 28,427,308	$ 4,336,908	$ 11,104,750	$ 1,710,020	$ 3,845,148	$ 11,543,317	$ 5,277,929	$ 66,245,380
Services and supplies	3,494,087	1,933,647	5,897,672	1,081,534	510,754	3,648,238	2,351,643	18,917,575
Depreciation and amortization	1,057,797	521,385	3,306,875	8,426	256,799	687,925	5,542,634	11,381,841
Purchases for resale	344,300	290	20,013	6,488	4,457,159	337,463	-	5,165,713
Utilities	44,234	42,206	37,435	25,662	134,312	16,937	3,030,693	3,331,479
Insurance, maintenance and supplies	67,639	7,937	131,304	17,894	7,484	1,628,071	1,091,662	2,951,991
Interest	142,442	-	660,640	-	588,998	542,074	276,507	2,210,661
Other physical plant	2,602,275	2,496,849	2,147,185	1,518,140	7,945,637	860,982	(17,571,068)	-
	$ 36,180,082	$ 9,339,222	$ 23,305,874	$ 4,368,164	$ 17,746,291	$ 19,265,007	$ -	$ 110,204,640

	2025							
	Educational Programs Services							
	Instructional	Academic Support	Student Services	Public Service	Auxiliary Enterprises	Supporting Services, Institutional Support	Physical Plant	Total
Compensation and benefits	$ 27,538,401	$ 4,455,144	$ 11,093,892	$ 1,708,131	$ 3,702,909	$ 11,467,448	$ 5,278,040	$ 65,243,965
Services and supplies	2,946,488	1,816,453	5,875,380	1,031,368	389,156	3,486,694	2,011,358	17,556,897
Depreciation and amortization	1,081,872	515,629	3,165,457	8,238	259,816	523,584	5,703,975	11,258,571
Purchases for resale	278,174	1,593	20,355	8,347	4,213,375	295,692	14	4,817,550
Utilities	30,617	29,323	25,657	17,814	93,233	14,421	3,195,247	3,406,312
Insurance, maintenance and supplies	63,271	3,604	136,292	27,115	5,245	1,381,401	1,225,714	2,842,642
Interest	145,783	-	683,733	-	653,398	593,882	282,990	2,359,786
Other physical plant	2,620,976	2,514,792	2,162,615	1,529,050	8,002,736	867,169	(17,697,338)	-
	$ 34,705,582	$ 9,336,538	$ 23,163,381	$ 4,330,063	$ 17,319,868	$ 18,630,291	$ -	$ 107,485,723

15. Leases

The University has entered into the following lease arrangements:

Operating leases: The University leases office and classroom space, copiers and other equipment. The leases generally have initial lease terms of 2 - 6 years, with one lease having an initial term of 118 months.

Finance leases: The University leases eSports technology and dining equipment. The leases generally have initial lease terms of 2 - 3 years.

Short-term leases: The University has certain leases that are for periods of 12 months or less. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

Subsequent to the lease commencement date, the University reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term, or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.

The table below summarizes the University's scheduled future minimum lease payments for years ending after June 30, 2026:

	Operating Leases	Finance Leases
Year ending June 30:		
2027	$ 883,991	$ 4,496
2028	840,687	-
2029	152,854	-
2030	18,880	-
Total lease payments	1,896,412	4,496
Less amounts representing interest	(75,820)	(53)
Total lease obligation	$ 1,820,592	$ 4,443

Below is a summary of expenses incurred pertaining to leases during the year ended June 30, 2026:

Finance lease expense:	
Amortization of right-of-use assets	$ 35,487
Interest on lease liabilities	3,688
Operating lease expense	870,799
Short-term lease expense	558,561
Total lease expense	$ 1,468,535

The following table presents supplemental information related to leases in 2026:

Weighted-average remaining lease term (in years):	
Operating leases	2.2
Finance leases	0.2
Weighted-average discount rate:	
Operating leases	3.39 %
Finance leases	7.09

Below is a summary of expenses incurred pertaining to leases during the year ended June 30, 2025:

Finance lease expense:	
Amortization of right-of-use assets	$ 35,487
Interest on lease liabilities	7,382
Operating lease expense	855,327
Short-term lease expense	564,860
Total lease expense	$ 1,463,056

The following table presents supplemental information related to leases in 2025:

Weighted-average remaining lease term (in years):	
Operating leases	3.2
Finance leases	1.2
Weighted-average discount rate:	
Operating leases	3.30 %
Finance leases	7.09

16. Commitments and Contingencies

The University owns several buildings constructed prior to the passage of the Clean Air Act that may contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe manner prior to demolition or renovation of the buildings. The University has recognized an asset retirement obligation of $2,757,193 and $2,756,389 for the years ended June 30, 2026 and 2025, respectively, and is included in other liabilities on the statements of financial position.

In August 2024, the University entered into a contract with a third-party vendor to implement a new enterprise system to enhance operational efficiency and financial reporting capabilities. The total estimated cost of the implementation includes software licensing, implementation services, data migration, training and post-implementation support over a multi-year period. As of June 30, 2026, the University has incurred costs related to the enterprise system project, which have been capitalized in accordance with *ASC 350-40, Internal-Use Software*. The enterprise system contract includes customary termination clauses. If the University were to terminate the agreement early, it may be subject to termination fees based on the stage of implementation and services rendered to date. As of the reporting date, the University has no intention to terminate the agreement and believes the project will be completed as planned.

The University is involved in various claims and litigation arising out of the normal conduct of its operations. In the opinion of management, the outcome of such claims and litigation will not have a material effect on the University's financial statements.

Amounts received and expended by the University under various federal and state programs (principally related to student financial aid) are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position or result of activities of the University.

The University executed a Guaranty Agreement dated October 1, 2018, pursuant to which the University guaranteed the payment of debt service with respect to $57,490,000 of Cumberland County Industrial Development Authority (Commonwealth of Pennsylvania) Taxable Revenue Bonds (Rider Musser Development, LLC Project), Series 2018 (the 2018 Taxable Revenue Bonds). The guarantee only secures the debt service obligations with respect to the 2018 Taxable Revenue Bonds and does not secure Rider Musser Development, LLC's obligations with respect to any additional bonds or indebtedness. The guarantee is an unsecured general obligation of the University. Since inception, the real estate development company has met all its debt service payment requirements on this borrowing. The outstanding principal bond balance was $57,295,000 and $57,445,000 for the years ended June 30, 2026 and 2025, respectively.

Subsequent to the issuance of the financial statements as of June 30, 2026, the University intends to execute a Guaranty Agreement, tentatively to be executed in October 2026, pursuant to which the University will guarantee the payment of a note payable, up to a maximum of $2,000,000. The note payable is to be executed between Rider Musser Development, LLC and their respective third-party lender. The guaranty by the University only secures the debt obligations with respect to the Rider Musser Development, LLC note payable, up to a maximum of $2,000,000, and does not secure Rider Musser Development, LLC's obligations with respect to any additional indebtedness. The guaranty will be an unsecured general obligation of the University.

17. Income Taxes

The University qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

The University accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of "more likely than not" to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold at June 30, 2026 and 2025.

The University's tax returns remain subject to examination for the years subsequent to June 30, 2022.

The University's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

18. Related-Party Transactions

Members of the University's Board and senior management may, from time to time, be associated, either directly or through interlocking board memberships, with entities doing business with the University. Related-party transactions amounted to $1,040,668 and $3,224,567 at June 30, 2026 and 2025, respectively. The University has a written conflict of interest policy that requires such associations be disclosed in writing on an annual basis and updated as appropriate during the year for officers and trustees if needed. When such associations exist, measures are taken to mitigate any actual or perceived conflict.

The University maintains a deposit account at a regional community bank, where a board member serves on the governing bodies of both institutions. Deposits were $1,070,276 and $3,105,191 at June 30, 2026 and 2025, respectively.

The financial statements include unsecured pledges receivable from related parties of approximately $2,488,000 and $2,651,000 at June 30, 2026 and 2025, respectively. All related-party activity is conducted in accordance with the University's normal policies and procedures during the year for officers, designated employees and trustees.

On December 19, 2024, a related-party real estate development company deeded five parcels of undeveloped land to the University for no consideration. The transfer has been considered a transaction between entities under common control, as the University is the sole member of the related party, and reflected as an equity transaction at its historic carrying value. The net carrying value of the land and associated construction in process totaled $6,423,029 on the real estate development company's books. Both the land transferred to the University and the member interest in the real estate development company continue to be held as part of the endowment investment pool. The University reports its investment in the real estate development company using the equity method while the land transferred is recorded at fair value. The University obtains appraisals on these undeveloped parcels of land on a biennial basis, unless management believes indicators of a material change in value exist which would warrant an interim appraisal. As of June 30, 2026, management concluded there were no indicators of a material decline in the value of the land and, accordingly, no adjustment was recorded. The fair market value of the land was $11,180,000 for the years ended June 30, 2026 and 2025, based on the most recent June 30, 2025 appraisal valuation.