Universidad del Sagrado Corazón

Financial Statements

June 30, 2023 and 2022

Table of Contents

Galíndez LLC

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Universidad del Sagrado Corazón

Opinion

We have audited the financial statements of Universidad del Sagrado Corazón (the University) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses 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 Universidad del Sagrado Corazón as of June 30, 2023 and 2022, and the results of its activities and changes in its net assets, its functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 accounting principles generally accepted in the United States of America, this includes 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 for 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and asses 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue on 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.

E551940
COLEGIO DE CONTADORES PÚBLICOS AUTORIZADOS DE PUERTO RICO
sello $5.00 $2.00

Galíndez LLC

San Juan, Puerto Rico
October 25, 2023
License No. LLC-322
Expires December 1, 2023

Universidad del Sagrado Corazón

Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash	$ 1,325,893	$ 786,062
Endowment fund money market accounts	1,180,695	924,937
Accounts receivable — net (Note 5)	2,551,200	2,041,833
Materials and supplies inventory	605,985	603,017
Prepaid expenses	206,663	320,277
Total current assets	5,870,436	4,676,126
Noncurrent assets:		
Endowment fund investments (Notes 2, 3 and 4)	21,498,271	24,362,317
Students' loans — net of allowance for doubtful loans of $34,407 in 2023 and 2022	20,077	657,060
Land, buildings and equipment — net (Note 6)	44,962,848	42,563,522
Other noncurrent assets	477,453	477,453
Total noncurrent assets	66,958,649	68,060,352
Total	$ 72,829,085	$ 72,736,478
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 6,241,811	$ 6,499,288
Grants collected in advance, deferred tuition and other deferred revenue	2,114,174	1,573,004
Current portion of bonds payable (Note 8)	1,060,000	1,015,000
Total current liabilities	9,415,985	9,087,292
Noncurrent liabilities:		
Bonds payable, including premium of $11,925 in 2023 and $13,232 in 2022 net of unamortized bond issuance costs of $110,595 in 2023 and $129,713 in 2022 (Note 8)	13,736,330	14,778,519
United States government advances refundable for student loans	20,077	479,657
Accrued pension costs (Note 11)	6,899,328	10,034,722
Total noncurrent liabilities	20,655,735	25,292,898
Total liabilities	30,071,720	34,380,190
Net assets (Note 9):		
Without donor restrictions	27,729,262	24,554,773
With donor restrictions	15,028,103	13,801,515
Total net assets	42,757,365	38,356,288
Total	$ 72,829,085	$ 72,736,478

See notes to financial statements

Universidad del Sagrado Corazón

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Tuition and fees–net of scholarship and fellowship expenses of $1,173,506	$ 28,561,348	$ -	$ 28,561,348
Government grants and contracts:			
Commonwealth of Puerto Rico	468,922	-	468,922
United States government	11,392,818	-	11,392,818
Sales and services of auxiliary enterprises	1,855,678	-	1,855,678
Investment return, net	695,582	1,244,146	1,939,728
Private gifts and grants	891,562	285,171	1,176,733
Other sources	1,270,894	221	1,271,115
Fund raising	108,085	-	108,085
Sales and services of educational activities	859,623	-	859,623
Total revenue, gains and support before releases	46,104,512	1,529,538	47,634,050
Net assets released from restrictions	302,950	(302,950)	-
Total revenues, gains and other support	46,407,462	1,226,588	47,634,050
Expenses and other deductions:			
Program activities:			
Instruction	16,589,133	-	16,589,133
Student services	7,440,574	-	7,440,574
Academic support	4,995,194	-	4,995,194
Student aid	1,490,499	-	1,490,499
Total program activities	30,515,400	-	30,515,400
Supporting activities:			
Institutional support	13,898,980	-	13,898,980
Auxiliary enterprises	3,367,805	-	3,367,805
Total supporting activities	17,266,785	-	17,266,785
	47,782,185	-	47,782,185
Change in net assets before minimum pension liability adjustment	(1,374,723)	1,226,588	(148,135)
Minimum pension liability adjustment	4,549,212	-	4,549,212
Change in net assets	3,174,489	1,226,588	4,401,077
Net assets, beginning of the year	24,554,773	13,801,515	38,356,288
Net assets, end of the year	$ 27,729,262	$ 15,028,103	$ 42,757,365

See notes to financial statements

Universidad del Sagrado Corazón

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Tuition and fees–net of scholarship and fellowship expenses of $1,354,855	$ 27,024,422	$ -	$ 27,024,422
Government grants and contracts:			
Commonwealth of Puerto Rico	100,027	-	100,027
United States government	13,734,037	-	13,734,037
Sales and services of auxiliary enterprises	954,701	-	954,701
Investment loss, net	(1,168,642)	(2,027,897)	(3,196,539)
Private gifts and grants	653,004	467,503	1,120,507
Other sources	3,312,530	128	3,312,658
Fund raising	21,323	-	21,323
Sales and services of educational activities	701,594	-	701,594
Total revenue, gains and support before releases	45,332,996	(1,560,266)	43,772,730
Net assets released from restrictions	175,000	(175,000)	-
Total revenues, gains and other support	45,507,996	(1,735,266)	43,772,730
Expenses and other deductions:			
Program activities:			
Instruction	14,171,459	-	14,171,459
Student services	6,572,202	-	6,572,202
Academic support	5,748,402	-	5,748,402
Student aid	897,446	-	897,446
Total program activities	27,389,509	-	27,389,509
Supporting activities:			
Institutional support	15,312,828	-	15,312,828
Auxiliary enterprises	2,819,125	-	2,819,125
Total supporting activities	18,131,953	-	18,131,953
	45,521,462	-	45,521,462
Change in net assets before minimum pension liability adjustment	(13,466)	(1,735,266)	(1,748,732)
Minimum pension liability adjustment	4,865,221	-	4,865,221
Change in net assets	4,851,755	(1,735,266)	3,116,489
Net assets, beginning of the year	19,703,018	15,536,781	35,239,799
Net assets, end of the year	$ 24,554,773	$ 13,801,515	$ 38,356,288

See notes to financial statements

Universidad del Sagrado Corazón

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Activities					Supporting Activities			
	Instruction	Student Services	Academic Support	Student Aid	Programs Subtotal	Institutional Support	Auxiliary Enterprises	Supporting Subtotal	Total
Compensation and benefits	$ 11,130,033	$ 4,540,445	$ 2,669,855	$ -	$ 18,340,333	$ 6,230,692	$ 300,307	$ 6,530,999	$ 24,871,332
Professional services and charges	786,572	829,048	173,347	-	1,788,967	3,464,932	2,732	3,467,664	5,256,631
Materials and supplies	491,800	385,423	462,241	-	1,339,464	1,239,893	40,317	1,280,210	2,619,674
Maintenance and facilities cost	2,184,723	829,583	1,004,160	-	4,018,466	1,938,179	1,114,536	3,052,715	7,071,181
Other scholarships	111,370	200	12,171	1,490,499	1,614,240	32	-	32	1,614,272
Depreciation and amortization	1,456,290	512,648	623,854	-	2,592,792	489,222	1,087,799	1,577,021	4,169,813
Other expenses	428,345	343,227	49,566	-	821,138	536,030	7,459	543,489	1,364,627
Interest on long-term debt	-	-	-	-	-	-	814,655	814,655	814,655
Total	$ 16,589,133	$ 7,440,574	$ 4,995,194	$ 1,490,499	$ 30,515,400	$ 13,898,980	$ 3,367,805	$ 17,266,785	$ 47,782,185

See notes to financial statements

Universidad del Sagrado Corazón

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Activities					Supporting Activities			
	Instruction	Student Services	Academic Support	Student Aid	Programs Subtotal	Institutional Support	Auxiliary Enterprises	Supporting Subtotal	Total
Compensation and benefits	$ 8,847,276	$ 3,899,786	$ 3,531,392	$ -	$ 16,278,454	$ 7,614,142	$ 144,241	$ 7,758,383	$ 24,036,837
Professional services and charges	1,046,954	648,643	207,766	-	1,903,363	3,142,582	3,428	3,146,010	5,049,373
Materials and supplies	700,742	385,455	415,101	-	1,501,298	1,919,628	12,584	1,932,212	3,433,510
Maintenance and facilities cost	1,944,653	757,228	835,930	-	3,537,811	2,002,849	935,134	2,937,983	6,475,794
Other scholarships	23,622	7,390	14,280	897,446	942,738	4,800	-	4,800	947,538
Depreciation and amortization	1,349,974	475,222	578,309	-	2,403,505	449,952	1,011,941	1,461,893	3,865,398
Other expenses	258,238	398,478	165,624	-	822,340	178,875	112	178,987	1,001,327
Interest on long-term debt	-	-	-	-	-	-	711,685	711,685	711,685
Total	$ 14,171,459	$ 6,572,202	$ 5,748,402	$ 897,446	$ 27,389,509	$ 15,312,828	$ 2,819,125	$ 18,131,953	$ 45,521,462

See notes to financial statements

Universidad del Sagrado Corazón

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 4,401,077	$ 3,116,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,169,813	3,865,398
Amortization of bond premium	(1,307)	(12,366)
Amortization of bond issue costs	19,118	21,279
Net unrealized and realized (gain) loss on investments	(1,380,018)	3,699,203
Minimum pension liability adjustment	(4,549,212)	(4,865,221)
Loss on liquidation of loan portfolio	218,002	-
Decrease (increase) in:		
Accounts receivable	(509,367)	3,754,623
Materials and supplies inventory	(2,968)	15,747
Prepaid expenses	113,614	(33,839)
Increase (decrease) in:		
Accounts payable and accrued expenses	(257,477)	(101,990)
Grants collected in advance, deferred tuition and other deferred revenue	541,170	(1,881,515)
Accrued pension costs	1,413,818	1,834,782
Total adjustments	(224,814)	6,296,101
Net cash provided by operating activities	4,176,263	9,412,590
Cash flows from investing activities:		
Loans amount (returned to) collected from US Department of Education	(40,599)	137,528
Purchase of investments	(13,268,322)	(5,743,962)
Proceeds from sales and redemptions of investments	17,256,628	3,190,589
Capital expenditures	(6,569,139)	(5,871,973)
Capitalization of art pieces	-	(190,300)
Net cash used in investing activities	(2,621,432)	(8,478,118)
Cash flows from financing activities:		
Payments of bonds payable	(1,015,000)	(965,000)
Decrease in United States government advances refundable for students loans	-	(145,366)
Net cash used in financing activities	(1,015,000)	(1,110,366)
Net change in cash	539,831	(175,894)
Cash — beginning of year	786,062	961,956
Cash — end of year	$ 1,325,893	$ 786,062

(continue)

Universidad del Sagrado Corazón

Statements of Cash Flows (Continued)

Years Ended June 30, 2023 and 2022

Supplemental Disclosure of Cash Flows Information:

	2023	2022
Other supplemental information:		
Interest paid on bonds payable	$ 686,613	$ 736,113
Interest paid on line of credit	$ 142,036	$ 56,815
Student loan cancellations and student loans assigned to the U.S. Government recorded as decreases of advances from U.S. government student loans	$ 677,582	$ 664,876

See notes to financial statements

Note 1 - Organization and Summary of Significant Accounting Policies

Universidad del Sagrado Corazón (the University) is a private institution of higher education whose only campus is located in Santurce, a centrally located section of San Juan, Puerto Rico. The University is a co-educational, not-for-profit corporation duly organized under the laws of the Commonwealth of Puerto Rico since 1943.

The following is a summary of the significant accounting policies followed by the University:

Basis of Accounting

The financial statements of the University have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP).

Basis of Presentation

The financial statements have been prepared in accordance with the provisions of Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*, which requires that all not-for-profit organizations classify and report net assets in two groups, net assets with donor restrictions and net assets without donor restrictions. Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions.

Accordingly, net assets of the University and related changes therein are classified as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.
Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or by the passage of time.

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

Additionally, ASC 958 requires not-for-profit entities to provide certain information about underwater endowment funds and related disclosures, disclosures of expenses by both their nature classification and their functional classification and the allocation methods used to allocate costs, and disclosures of the quantitative and qualitative information regarding liquidity and availability of resources.

Use of Estimates

Management of the University has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and the recognition of revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses on existing receivables that may become uncollectible based on evaluations of the collectibility of the receivables and prior credit loss experience. Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the receivables outstanding and the related allowance may change as a result of future developments.

Money Market Accounts

Money market accounts are valued at cost, plus accrued interest, which approximates fair value. These accounts are classified at Level 2 according to the fair value hierarchy.

Investments

The University accounts for its investments under the provisions of ASC 958-320, *Investments in Debt and Equity Securities*, and ASC 958-321, *Investments in Equity* Securities, which requires that investments in equity securities with readily determinable fair values and all investments in debts securities be reported at fair value, with gains and losses included in the statements of activities. The cost assigned to investments received by gift is the fair value at the date of the gift. Net appreciation (depreciation) in the fair value of investments, which consist of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is presented in the statement of activities in accordance with donor restrictions as investment return. Investment return is presented net of investment fees.

Investments without readily determinable fair values consist of share of private equity funds, which are valued using the net asset value (NAV) per share as a practical expedient. The NAVs are determined by the fund administrators and are based on the fair value of the underlying investments in the funds. Investments that are measured at fair value using the NAV practical expedient are not required to be classified within the fair value hierarchy, as provided by ASC 820, *Fair Value Measurement* (see Note 4).

The University's investments include various types of investments securities. Investment securities are exposed to several risks, such interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that those changes could materially affect the amounts reported in the financial statements.

Materials and Supplies Inventory

Materials and supplies inventory are carried at the lower of cost or net realizable value and consist of hardware and general maintenance supplies.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is provided using the straight-line method over the estimated useful life of the respective assets as follows:

Land improvements	20 years
Building and building improvements	45 years
Equipment and library books	3 to 15 years
Vehicles	5 years

All construction in progress is carried on a temporary account until the construction is completed; at which time, a transfer is made to the appropriate building and equipment account.

Impairment of Long-Lived Assets

The University periodically reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment is evident as a result of such review at June 30, 2023 and 2022.

Loans to Students

Loans to students are permitted based on the eligibility requirements established by Title IV fund, of the Higher Education Act of 1965, as amended.

Accretion of Premium and Debt Issue Costs

Accretion of premium and debt issue cost are amortized to operations over the term of the debt to which they relate using a method substantially equivalent to the interest method. Debt issuance costs are presented as a reduction on the related debt.

United States Government Advances Refundable for Student Loans

On March 8, 2022, the University informed its election to liquidate the Perkins loan program fund. This process requires that the University assign all its students' Perkins loans to the US Department of Education for complete cancellation of the portfolio in the University's records. As of the issuance of the financial statements, the University has completed all the corrections with the National Student Loan Data System (NSLDS) and is pending from NSLDS to reflect such corrections. Once all of the corrections are reflected in NSLDS, the University can request the closeout in the Common Origination and Disbursement (COD) system. A total of $677,582 and $664,876 has been assigned to the U.S. Government and recorded as decreases from U.S. government student loans on fiscal years 2023 and 2022, respectively.

Revenue Recognition

The University recognizes revenue pursuant to the provisions of ASC 606, *Revenue from Contracts with Customers*. ASC 606 requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. ASC 606 establishes a five-step approach for the recognition of revenue, as follows: (1) identify the contracts with customers; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The University's revenue is derived primarily from tuition and fees on its academic programs, which are recognized as revenue over time through the applicable academic term or program. Other revenue is recognized at a point in time as services are performed or goods are delivered. Performance obligations are determined based on the nature of the services provided by the University. Revenue from performance obligations satisfied over time consists of tuition and fees, which are recognized based on actual educational services charged to students in relation to total expected charges for services anticipated to be provided during the year in which the course sessions are held. The University believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The University measures the performance obligation for tuition and fees from the start of the academic term corresponding to the courses taken by the students, based on the applicable academic calendar.

Revenue from performance obligations satisfied at a point in time is recognized when goods are sold, or services are provided by the University.

While ASC 606 is generally applied to an individual contract with a customer, as a practical expedient, the University applied this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. The effects of applying this guidance to the portfolio did not differ materially from applying the guidance to the individual contracts (or performance obligations) within the portfolio.

Because all of the University's performance obligations relate to contracts with an expected duration of less than one year, the University has elected to apply the optional exemption provided by ASC 606-10-50-14(a), therefore, the University is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Such performance obligations consist primarily of deferred tuition. The performance obligations for these contracts are generally completed at the end of the corresponding academic term.

The University determines the transaction price for tuition and fees based on standard credit-hour rates for the corresponding educational services to be provided to students, reduced by scholarships, as applicable. The University's transaction prices do not include variable consideration or a significant financing component. The University has determined that there are no specific factors that significantly affect the nature, amount, timing and uncertainty of its revenues and cash flows.

The disaggregation of the University's revenues from contracts with customers for the years ended June 30, 2023 and 2022 consist of:

	2023	2022
Performance obligations satisfied over time:		
Tuition and fees	$ 28,561,348	$ 27,024,422
Performance obligations satisfied at point in time:		
Collumbarium related services	94,074	86,394
Access permits	50,585	65
Other	725,645	1,008,635
Seminars and workshops	855,016	668,599
Total performance obligations satisfied at a point in time	1,725,320	1,763,693
Total	$ 30,286,668	$ 28,788,115

Other revenues within the scope of ASC 606 for the years ended June 30, 2023 and 2022, were recognized at a point in time.

Revenues from dormitories for approximately $1,589,000 and $785,000 as of June 30, 2023 and 2022, respectively, are within the scope of FASB ASC 842, *Leases*.

Contract assets and liabilities as of June 30, 2023 and 2022 consist of:

	2023	2022
Accounts receivable, net	$ 1,753,221	$ 1,311,506
Deferred tuition	$ 251,374	$ 78,027

Deferred tuition is included in grants collected in advanced, deferred tuition and other deferred revenue as of June 30, 2023 and 2022.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenue without donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted, if practicable, at an appropriate discount rate, commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible contributions receivable is provided, if necessary, based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity. At June 30, 2023 and 2022, there are no significant contributions receivables.

U.S. Government and Commonwealth of Puerto Rico grants and contracts revenue

Revenue from U.S. government and Commonwealth of Puerto Rico grants and contracts is recognized as it is spent in accordance with the corresponding agreement. Funds received for student financial assistance (principally, Pell Grant and Direct Loans) that are awarded directly to students are excluded from revenue and expenses.

Functional Expenses Allocation

Expenses are reported in the statements of activities in categories recommended by the National Association of College and University Business Officers (NACUBO). Instruction is the University's primary program service. Expenses reported as academic support, student services, and auxiliary enterprises are incurred in support of the University's primary program. Institutional support mainly includes management and general expenses.

The cost of providing program and other activities have been summarized on a functional basis in the Statements of Functional Expenses for the years ended June 30, 2023 and 2022. Certain expenses, such as operation and maintenance of plant, and depreciation and amortization, which are related to more than one category, were allocated among the appropriate categories primarily based on the square feet of the different buildings of the University.

Pension Costs

Pension costs are computed on the basis of generally accepted actuarial methods and include current service cost, interest cost and amortization of prior service cost. One of the principal components of the net periodic pension calculation is the expected long-term rate of return on plan assets. The required use of expected long-term rate of return on plan assets may result in recognized pension income (expense) that is greater or less than the actual returns of those plan assets in any given year. Over time, however, the expected long-term returns are designed to approximate the actual long-term returns and, therefore, result in a pattern of income and expense recognition that more closely matches the pattern of the services provided by the employees. Differences between actual and expected returns are recognized in the net periodic pension calculation.

The University uses long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investments returns by reference to external sources to develop its expected return on plan assets.

The discount rates assumptions used for pension benefit plan accounting reflects the rates available on high-quality fixed-income debt instruments on June 30 of each year.

Taxes

The University is organized under the laws of the Commonwealth of Puerto Rico as a not-for-profit corporation. Accordingly, the University is exempt from Puerto Rico income taxes. It is also exempt from property taxes on property dedicated to education. In addition, the University is exempt under Section 501(c)(3) of the United States Internal Revenue Code.

Leases

In accordance with the provisions of ASC No. 842, Leases, operating lease liabilities and related right-of-use assets are determined based on the present value of total fixed lease payments as of the date of inception, discounted using the University's incremental borrowing rate. The incremental borrowing rate is based on observable market data and other information available to the University. Options to extend or to terminate a lease agreement prior to expiration, if any, are considered in the determination of operating lease liabilities and related right-of-use assets if it is reasonably certain that the University will exercise such options.

The right-of-use assets and lease liabilities only include the fixed lease payments for agreements with terms greater than 12 months. The University recognizes lease expense on a straight-line basis over the lease term.

Related Parties

According to Code of Federal Regulations (CFR) No. 34, Section 668.23(d), as of June 30, 2023 and 2022, and for the years then ended, there were no related parties or related party transactions that need to be reported, except for as disclosed in next paragraph.

The University sponsors a pension plan, disclosed in Note 11, and a retirement savings plan, disclosed in Note 12 and these transactions qualify as related parties' transactions. There are no other related parties' transactions as of June 30, 2023 and 2022.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform them to the current year presentation.

New accounting pronouncement

ASC No. 326, *Financial Instruments – Credit Losses*, requires the use of a current expected credit loss (CECL) model that is based on expected losses rather than incurred losses in the determination of credit impairment, among other new requirements. The CECL model requires an estimate of expected lifetime credit losses on financial assets, including accounts receivable, that considers forecasts of future economic conditions in addition to information about past events and current conditions. Under the CECL model, the allowance for credit losses will reduce the value of financial assets to the net amounts expected to be collected. ASC 326 also requires additional disclosures to provide sufficient information about the University's exposure to credit risks and how management estimates the allowance for credit losses. ASC 326 is effective for the University on July 1, 2023.

The University is in the process of determining the impact this new accounting pronouncement may have on its financial statements.

Note 2 - Endowment Fund Investments

Endowment fund investments at June 30, 2023 and 2022, consist of the following:

	2023	2022
Equity securities	$ 10,092,544	$ 11,831,727
Corporate bonds and debentures	2,786,326	4,417,289
Mortgage and asset-backed securities	2,521,525	1,019,487
Time deposits	8,185	8,185
Mutual funds	1,196,095	3,143,582
U.S. Treasury obligations	2,736,708	1,799,313
Private equity funds and hedge funds	2,156,888	2,142,734
Sub Total	21,498,271	24,362,317
Endowment fund money market accounts	1,180,695	924,937
Total	$ 22,678,966	$ 25,287,254

The composition of endowment fund investment return (loss) for the years ended June 30, 2023 and 2022 is as follows:

June 30, 2023	Without Donor Restriction	With Donor Restriction	Total
Interest and dividends, net of expenses	$ 198,031	$ 361,679	$ 559,710
Net unrealized and realized gain on investments	497,551	882,467	1,380,018
Total	$ 695,582	$ 1,244,146	$ 1,939,728

June 30, 2022	Without Donor Restriction	With Donor Restriction	Total
Interest and dividends, net of expenses	$ 190,461	$ 312,203	$ 502,664
Net unrealized and realized loss on investments	(1,359,103)	(2,340,100)	(3,699,203)
Total	$ (1,168,642)	$ (2,027,897)	$ (3,196,539)

Investments without readily determinable fair values are valued at NAV, as a practical expedient for fair value. During the years ended June 30, 2023 and 2022, investments without readily determinable fair values increased in value by $484,521 and $590,366, respectively, which are included as part of the net realized and unrealized (loss) gain on investments in the accompanying statements of activities and changes in net assets for the years then ended. Cumulative upward adjustments in value at June 30, 2023 and 2022 amounted to $1,537,502 and $1,052,981, respectively.

Note 3 - Endowment Net Assets

The Endowment Fund of the Universidad del Sagrado Corazón is a tax-exempt fund established to support the mission and the vision of the University by, among other things, providing grants and scholarships to students and funds for current and future operations and projects, through the investment of donations and other institutional funds. Funding is obtained primarily from donations, some of them restricted both in terms of spending amount and purposes, others only temporarily, or not restricted at all. These donations are deposited into the Endowment Fund, which is governed by any expressed condition by the donors and by any applicable law. Funding is also obtained from excess funds from the University's operations which are transferred to the Endowment Fund as approved by the Board of Trustees. According to the Board of Trustees' intention, these transfers can be either restricted both in terms of spending amount and purposes, temporarily restricted, or not restricted at all. Net assets associated with endowment funds are classified and reported based on existence or absence of donor imposed restrictions.

a) Spending Policy

The main purpose of the Endowment Fund is to provide funding in amounts necessary to preserve and advance the mission of the University. The spending policy as determined by the Board of Trustees is 4% of the average Endowment Fund market value over the past 12 quarters ending June 30th, preceding the fiscal year for which the distribution is budgeted (the "spending rate"). The Spending Policy establishes a reasonable and prudent spending level for the Endowment Fund and is the primary determinant in how much can be spent or reserved currently for restricted and unrestricted uses, as well as the method and how much to invest to preserve future spending.

Funding obtained from excess funds from the University's operations are recorded in a quasi-endowment fund included within the endowment fund. Although the intent is to use this fund for gifts and scholarship grants, it may also de used to provide funds for the current and future support of operations and capital projects of the University and its programs. The quasi-endowment fund may exceed the maximum spending limit mentioned above with the approval of the Finance Committee and the Board of Trustees. During the year ended June 30, 2023, the Board of Trustees approved a withdrawal of $5 million to provide funds for the current operations and to finance certain capital projects.

b) Return Objectives

Consistent with the investment description and objectives stated above, the Endowment Fund is expected to achieve the absolute goal and at least two of four relative goals, over a complete economic market cycle, usually three to five years.

Earn Absolute Return: On a net of fee basis, earn a total return of at least 5.0% of the average Endowment Fund value over the past 20 quarters plus the rate of inflation (as measured by the Consumer Price Index (CPI)) plus 1.0% real growth.

c) Investment Allocation Guidelines

The asset mix policy ranges below represent a view of strategic asset allocation for each pool. As such, rapid and significant market movements or financial disruptions for the University may cause the Endowment Fund's actual asset mix to occasionally fall outside the target range but it is expected that any divergence should be of a short-term nature.

It shall be the policy of the Endowment Fund to invest the assets in accordance with the maximum and minimum range for each asset category as stated below:

Asset Category	Long Term Target	Minimum	Maximum
Cash & short term investment	2%	0%	25%
Global fixed income	43%	20%	65%
Global equities	47%	25%	65%
Diversifying alternative investments	8%	0%	20%
Real estate assets	0%	0%	10%
Multi-asset & tactical asset allocation	0%	0%	10%

This space was intentionally left in blank

The tables below present the endowment net assets as of June 30, 2023 and 2022, respectively, by type of fund:

June 30, 2023	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 14,941,828	$ 14,941,828
Board-designated/operating surplus endowment funds	7,713,167	-	7,713,167
Total endowment	$ 7,713,167	$ 14,941,828	$ 22,654,995

June 30, 2022	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 13,707,164	$ 13,707,164
Board-designated/operating surplus endowment funds	11,568,271	-	11,568,271
Total endowment	$ 11,568,271	$ 13,707,164	$ 25,275,435

This space was intentionally left in blank

The tables below present the changes in endowment net assets for the years ended June 30, 2023 and 2022, as adjusted:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, June 30, 2022	$ 11,568,271	$ 13,707,164	$ 25,275,435
Investment return:			
Investment income, net	198,031	361,679	559,710
Net unrealized and realized gain on investments	497,551	882,467	1,380,018
Total investment return	695,582	1,244,146	1,939,728
New gifts	639,438	248,468	887,906
Spending	(67,600)	(172,650)	(240,250)
Other expenses	-	(5,300)	(5,300)
Transfers	(5,122,524)	(80,000)	(5,202,524)
Endowment net assets, June 30, 2023	$ 7,713,167	$ 14,941,828	$ 22,654,995

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, June 30, 2021	$ 12,514,650	$ 15,438,855	$ 27,953,505
Investment return (loss):			
Investment income, net	190,461	312,203	502,664
Net unrealized and realized losses on investments	(1,359,103)	(2,340,100)	(3,699,203)
Total investment return (loss)	(1,168,642)	(2,027,897)	(3,196,539)
New gifts	882,171	437,437	1,319,608
Other expenses	(330,977)	(141,231)	(472,208)
Transfers	(328,931)	-	(328,931)
Endowment net assets, June 30, 2022	$ 11,568,271	$ 13,707,164	$ 25,275,435

The balance of the endowment net asset as of June 30, 2021, has been increased by $2,934,924 to correct previously reported transactions between the University's operating fund and the Board designated/operating surplus endowment funds. This correction has no impact on the University's net assets as reported in the accompanying statements of financial position or the change in net assets in the statements of activities and changes in net assets.

Total Endowment net assets as of June 30, 2023 and 2022 do not include other funds which are classified as net assets without and with donor restriction in the statements of financial position.

There were no underwater endowment funds as of June 30, 2023 and 2022.

Total investment return for the year ended June 30, 2020 included an unrealized loss of $2,000,000 related to an investment in Kinetic Investment Group, LLC, acquired on October 1, 2018 when the University invested $2,000,000 in the Kinetic Investment Fund. According to the reports provided by the University's Investment Advisors at that time, the value of this investment was $1,981,802 as of August 31, 2019. On February 20, 2020, the Securities and Exchange Commission (SEC) filed a complaint against Kinetic Investment Group, LLC and its principal officer, and relief defendants in the US Court of Tampa in Florida for violations to the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Advisers Act of 1940 by making false or materially misleading representation to investors and for misappropriation of over $6 million on investor funds to fund other business ventures and pay for other unauthorized expenses. On March 6, 2020, a Receiver was appointed.

After a review of the information available at the time and the risk of loss of the investment, on October 31, 2019, the University had requested withdrawal of the funds, to which Kinetic Investment Group, LLC subsequently refused on February 10, 2020 citing a clause in the subscription agreement that allows the administrator to exercise its discretion in granting or denying a redemption request. The Receiver has been actively investigating the relevant issues to enforce the Receivership Estate's rights and protect and maximize the Kinetic Funds' assets available for future return to investors. During the year ended June 30, 2021, the Receiver determined that each claimant falls within one of four categories with a corresponding priority; University falls in the first group: that will receive the highest priority among claims. The calculation of the University's ultimate distribution will be eligible on a pro rata basis depending on the amount of the distribution and the priority of the claim.

During the fiscal years ended June 30, 2023 and June 30, 2022, the University recovered approximately $193,000 and $727,000, respectively. Both amounts are recorded as Other Sources in the accompanying statements of activities and changes in net assets. The Receiver anticipates making one or more future distributions as warranted by the case status and ongoing asset recover efforts. Amount and date of a possible third recovery is still uncertain.

Note 4 - **<u>Fair Value Measurements</u>**

FASB ASC 820-10, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.
- Level 2 Inputs to the valuation methodology are quoted prices in markets that are not considered to be active financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 Inputs to the valuation methodology are prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022:

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (NAV) of shares held by the University at year end.

Corporate bonds and debentures, U.S. treasury obligations, and mortgage and assets-backed securities: Valued using pricing models maximizing the use of observable inputs for similar securities. Corporate and municipal bonds and other fixed income securities are priced by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value. These investments are classified as Level 2.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

This space was intentionally left in blank

The following table sets forth by level, within the fair value hierarchy, the University's assets at fair value as of June 30, 2023 and 2022:

	Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Equity securities	$ -	$ 10,092,544	$ -	$ 10,092,544
Corporate bonds and debentures	-	2,786,326	-	2,786,326
Mortgage and asset-backed securities	-	2,521,525	-	2,521,525
Time deposits	8,185	-	-	8,185
Mutual funds	1,196,095	-	-	1,196,095
U.S. Treasury obligations	-	2,736,708		2,736,708
Money market funds held temporarily pending long-term investment	-	1,180,695	-	1,180,695
Total investments	$ 1,204,280	$ 19,317,798	$ -	$ 20,522,078

	Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Equity securities	$ -	$ 11,831,727	$ -	$ 11,831,727
Corporate bonds and debentures	-	4,417,289	-	4,417,289
Mortgage and asset-backed securities	-	1,019,487	-	1,019,487
Time deposits	8,185	-	-	8,185
Mutual funds	3,143,582	-	-	3,143,582
U.S. Treasury obligations	-	1,799,313		1,799,313
Money market funds held temporarily pending long-term investment	-	924,937	-	924,937
Total investments	$ 3,151,767	$ 19,992,753	$ -	$ 23,144,520

This space was intentionally left in blank

Private equity funds are valued at NAV, as a practical expedient for fair value. The fair value, unfunded commitments and redemption frequencies for investments without readily determinable fair values as of June 30, 2023 and 2022 consist of:

	2023	2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Funds					
Guayacan Fund of Funds IV, L.P.	$ 690,784	$ 802,377	$ 4,185	Limited	Limited
Guayacan Fund of Funds V, L.P.	490,305	370,359	172,387	Limited	Limited
	1,181,089	1,172,736	176,572		
Hedge Funds					
Pluscios Fund, LLC	975,799	969,998	-	None	None
Total	$ 2,156,888	$ 2,142,734	$ 176,572		

Guayacán Fund of Funds IV, L.P. and Guayacán Fund of Funds, V, L.P.

These funds invest in a broad range of United States and international private equity investment partnerships and in certain private or government sponsor private investments partnerships of entities in Puerto Rico. The funds' objectives are to achieve superior investment returns.

Pluscios Fund, LLC

These funds invest a substantial portion of its assets in the Pluscios Master Fund, SPC, an investment company that invests in other hedge funds.

Note 5 - **Accounts Receivable**

Accounts receivable at June 30, 2023 and 2022, consist of the following:

	2023	2022
Students	$ 203,426	$ 301,213
Other, principally reimbursement of costs incurred under grants and contracts	2,619,000	2,347,436
Total	2,822,426	2,648,649
Less allowance for doubtful accounts	(271,226)	(606,816)
Accounts receivable–net	$ 2,551,200	$ 2,041,833

The activity in the allowance for doubtful accounts during the years ended June 30, 2023 and 2022, was as follows:

	2023	2022
Allowance for doubtful accounts, beginning of year	$ 606,816	$ 1,020,751
Recovery of accounts written off	38,335	129,655
Less accounts written off	(373,925)	(543,590)
Allowance for doubtful accounts, end of year	$ 271,226	$ 606,816

Note 6 - **Land, Buildings and Equipment**

Land, buildings and equipment at June 30, 2023 and 2022, consist of the following:

	2023	2022
Land, buildings, and improvements	$ 82,016,874	$ 78,793,498
Equipment and vehicles	32,306,835	29,926,032
Library books	1,873,602	1,865,483
	116,197,311	110,585,013
Less accumulated depreciation and amortization	(75,940,945)	(71,802,297)
Sub-total	40,256,366	38,782,716
Construction in progress	4,706,482	3,780,806
Land, buildings and equipment–net	$ 44,962,848	$ 42,563,522

Note 7 - **Line of Credit**

Line of credit is authorized under a margin account agreement using the investments as collateral. Amount drawn from the line of credit during the year ended June 30, 2023 amounted to $5.3 million, which was repaid during the year then ended. The line of credit bears interest at a margin interest rate fluctuating between 4% and 7.50%. No balance was outstanding as of June 30, 2023 and 2022.

In July 2023, the University drew $2,500,000 from the line of credit. The amount was repaid in September 2023.

This space was intentionally left in blank

Note 8 - **Bonds Payable**

On December 12, 2012, the University issued Higher Education Revenue Bonds aggregating to $23,330,000 (the Bonds) through the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (AFICA). The Bonds bear interest, payable semiannually on April 1 and October 1, ranging from 3.00% to 5.00% and include $14,195,000 in serial bonds maturing from October 1, 2013 to October 1, 2027, and $4,395,000 and $4,740,000 in term bonds due on October 1, 2031 and October 1, 2042, respectively. The proceeds of the Bonds were used to: (1) refund the Series 2001 Bonds, (2) pay certain expenses incurred in connection with the issuance of the Series 2012 Bonds and (3) to create a construction fund to pay the cost of acquisition, construction, remodeling, improving and equipping of certain educational facilities of the University.

In connection with the issuance of the Bonds, the University also has agreed to comply with certain covenants related to tuition, fees, rentals and charges, restrictions on incurrence of additional indebtedness, restrictions on certain liens, restrictions on the sale or other disposition of facilities, merger, consolidation or transfer of assets, and insurance. As June 30, 2023, the University was in compliance with all the covenants.

The loan agreement states that if the University fails to meet either of the two financial covenants for two consecutive fiscal years, the University will retain a consultant to make recommendations as to the revision of the University business operations and schedule on tuition fees, student fees, rates, other fees, rentals and charges for the use and occupancy of its facilities. Failure to comply with this covenant does not constitute an event of default under the loan agreement, so long as the University takes all lawful action necessary to comply with the recommendations of the consultant, deemed by the Board of Trustees to be in the best interest of the University.

This space was intentionally left in blank

Principal maturities for the next five years and thereafter are as follows:

Year Ending June 30,	Principal
2024	$ 1,060,000
2025	1,105,000
2026	1,155,000
2027	1,195,000
2028	1,245,000
Thereafter	9,135,000
Total	14,895,000
Unamortized premium	11,925
Total	14,906,925
Less current portion	(1,060,000)
Less unamortized bond issue costs	(110,595)
Bonds payable–net, excluding current portion	$ 13,736,330

On April 19, 2023, S&P Global Ratings affirmed its 'BB' long term rating and a stable outlook.

No notifications were received from Moody's Investor Service during the fiscal year ended June 30, 2023, but an Issuer Comment on August 12, 2022 indicating its stable outlook and its rating of Ba3, which remains supported by the University's good regional brand, stable liquidity and manageable leverage.

As per the Series 2012 Official Statement, any downward revision may have an adverse effect on the market price or marketability of the Series 2012 Bonds. Downgrades of the credit rating assigned to the series 2012 bonds do not constitute an event of default with respect to such bonds that would adversely affect the University's obligations under the associated bond documents.

Note 9 - **Net assets**

Without donor restrictions

As of June 30, 2023 and 2022, the Board of Trustees has designated $7,713,167 and $11,568,271, respectively, as part of the University's endowment fund (see Note 3).

With donor restrictions

Net assets with donor restrictions are composed of temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets at June 30, 2023 and 2022 amounted to $13,632,858 and $12,479,391, respectively.

Permanently restricted net assets consist of private gifts invested in perpetuity. The majority of the income from these investments is spendable for scholarships. Permanently restricted net assets at June 30, 2023 and 2022 amounted to $1,395,245 and $1,322,124, respectively.

Donor restricted net assets are segregated for the following purposes as of June 30, 2023 and 2022, as follows:

	2023	2022
Subject to expenditure for specified purpose:		
- Scholarship support	$ 7,825,441	$ 7,454,425
- Academic program support	812,855	670,287
- To establish an academic program	1,646,525	1,508,179
- Capital improvements	122,470	122,470
	10,407,291	9,755,361
Subject to the passage of time:		
- For educational purposes for periods after year-end	3,225,567	2,724,030
Subject to the University's spending policy and appropriations:		
- Investment in perpetuity	1,395,245	1,322,124
Total net assets with donor restrictions	$ 15,028,103	$ 13,801,515

Releases from donor restricted net assets for the years ended June 30, 2023 and 2022, are as follows:

	2023	2022
Releases from restrictions:		
Subject to expenditure for specified purpose:		
Scholarship support	$ 206,450	$ 158,500
Academic program support	16,500	16,500
Capital improvements	80,000	-
	$ 302,950	$ 175,000

Note 10 - **Liquidity**

The University's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash	$ 1,325,893
Accounts receivable	2,551,200
Investments	20,522,078
Students' loans	20,077
	24,419,248
Amounts not available for general use:	
Donor imposed restrictions	(15,028,103)
Amounts set aside for long-term investing in endowments	(7,713,167)
Financial assets available within one year	$ 1,677,978

The University's endowment funds consist of donor-restricted funds, donor funds without restrictions and a quasi-endowment fund. Income from donor restricted funds is restricted for specific purposes and therefore, is not available for general expenditure. As described in Note 3, the quasi- endowment fund may exceed the spending limit of 4% with the approval of the Board of Trustees.

As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the University invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the University has a line of credit arrangement as further discussed in Note 7. Additionally, the University has a quasi-endowment fund of approximately $7.7 million. Although the University does not intend to spend from its quasi-endowment fund other than amounts appropriated for general expenditure as part of its budget approval and appropriation process, amounts from its quasi-endowment fund could be made available, if necessary. However, both the quasi-endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available.

Note 11 - **Pension Plan**

The University sponsors a contributory defined benefit pension plan, the Universidad del Sagrado Corazón Pension Plan (the Pension Plan), as defined by Internal Revenue Code § 401(a)(9)(C)(iv). The assets of the pension plan are held in a trust fund created by the University pursuant to a certain deed of trust. The benefits are based on years of service and the employees' compensation.

During the year ended June 30, 2006, the University's Board of Trustees resolved to freeze the Pension Plan effective October 31, 2006, subject to the provisions set forth in the Employee Retirement Income Security Act of 1974 (ERISA), as amended. This implies that the participants shall not accrue benefits while the Pension Plan continues in existence.

Until July 2016, the Pension Plan was administered under the belief that certain benefits were insured by the Pension Benefit Guaranty Corporation (PBGC). Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, in July 2016, the PBGC issued a determination to the effect that the Pension Plan is not covered by Title IV of ERISA, because the Pension Plan does not meet the requirements of ERISA §4021.

In 2017, the United States Supreme Court (the US Supreme Court) held that ERISA does not apply to certain pension plans that are "church plans" and clarified the scope of this exemption. The US Supreme Court interpreted that ERISA exempts plans established by a church and also certain plans sponsored or established by organizations controlled by or affiliated with a church. During the year ended June 30, 2020, the University evaluated the history of the University, governance documents (statutes and deeds), documents related to the Pension Plan (the Plan Document with its amendments and the deed of trust), and the determination letters issued by the Puerto Rico Department of Treasury and the PBGC, and the pertinent federal jurisprudence. The University, with the advice of legal counsel, concluded that the Pension Plan is and has always been by provision of law, a "church plan", as defined by 29 U.S. Code §1002 (33), and is exempt from ERISA.

The Plan was amended and reaffirmed effective July 1, 2020, to remove references to the PBGC and ERISA. These amendments did not affect the provisions regarding the computation of the Pension Plan's benefits.

Prior to the restatement of the Plan as a church plan that is not subject to the ERISA, the University's funding policy was to make cash contributions to the Plan equal to the minimum funding requirements of the ERISA, as amended. After the restatement of the Plan as a church plan that is not subject to ERISA, the Plan established a Funding Statement and Guidelines that became effective March 15, 2022. Pursuant to this Statement, it is the University's intent to contribute to the Plan with the objective of achieving, to the extent possible, that all the benefits contemplated in the Plan be actually paid to the Plan's participants in accordance with the Plan's terms and conditions. Pursuant to the terms on the Plan Document, the Plan's Administrative Committee will request the Plan's actuaries to calculate the annual funding necessary to accomplish such intention under alternative time scenarios and assumptions. The University then makes a determination on its funding contributions. While the University intends to fully fund the Plan in accordance with the Plan's terms and conditions, the University may, also in accordance with the terms and conditions of the Plan, terminate the Plan at any time and distribute the remaining Plan assets among the participants.

On June 24, 2021, the University's Board of Trustees authorized an amendment to the Pension Plan for the following purposes: (a) to update the mortality tables and the discount rates applicable to certain optional benefits; (b) to eliminate the administrative process for future late retirement benefit adjustments; and (c) to authorize one or more voluntary retirement windows during the following fiscal year in which active employees and terminated vested participants who are eligible to retire can elect to receive their retirement benefits in a lump-sum payment. Pursuant to this authorization, on July 1, 2021, the University amended the Pension Plan to establish a Voluntary Retirement Program ("VRP") during fiscal year 2021-2022 in which active employees who are eligible to retire can elect to receive in a lump-sum payment their employee contributions to the Pension Plan and 82.5% of the present value of their future benefits. As an additional incentive, the University would also make a special payment of 7.5% of the present value of future benefits (thus bringing the total to 90%) and the equivalent of six months of health insurance premiums. For terminated vested participants who are eligible to retire, the VRP provides a lump-sum payment both their employee contributions to the Plan and 82.5% of the present value of their future benefits. The Pension Plan and the University paid approximately $2,134,000 to voluntary participants that elected to participate of this program.

Following is information concerning the Pension Plan's status as of June 30, 2023 and 2022, and other pension benefits information for the years then ended:

	2023	2022
Pension expense	$ 1,823,818	$ 2,711,782
Benefits paid	$ 2,560,863	$ 2,543,560
Settlements	$ -	$ 2,133,631
Employer contributions	$ 410,000	$ 877,000
Funded status	$ 6,899,328	$ 10,034,722
Amounts recognized in the statements of financial position:		
Accrued pension cost	$ 6,899,328	$ 10,034,722
Information for pension plan with an accumulated benefit obligation in excess of plan assets:		
Projected benefit obligation	$ 28,831,390	$ 31,975,657
Accumulated benefit obligation	$ 28,831,390	$ 31,975,657
Fair value of plan assets	$ 21,932,062	$ 21,940,935
Market related value of assets	$ 21,932,062	$ 21,940,935
Amount recognized as changes in unrestricted net assets but not yet reclassified as component of net periodic benefit cost consist of:		
Unamortized net loss	$ 5,680,396	$ 10,229,608

	2023	2022
Changes recognized in unrestricted net assets:		
Change in unamortized items:		
Actuarial loss/(gain)	$ (3,216,452)	$ (2,009,919)
Amortization of:		
Actuarial (loss)/gain	(1,332,760)	(2,172,164)
Effect of settlement on unrestricted net assets	-	(683,138)
Total other changes in unrestricted net assets	$ (4,549,212)	$ (4,865,221)

	2023	2022
Components of net periodic pension cost		
Interest cost on Projected Benefit Obligation	$ 1,524,864	$ 1,264,563
Expected return of assets	(1,033,806)	(1,408,083)
Amortization of net loss	1,332,760	2,172,164
Settlement	-	683,138
Net periodic pension cost	$ 1,823,818	$ 2,711,782

The weighted-average assumptions as of and for the years ended at June 30, 2023 and 2022, by asset category, are as follows:

	2023	2022
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	5.77%	5.02%
Expected long-term rate of return on plan assets	5.00%	5.00%
Salary increases	N/A	N/A
Weighted-average assumptions used to determine net periodic pension cost:		
Discount rate	5.02%	3.08%
Expected long-term rate of return on plan assets	5.00%	5.00%
Salary increases	N/A	N/A

The overall objective of the Pension Plan is to provide adequate retirement benefits to the beneficiaries through the investment of contributions and other assets, utilizing an investment policy designed to maintain adequate coverage of the Pension Plan's liabilities over time. Investment results, along with the contributions, are critical elements in achieving the investment objectives.

The classes of Pension Plan assets as of June 30, 2023 and 2022 are:

Class	2023	2022
Equity securities	13,453,797	$ 12,808,311
Money market and cash sweep balances	138,859	1,084,930
Mutual funds	1,222,355	1,253,360
Fixed income securities	7,117,051	6,794,334
Total	$ 21,932,062	$ 21,940,935

The University has established a Pension Plan Investment Policy (the Policy) to outline the investment objectives, goals and guidelines for the Pension Plan Fund. The following description is provided for general information purposes only. More complete information is available in the Policy.

A. Investment Objectives

The Pension Plan Fund is a multi-asset portfolio composed of equity, alternative investments, fixed income and cash equivalent securities and, as such, is intended to be more aggressive than fixed income approaches and less aggressive than equity-oriented portfolios. The Pension Plan Fund is to be managed on a total return basis. No minimum yield or income requirement has been established.

The assets of the Pension Plan Fund will be diversified among several investment managers. The overall investment objectives for the Pension Plan Fund are:

1. **Exceed the Actuarial Assumed Discount Rate** - Exceed, after fees, the discount\interest rate used to discount Pension Plan liabilities as determined by the Pension Plan's actuary.

2. **Reduce Plan Deficit** - It is recognized that, on occasion, short-term fluctuations may result in the depreciation of capital earned (i.e., rates of return below those assumed by the actuary). However, in the absence of contributions and withdrawals, the Pension Plan's deficit should decline in the long-run and earn rates of return in excess of the liability discount rate.

B. Investment Goals

Consistent with the investment objectives stated above, the Pension Plan Fund is expected to achieve each of the absolute goals and at least two of the following four relative goals, over a complete economic market cycle, usually three to five years.

C. **Absolute Goals:**

1. **Earn Absolute Return**: on a net of fee basis, earn a total return at or above the Pension Plan's actuarial assumed interest rate of 6.0%. The University, in consultation with the Plan's actuaries and other professionals, may determine that a higher or a lower total return goal is appropriate.

2. **Control Deficit Risk**: manage the downside volatility of the funded status of the Pension Plan by tracking error to the projected liabilities of the Pension Plan, using a liability benchmark as a proxy.

D. **Asset Allocation Guidelines**

The Pension Plan Fund should be well-diversified among a range of traditional and alternative asset classes, consistent with the investment objectives of a pool with an intermediate to long term horizon. The asset mix policy ranges below represent a view of a strategic asset allocation. It shall be the policy of the Pension Plan is to invest the assets in accordance with the maximum and minimum range for each asset category as stated below:

Asset Category	**Long-term Target**	**Minimun**	**Maximum**
Global Fixed Income	35%	20%	60%
Global Equities	55%	30%	65%
Diversifying Alternative Investments	10%	0%	20%
Real Assets	0%	0%	10%
Multi-Asset & Tactical Asset Allocation	0%	0%	10%

E. **Asset Class Descriptions**

Traditional Strategies

The goal of the traditional strategies portion of the portfolio is to generate long term returns, net of fees, in excess of the relevant public market benchmarks for the active managers and to match benchmark returns, gross of fees, for the index funds.

Cash & Equivalents	Money market funds and short-term securities generally with final maturities of less than one year, including but not limited to: U.S. Treasuries and Agencies, Commercial paper rated A1 or P1, Certificates of Deposit.
Global Fixed Income	U.S., international and emerging market bonds diversified by issuer, maturity, sector and credit rating; cash & cash equivalents. Taxable and Tax-exempt municipal bonds and 501.c.3 issuers are permitted provided such bonds have the potential to provide a clear economic advantage to a tax-exempt institution versus a taxable security based on a similar risk profile and all municipal and 501.c.3 bonds must be rated A3/A- or better at time of purchase. Mortgage related and asset backed securities are permitted with the following exceptions: subordinated debt is prohibited; all agency and non-agency CMO's must be rated AA or better; IOs, POs, Inverse floaters and all other highly leveraged tranches are prohibited.
US Domestic Equity	Publicly traded stock and convertible bonds of U.S. corporations diversified by issuer, sector, market capitalization and style.
International Equity	Publicly traded stock and convertible bonds of non- U.S. corporations in developed and emerging countries diversified by geography, country, sector, issuer, currency, market capitalization and style.

This space was intentionally left in blank

Alternative Investments

Diversifying Alternative	U.S. and global long/short equity, distressed debt, arbitrage.
Strategies & Real Assets	Global macro, multi-strategy, commodities, real estate and other specialized approaches generally invested through limited partnership vehicles, some of which may have limited liquidity.
Private Capital	Diversified approach to nonmarketable, private equity and debt securities by investing as a limited partner in fund managers potentially invested across multiple strategies (venture, growth equity, buyout, real assets and secondary funds), stages, industries, geographies, and vintage years. The goal of the private equity portion of the portfolio is to generate long term returns significantly higher than public equity markets.

Liability Driven Investments ("LDI")

An approach of investing in a portfolio of fixed income securities, consisting primarily of credit, designed to closely match the projected cash flows of the pension fund, as defined by the Pension Plan's actuary, and hedging interest rate risks.

Multi-Asset/Global Tactical Allocation

The purpose of investing with Multi-Asset/Global Tactical Allocation Managers is to further diversify the Pension Plan Fund's assets and investment strategies by employing managers with dynamic asset allocation approaches. These investment managers target real (after-inflation) returns from a global opportunity set of traditional and alternative asset classes. The resulting portfolio seeks to protect purchasing power and offer broader diversification than a traditional portfolio of just stocks, bonds and cash. The exposure to risk asset classes in the category will be monitored so as to control the total Pension Plan Fund's exposure to such asset classes.

Asset Classes

Overall performance for each asset class is evaluated relative to the following benchmarks:

Traditional Strategies	**Benchmark(s)**
Cash & Equivalents	3 Month US Treasury Bills
Fixed Income	Bloomberg Barclay's Intermediate Gov't\Credit
	Bloomberg Barclay's US Aggregate
US Domestic Equity	S&P 500
	Russell 2000 or Russell 2500
International Equity	MSCI EAFE
	MSCI Emerging Markets
Alternative Strategies	
Diversifying Alternative Strategies & Real Assets	HFRI Fund of Fund Composite Index
	S&P GSCI
	S&P 500
	CPI +
Private Capital	Vintage Year IRR
	Multiple of Invested Capital
	Public Market Equivalent
Liability Driven Investments	Bloomberg Barclay-Russell LDI
Multi-Asset/Global Tactical Allocation	Custom Blended Benchmarks

According to the fair value measurements stated in Note 4, the following table sets forth by level, within the fair value hierarchy, the Pension Plan's assets at fair value as of June 30, 2023 and 2022:

	Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Equity securities	$ -	$ 13,453,797	$ -	$ 13,453,797
Money market and cash sweep balances	-	138,859		138,859
Mutual funds	1,222,355	-	-	1,222,355
Fixed income securities	-	7,117,051	-	7,117,051
Total investments	$ 1,222,355	$ 20,709,707	$ -	$ 21,932,062

	Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Equity securities	$ -	$ 12,808,311	$ -	$ 12,808,311
Money market and cash sweep balances	-	1,084,930		1,084,930
Mutual funds	1,253,360	-	-	1,253,360
Fixed income securities	-	6,794,334	-	6,794,334
Total investments	$ 1,253,360	$ 20,687,575	$ -	$ 21,940,935

Expected return on Pension Plan's assets as a component of net periodic pension cost amounted to $1,033,806 and $1,408,083 for the years ended June 30, 2023 and 2022, respectively.

Asset Category	2023	2022
Money market and cash sweep accounts	1%	5%
Equity securities	61%	58%
Mutual funds	6%	6%
Fixed income securities	32%	31%
Total	100%	100%

For the fiscal year 2023, the University contributed $410,000 to the Pension Plan. As of the date of the issuance of the financial statements, the University contributed $140,000 to the Pension Plan.

This space was intentionally left in blank

As of June 30, 2023, the following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year Ending June 30	Amount
2024	$ 2,672,000
2025	2,662,000
2026	2,639,000
2027	2,600,000
2028	2,547,000
For the next five years	11,614,000
Total	$ 24,734,000

Note 12 - **Retirement Savings Plan**

The Plan is a defined contribution plan under Sections 1081.01 (a) and (d) of the 2011 Puerto Rico Internal Revenue Code. The Plan was established on October 31, 2006. The Plan provides a means for eligible full-time employees of indefinite or prolonged employment, as defined by the University (the Plan Sponsor), to save money through payroll deductions.

Participants may contribute on a voluntary basis to the plan, while the University shall contribute a discretionary amount. The maximum contribution will be an amount not to exceed the maximum amount allowed by law. Total expense amounted to $245,787 and $197,814 for the years ended June 30, 2023 and 2022, respectively.

In 2017, the US Supreme Court held that ERISA does not apply to certain retirement plans that are "church plans" and clarified the scope of this exemption. The US Supreme Court interpreted that ERISA exempts plans established by a church and certain plans sponsored or established by organizations controlled by or affiliated with a church. During the year ended June 30, 2020, the University evaluated the history of the University, governance documents (statutes and deeds), documents related to the retirement Plan (the Plan Document with its amendments and the deed of trust), and the determination letters issued by the Puerto Rico Department of Treasury, and the pertinent federal jurisprudence. The University, with the advice of legal counsel, concluded that the Plan is and has always been, by provision of law, a church plan as defined in Section 3(33) of ERISA and is therefore exempt from ERISA.

Effective July 1, 2020, the Plan was restated to reflect that the Plan is a church plan and has been a church plan since its inception and changed its name to Universidad del Sagrado Corazon Savings Plan.

Note 13 - Significant Group Concentration of Credit Risk

Approximately 82% of the University's students participate in the Title IV programs of the U.S. Department of Education.

Financial instruments, which potentially expose the University to concentrations of credit risks, consist primarily of cash and cash equivalents, investments in marketable equity and debt securities and receivables concentration. At times throughout the year, the University may maintain certain bank balances in excess of Federal Deposit Insurance Corporation (FDIC) insured limits and has not experienced any losses on such balances in the past. As of June 30, 2023 and 2022, the depository bank balance in excess of the amount guaranteed by the FDIC amounted to $1,338,058 and $976,591, respectively. The University's cash and cash equivalents and investment in securities are placed with a wide array of institutions with high credit ratings. The investment portfolio is diversified and includes high quality securities.

Concentration of credit risk with respect to receivables is limited because a substantial portion of these balances is due from U.S. Federal and Puerto Rico government agencies. Student accounts receivable consist of a large volume of small balances. The University has provided an allowance for doubtful accounts for expected losses, based on historical trends and other information.

Management believes that the above concentrations of credit risk do not represent a material risk of loss with respect to its financial position as of June 30, 2023.

Note 14 - Composite Score

34 CFR Sections 668.171 and 668.175 require the University to demonstrate it is financially responsible under certain criteria. An institution is considered financially responsible based, in part, on a composite score determined pursuant to a formula under the referenced regulations.

As of June 30, 2023 and 2022, the University's composite score was 3.0, under the formula applied by the U.S. Department of Education (USDE). The University is therefore considered financially responsible for its fiscal years 2022-2023 and 2021-2022.

Note 15 - Commitments and Contingencies

Government grants – The University administers certain federal financial assistance programs and is required to comply with the audit requirements established by Office of Management and Budget 2 CFR Part 200, Appendix XI Compliance Supplement. The University also received funds from local assistance programs. Monies received under U.S. federal and local programs are subject to regulatory requirements and can only be expended for the purposes established in the grants or programs. Amounts received and expended by the University under these grants and programs are subject to audits by governmental agencies. Such audits could result in claims against the resources of the University. At this time, there is no audit in process. Therefore, no provision has been made.

Construction in progress – Construction commitments for the year ended June 30, 2023 amounts to $561,257, mainly related Economic Development Administration (EDA) and University's Master Plan.

Other matters – The University is subject to legal proceedings and claims, which have arisen in the ordinary course of its business and have not been finally adjudicated. These actions, when ultimately concluded and determined, in the opinion of management, based on legal advice, are not expected to have a material adverse effect upon the financial position and results of operations of the University.

Note 16 - Hurricane María

In September 2017, Puerto Rico was impacted by two consecutive significant hurricanes. Hurricane María impacted Puerto Rico on September 20, 2017 causing widespread infrastructure and other property damage, and the complete collapse of the electrical grid across the island. The University sustained property damages and business interruption due to this event.

On September 12, 2019, the Office of the Commissioner of Insurance (OCI) submitted a petition to convert the rehabilitation process into the University's insurer liquidation. On October 4, 2019, the University received a communication from the OCI notifying the Court's determination to initiate the liquidation proceedings of the insurance company. In the notice, the OCI instructed the University to file any pending claims against the insurance company with the liquidation entity. Any such claims are capped by law at $300,000. In July 2022, the University received a payment in the amount of $300,000 from the Puerto Rico Miscellaneous Insurance Guaranteed Association as the total and full payment of claim, which is recorded in other sources in the statement of activities and changes in net assets for the year ended June 30, 2023.

The University qualified for Federal Emergency Management Agency (FEMA) aid programs to file various claims for damages not covered by the insurance policy. The University submitted claims under two categories: Category A – Debris removal and Category B – Emergency Protect Measures. In October 2018, the University collected $272,422 for Category A and $645,031 for Category B. Such amounts were recorded as other sources in the years collected. In September 2023 the University collected an additional $4,475 related to category A. Also, the University is eligible to claim under Category E – Building and Equipment and the University claimed under Category E and other categories several buildings site damages. As of June 30, 2023, such claims are under review by FEMA for costs estimates.

Note 17 - <u>Coronavirus diseases – COVID-19</u>

In March 2020, the World Health Organization declared a state of emergency due to the world widespread of the coronavirus (COVID-19) disease. As such, several jurisdictions ordered civilians, businesses and social events lockdowns to minimize the spreading of this disease. As a response, the Governor of Puerto Rico declared a full lockdown for a month and a half, as well as other restrictions, and then several Executive Orders followed to control the spread of COVID-19 and reinstate the economy. To continue to provide its academic services while subject to such restrictions, the University expanded its existing online courses and added virtual classrooms for the remote delivery of courses and programs to ensure the safety of its students and faculty. In addition, several administrative processes were also accomplished using its web-based systems.

As a result of the COVID-19 emergency and related disruptions, the University experienced a decrease in student's enrollment during the years ended June 30, 2023 and 2022. However, the University took advantage of its already in place digital platform and technological capabilities to promptly address such disruptions to achieve a higher student retention rate. In addition, the Middle States Commission on Higher Education and Postsecondary Institutions Board, granted the University a waiver to offer face-to-face programs through virtual rooms, to ensure the continuity of its educational services.

In order to mitigate the impact of the COVID-19 emergency, the University qualified for other federal assistance as part of the Higher Education Emergency Relief Fund and other support under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Relief and Response Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP). The University and its students were granted direct economic assistance during the year ended June 30, 2022 to minimize the disruption of services due to technological limitations.

Institutions are required to keep detailed records of how they are expending all funds received under the HEERF. Failure to administer the HEERF funds in accordance with applicable laws could result in a future repayment liability.

The allocations to the higher education institutions were set by a formula prescribed in the CARES Act, which is weighted significantly by the number of full-time students who are Pell-eligible, but also takes into consideration the total population of the University and the number of students who were not enrolled full-time online before the COVID-19 outbreak. The USDE utilized the most recent data available from the Integrated Postsecondary Education Data System and Federal Student Aid for this calculation.

The University and its students were granted HEERF Funds under the ARP, CRRSAA and CARES sections in the amount of $17,381,850, $9,498,506, and $5,395,359, respectively. Funds received for students' financial assistance were awarded directly to the students, accordingly, such funds are excluded from the University's revenues and expenses. As of June 30, 2023 and June 30, 2022, the University had withdrawn from its share of institutional funds available under the HEERF Funds packages a total of $5,862,577 and $9,613,625, respectively, from which $3,451,240 and $6,129,943 represents lost income, respectively.

As a result of the Executive Orders issued by the Government of Puerto Rico related to COVID-19, the University's operations were significantly impacted. The Government's restriction included a shutdown with gradual access to the campus by certain faculty and administrative personnel necessary to maintain remote operations. The campus was not allowed to reopen until July 1, 2020. This resulted in loss of revenue from auxiliary services and fees; and caused immediate additional expenses related to the conversion of most of the curriculum and student services to remote operations, and to health and safety prevention measures for the personnel that was allowed to operate from campus. During fiscal year 2021 the University continue facing budget shortfalls because of decreased enrollment and the loss of revenue from food service, dormitories and all auxiliary income. The University continues to focus on the needs of their students and in assessing how best to utilize HEERF funding to pay for expenses incurred earlier in the pandemic and continue the conversion of the new courses and programs; the infrastructure to continue the virtual and hybrid operations; and the necessary academic and student support services for the benefit of the students. However, its potential effects on the University's operations for future periods, cannot be reasonably estimated at this time.

The Infrastructure Investment and Jobs Act, enacted on November 15, 2021 by the US House of Representatives, provided to eligible employers to claim the employee retention credit, a refundable tax credit equal to 50 percent of up to $10,000 in qualified wages (including health plan expenses), paid after March 12, 2020 and before January 1, 2021. Eligible employers are those businesses with operations that have been partially or fully suspended due to governmental orders due to COVID-19, or businesses that have a significant decline in gross receipts compared to 2019. As a result, during the fiscal year 2022, the University received a reimbursement of qualified salaries amounting to approximately $2,293,000 and which is included in Other Sources in the accompanying statement of activities and changes in net assets for the year ended June 30, 2022.

Note 18 - **<u>Subsequent Events</u>**

The University has evaluated the impact of subsequent events through October 25, 2023, which is the date the financial statements were available to be issued. Except for Note 7, there were no material subsequent events that have occurred since June 30, 2023 that would require recognition or disclosure in the financial statements.