

Villanova University and Subsidiaries

**Reports on Federal Awards in
Accordance with the OMB Uniform Guidance
Including the Financial Responsibility
Supplemental Schedule
For the Year Ended May 31, 2023
Federal EIN 23-1352688**

Villanova University and Subsidiaries
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May 31, 2023

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Report of Independent Auditors

To the Board of Trustees of Villanova University

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Villanova University and its subsidiaries (the “University”), which comprise the consolidated statements of financial position as of May 31, 2023 and 2022, and the related consolidated statements of activities and change in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of May 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

We previously audited the consolidated statement of financial position as of May 31, 2021, and the related consolidated statements of activities and change in net assets and of cash flows for the year then ended (not presented herein), and in our report dated October 13, 2021, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the 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 the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 US GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

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

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

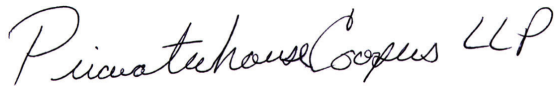
Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended May 31, 2023 and schedule of financial responsibility ratios as of and for the year ended May 31, 2023 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Department of Education, respectively, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the

consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of financial responsibility ratios are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended May 31, 2023. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

Philadelphia, Pennsylvania
October 11, 2023

VILLANOVA UNIVERSITY AND SUBSIDIARIES
Consolidated Statements of Financial Position at May 31, 2023 and 2022
(in thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 39,356	\$ 83,020
Accounts receivable	11,209	10,233
Other assets	11,753	8,494
Prepaid pension asset	1,160	771
Pledges receivable, net	94,849	78,371
Student loans receivable, net	4,509	5,397
Investments	1,341,352	1,359,040
Right of use assets under operating leases	14,482	15,732
Land, buildings and equipment, net	<u>800,660</u>	<u>726,397</u>
Total assets	<u>\$ 2,319,330</u>	<u>\$ 2,287,455</u>
LIABILITIES		
Accounts payable	\$ 34,702	\$ 28,724
Accrued expenses	41,647	49,043
Operating lease liabilities - current	1,181	1,184
Deposits	7,110	6,307
Deferred revenues	23,245	24,753
Accrued postretirement benefits	6,521	7,436
Refundable government loan funds	6,198	7,083
Operating lease liabilities - non-current	13,670	14,852
Long-term debt	<u>201,821</u>	<u>219,262</u>
Total liabilities	<u>336,095</u>	<u>358,644</u>
NET ASSETS		
Without donor restrictions	1,039,284	1,027,838
With donor restrictions	<u>943,951</u>	<u>900,973</u>
Total net assets	<u>1,983,235</u>	<u>1,928,811</u>
Total liabilities and net assets	<u>\$ 2,319,330</u>	<u>\$ 2,287,455</u>

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

VILLANOVA UNIVERSITY AND SUBSIDIARIES

Consolidated Statement of Activities and Change in Net Assets for the Year Ended May 31, 2023

(in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2022 Total</u>
OPERATING REVENUES				
Student related revenue:				
Student tuition and fees, net	\$ 349,418		\$ 349,418	\$ 336,480
Sales and services of auxiliary enterprises, net	98,947		98,947	86,675
	<u>448,365</u>		<u>448,365</u>	<u>423,155</u>
Gifts	15,571	\$ 38,568	54,139	77,719
Government grants	13,059		13,059	10,342
Private grants	4,350		4,350	3,180
Endowment resources	19,151	26,566	45,717	38,150
Investment income	7,482	5	7,487	3,400
Other sources	33,134	1,066	34,200	39,881
Net assets released from restrictions	36,829	(36,829)	-	-
Total operating revenues	<u>577,941</u>	<u>29,376</u>	<u>607,317</u>	<u>595,827</u>
OPERATING EXPENSES				
Salaries and benefits	352,977		352,977	326,259
Other operating expenses	158,879		158,879	134,914
Depreciation	40,185		40,185	38,299
Interest	6,835		6,835	7,598
Total operating expenses	<u>558,876</u>	<u>-</u>	<u>558,876</u>	<u>507,070</u>
Change in net assets from operating activities	<u>19,065</u>	<u>29,376</u>	<u>48,441</u>	<u>88,757</u>
NON-OPERATING				
Investment return, net of management fees	6,774	14,985	21,759	40,044
Endowment resources	(19,151)	(26,566)	(45,717)	(38,150)
Rental property return, net	-		-	(1,759)
Other components of net periodic pension cost	(1,344)		(1,344)	776
Endowment and other gifts	100	28,933	29,033	35,338
Capital gifts released from restriction	3,750	(3,750)	-	-
Adjustment for retirement plan obligations	2,252		2,252	(86)
Total nonoperating activities	<u>(7,619)</u>	<u>13,602</u>	<u>5,983</u>	<u>36,163</u>
Total change in net assets	11,446	42,978	54,424	124,920
Net assets				
Beginning of year	1,027,838	900,973	1,928,811	1,803,891
End of year	<u>\$ 1,039,284</u>	<u>\$ 943,951</u>	<u>\$ 1,983,235</u>	<u>\$ 1,928,811</u>

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

VILLANOVA UNIVERSITY AND SUBSIDIARIES

Consolidated Statement of Activities and Change in Net Assets for the Year Ended May 31, 2022

(in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2021 Total</u>
OPERATING REVENUES				
Student related revenue:				
Student tuition and fees, net	\$ 336,480		\$ 336,480	\$ 332,039
Sales and services of auxiliary enterprises, net	86,675		86,675	70,128
	<u>423,155</u>		<u>423,155</u>	<u>402,167</u>
Gifts	16,048	\$ 61,671	77,719	44,353
Government grants	10,342		10,342	9,827
Private grants	3,180		3,180	2,076
Endowment resources	16,722	21,428	38,150	35,527
Investment income	3,400	-	3,400	2,234
Other sources	38,887	994	39,881	20,095
Net assets released from restrictions	27,856	(27,856)	-	-
Total operating revenues	<u>539,590</u>	<u>56,237</u>	<u>595,827</u>	<u>516,279</u>
OPERATING EXPENSES				
Salaries and benefits	326,259	-	326,259	307,660
Other operating expenses	134,914	-	134,914	108,211
Depreciation	38,299	-	38,299	37,361
Interest	7,598	-	7,598	8,319
Total operating expenses	<u>507,070</u>	<u>-</u>	<u>507,070</u>	<u>461,551</u>
Change in net assets from operating activities	<u>32,520</u>	<u>56,237</u>	<u>88,757</u>	<u>54,728</u>
NON-OPERATING				
Investment return, net of management fees	12,156	27,888	40,044	302,656
Endowment resources	(16,722)	(21,428)	(38,150)	(35,527)
Rental property return, net	(1,759)		(1,759)	1,658
Other components of net periodic pension cost	776		776	630
Endowment and other gifts	8	35,330	35,338	24,739
Capital gifts released from restriction	2,154	(2,154)	-	-
Adjustment for retirement plan obligations	(86)		(86)	6,305
Total nonoperating activities	<u>(3,473)</u>	<u>39,636</u>	<u>36,163</u>	<u>300,461</u>
Total change in net assets	29,047	95,873	124,920	355,189
Net assets				
Beginning of year	998,791	805,100	1,803,891	1,448,702
End of year	<u>\$ 1,027,838</u>	<u>\$ 900,973</u>	<u>\$ 1,928,811</u>	<u>\$ 1,803,891</u>

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

VILLANOVA UNIVERSITY AND SUBSIDIARIES

Consolidated Statements of Cash Flows For the years ended May 31, 2023 and 2022 (in thousands)

	<u>2023</u>	<u>2022</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 54,424	\$ 124,920
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,185	38,299
Contributions restricted for long-term investment	(48,854)	(23,976)
Realized gains on sales of investments	(27,208)	(124,843)
Change in market value of investments	(2,980)	78,623
Pension and other postretirement benefit plan adjustments	(908)	(690)
Receipt of contributed securities	(12,307)	(10,856)
Amortization of operating lease assets	22	87
Amortization of debt (premium)/discount	(2,160)	(2,160)
Changes in operating assets and liabilities:		
Receivables, net	(17,454)	(20,943)
Accounts payable and accrued expenses	(11,280)	4,034
Other changes	(4,179)	(5,894)
Net cash (used)/provided by operating activities	<u>(32,699)</u>	<u>56,601</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	594,782	789,394
Purchases of investments	(534,574)	(828,589)
Student loans receivable	863	757
Purchase of land, buildings and equipment	(104,586)	(43,503)
Decrease in assets whose use is limited	11	2,056
Net cash used by investing activities	<u>(43,504)</u>	<u>(79,885)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	48,854	23,976
Repayment of debt principal	(15,430)	(15,548)
Government loan funds	(885)	(585)
Net cash provided by financing activities	<u>32,539</u>	<u>7,843</u>
Net decrease in cash and cash equivalents	(43,664)	(15,441)
Cash and cash equivalents at beginning of year	<u>83,020</u>	<u>98,461</u>
Cash and cash equivalents at end of year	<u>\$ 39,356</u>	<u>\$ 83,020</u>
SUPPLEMENTAL DISCLOSURES		
Purchases of property, plant, and equipment in accounts payable	\$ 18,523	\$ 8,661
Cash paid for interest	9,048	9,822
Tax payments	1,080	2,068

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

VILLANOVA UNIVERSITY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND MAY 31, 2022

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES:

Nature of Operations

Villanova University and Subsidiaries (the “University”) is an independent, coeducational institution offering undergraduate and graduate instruction, located in Radnor Township, Delaware County, Pennsylvania. The campus presently covers approximately 296 acres and comprises 94 buildings. The University also has a conference center (The Inn at Villanova University) approximately one-half mile from the campus which encompasses 33 acres. The University has approximately 10,400 students, of whom approximately 6,800 are full-time undergraduates.

Significant Accounting Policies and Reporting Practices

Principles of Consolidation

The consolidated financial statements include the accounts of the University and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Resources are categorized for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories.

- **Without Donor Restrictions** - Net assets without donor restrictions generally result from revenues derived from providing services, receiving contributions without donor restrictions, receiving dividends and interest from investing in income-producing assets, and gains and losses from investments without donor restrictions, less expenses incurred in providing services, raising contributions, and performing administrative functions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.
- **With Donor Restrictions** – Net assets with donor restrictions generally result from contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the University pursuant to those stipulations or by law, or represent corpus of contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the University. Gifts of cash and other non-capital assets are reported as net assets with donor restrictions if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from restrictions. Contributions related to the construction or acquisition of fixed assets are also classified as net assets with donor restrictions. When the associated assets are placed in service, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as capital gifts released from restriction within non-operating activity.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

New Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326). This standard represents a significant change in the allowance for credit losses accounting model by requiring immediate recognition of management's estimates of current expected credit losses. Under the current model, losses are recognized only as they are incurred, which the FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The ASU is effective for fiscal years beginning after December 15, 2022 and early adoption is permitted. The University will adopt this accounting standard for the fiscal year ending May 31, 2024 and does not anticipate any impact to the consolidated financial statements as management believes there are no assets that will be impacted.

Fair Value

The University utilizes the fair value standard, which defines the term "fair value," establishes a measurement framework for generally accepted accounting principles in the United States (US GAAP), and expands disclosures regarding fair value measurements.

The standard established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- *Level 1* – Observable inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- *Level 2* – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument; and
- *Level 3* – Unobservable inputs to the valuation methodology in which there is little or no market data and which are significant to the fair value measurement

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

The University utilizes the practical expedient to estimate the fair value of investments at the measurement date using the net asset value (NAV) reported by the managers of such investments in accordance with their respective operating agreements, which generally requires fair valuation in accordance with US GAAP. Adjustment is required if the University expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP. The University holds investments in its portfolio which are generally valued based on the most current NAV. These amounts represent fair value of these investments at May 31, 2023 and 2022.

The University performs additional procedures including due diligence reviews on its investments and other procedures with respect to the capital account balance or NAV provided to ensure conformity with US GAAP. The University has assessed factors including, but not limited to, managers' compliance with the Fair Value Measurement standard, price transparency, and valuation procedures in place.

Investments in public equity consist of separate accounts, commingled funds, daily traded mutual funds, and limited partnership investments. Securities held in separate accounts are traded daily and are valued based on quoted market prices and categorized as Level 1. Securities held in daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets and are accordingly categorized as Level 1 in the fair value hierarchy, with no valuation adjustments applied. Commingled funds and limited partnership interests are valued at NAV and are categorized as Investments at NAV in the fair value hierarchy.

Investments in hedge funds are valued at NAV and are categorized in accordance with the fair value standard. The liquidity terms for the hedge funds vary by individual investment, from monthly liquidity to illiquid. All of these investments are classified as Investments at NAV in the fair value hierarchy.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Fair Value (Continued)

Private investments consist of limited partnership interests. Limited partnership interests are valued at NAV and are categorized in accordance with the fair value standard. Since the University does not have the ability to redeem from the limited partnerships at the measurement date or is restricted from redeeming for an uncertain or extended period of time from the measurement date, the investments are classified as Investments at NAV in the fair value hierarchy using the practical expedient.

Investments in split-interest agreements consist of irrevocable charitable remainder trusts, charitable gift annuities, and pooled income funds where the University serves as trustee. The assets, invested in equity or debt securities, are measured at fair value on a recurring basis at quoted market prices and are thus categorized as Level 1. Liabilities represent the present value of the estimated future distributions to beneficiaries over the terms of the agreements and are included in accrued expenses on the Statements of Financial Position. Investment gains and losses, and gains and losses associated with changes in the estimates of future distributions to beneficiaries, are included in net realized and unrealized gains and losses.

Investments of operating funds include fixed-income securities with original maturities of greater than one year. The assets are valued using observable market data to the degree that they can be valued based on quoted market prices; however, some of these investments are traded infrequently. They are categorized as Level 2 in the fair value hierarchy.

Operating funds are classified as follows as of May 31, 2023, based on the maturity of the underlying investments:

	<u>(in thousands)</u>
Cash and cash equivalents	\$ 39,356
Short-term investments	32,230
Long-term investments	109,567
Total	<u>\$ 181,153</u>

The University's pension assets consist of common collective trusts and cash. Investments in common collective trusts consist of equity securities and fixed income options traded in an active exchange market, as well as investments in mutual funds. The assets are valued at the net asset value of units held at year-end. When available, quoted market prices are used to value the underlying investments held by the collective trusts. For underlying investments consisting of fixed maturities, valuations are generally obtained from third-party pricing services for identical or comparable assets or liabilities, non-binding broker quotes (when pricing service information is not available) or through the use of valuation methodologies using observable inputs. For underlying investments where vendor pricing is not available, internally developed valuations using one or more unobservable inputs or non-binding quotes are used to determine fair value. These investments in common collective trusts are categorized as Investments at NAV in the fair value hierarchy, while cash is categorized as Level 1 in the hierarchy.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments with an original maturity date not exceeding 90 days.

Investments

The Investments balance represents investments of operating funds, the endowment investments, and other investments. The investments of operating funds reflect liquid investments with varying maturity dates. These investments are valued using observable market data to the degree that they can be valued based on quoted market prices. These are categorized as Level 2 in the fair value hierarchy.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Investments (Continued)

Endowment cash and cash equivalents are liquid investments with a maturity date of less than one year, though certain investments may be in securities with maturities of up to 13 months. The intent of the endowment cash and cash equivalents is to fund future investments in other asset categories. The University has elected to classify all cash equivalents within the endowment as investments.

The University records investments at fair value. Gains or losses on investments are recognized as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Accounts Receivable

Accounts Receivable are primarily amounts related to student receivable balances, grant receivable balances, and other miscellaneous receivables. The receivables are shown net of allowances for doubtful accounts, which totaled \$2,834,000 and \$2,294,000 as of May 31, 2023 and 2022, respectively.

Investment Income

Investment income related to investments is recorded as non-operating income, and the portion of investment income that is utilized for operations under the University's endowment spending formula (see description in Note 4) is shown as a reduction in non-operating income ("Endowment resources"). Investment income related to the endowment is classified as net assets without donor restrictions or net assets with donor restrictions, depending on donor specifications and applicable law. Investment income related to operating funds is recorded as operating revenue.

Student Loans Receivable

Student loans receivable are stated net of allowances for doubtful accounts. Student loans receivable are principally amounts due from students under U.S. Government-sponsored loan programs, which are subject to significant restrictions.

Land, Building, and Equipment

Land, buildings and equipment are carried at cost on date of acquisition or fair value on the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of land improvements (10-25 years), buildings (10-55 years) and equipment (4-10 years).

Capitalized Software Costs

Capitalized software costs included in property, plant and equipment relate to purchased software, which is capitalized and depreciated on a straight-line basis over a five-year period.

Early Retirement Benefits

The University offers an early retirement program to full-time faculty members who meet certain eligibility criteria. The University accrues a liability for the present value of all future benefit payments for individuals who accept the early retirement offer at the time of acceptance.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Deferred Revenue and Prepaid Expenses

All revenues received and expenses paid prior to the end of the fiscal year which relate to the following fiscal year are recorded as deferred revenues or other assets, respectively.

Certain deferred revenue represents payments received prior to the start of the academic term or the following fiscal year. The following table depicts significant components of deferred revenue:

	Balance at May 31, 2022	Refunds Issued	Revenue recognized in FY2023	Cash received in advance of performance	Balance at May 31, 2023
Tuition and Fees, net	\$ 16,426,134	\$ -	\$ 16,426,134	\$ 16,101,163	\$ 16,101,163
Room and Board	460,341	-	460,341	-	-
Athletic Revenue	7,560,129	-	2,179,647	1,128,294	6,508,776
Summer Events	304,858	-	304,858	633,193	633,193
Miscellaneous Revenue	1,797	-	-	-	1,797
	<u>\$ 24,753,259</u>	<u>\$ -</u>	<u>\$ 19,370,980</u>	<u>\$ 17,862,650</u>	<u>\$ 23,244,929</u>

The balance of deferred revenue at May 31, 2023, less any refunds issued, will be recognized as revenue over the applicable academic term, as services are rendered.

The University has not disclosed information about remaining performance obligations that have original durations of one year or less.

Noncash Gifts

Noncash gifts are recorded at fair value on the date of donation.

Employee Health Insurance

The University is self-insured for employee health expenses and pays the actual cost of claims, and bears risk related to these claims. There are risk-mitigation strategies in place such as stop loss insurance to reduce the impact of catastrophic claims.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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(s) of the financial statements and the reported amounts of revenues and expenses during the reporting period(s). Actual results could differ from those estimates.

Revenue recognition and disaggregation of revenue

Tuition revenue is recognized in the fiscal year in which the academic programs are delivered. Institutional scholarships awarded to students reduce the amount of revenue recognized. In addition, students who adjust their course load or withdraw completely within the first week of the academic term may receive a partial refund in accordance with the University's refund policy. Historically, refunds have totaled less than 1% of the total amount billed. Refunds issued reduce the amount of revenue recognized. Payments for tuition are due approximately 3 weeks prior to the start of the academic term.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Revenue recognition and disaggregation of revenue (Continued)

The following table shows the components of student tuition and fees, net of student financial aid by reportable segment for the year ended May 31, 2023:

	(in thousands)
Undergraduate	\$ 429,285
Graduate and other special programs	44,029
Law school	30,711
College of Professional Studies	7,554
Financial Aid	(162,161)
Tuition and fees, net of financial aid	<u>\$ 349,418</u>

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of accounting in ASC Topic 606. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service in the contract and recognized as revenue when, or as, the performance obligation is satisfied. The primary method used to estimate standalone selling price is the adjusted market assessment approach, under which the market is evaluated and the price that a customer would be willing to pay for the goods and services the University provides is estimated.

The University's performance obligations are primarily satisfied over time during the course of an academic semester or academic year. Villanova's transaction price is determined based on gross price, net of scholarships and other discounts. The majority of the University's revenue is derived from tuition and educational services agreements with students, and thus, is recognized over time during each academic session. The University views the knowledge gained by the student as the benefit which the student receives during the academic sessions. Residence hall revenues are recognized over time throughout the occupancy period, which is most commonly during each academic session.

Contract Balances

The timing of billings, cash collections and revenue recognition results in accounts receivable (contract assets) and deferred revenue and student deposits (contract liabilities) on the Consolidated Statements of Financial Position. Receivables are recognized only to the extent that it is probable that the University will collect substantially all of the consideration to which it is entitled in exchange for the goods and services that will be transferred to the student.

Measure of Operations

The Statement of Activities and Change in Net Assets reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating revenues in excess of operating expenses reflect all transactions that are an integral part of the University's programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from board-designated and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from both donor-restricted net assets and net assets without donor restrictions except those of a capital or long-term nature, such as gifts for investments and endowments. Operating revenues include realized gains appropriated in accordance with the University's endowment spending policy (see description in Note 4). The measure of operations excludes grants for capital expenditures, endowment support for non-operating activities, investment return in excess of (or less than) amounts made available for current support, gains and losses on extinguishment of debt (when applicable), and rental property revenue and expenses.

Student tuition and fees as well as sales and services of auxiliary enterprises are shown net of student financial aid. As of May 31, 2023 and 2022, student financial aid for tuition and fees totaled \$162,161,000 and \$153,982,000, respectively. Student financial aid related to auxiliary revenues totaled \$6,299,000 and \$5,900,000 as of May 31, 2023 and 2022, respectively.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Measure of Operations (Continued)

Expenses associated with the operation and maintenance of plant, depreciation and interest expenses have been allocated to the functional operating expense categories in Note 12.

Total Revenue and Gains Without Donor Restrictions equaled \$570,322,000 and \$536,117,000 as of May 31, 2023 and 2022, respectively.

Reclassification

Certain amounts from prior years have been reclassified to conform to the current year's presentation.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following table reflects the University's financial assets as of May 31, 2023 and May 31, 2022, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year of the balance sheet date. Other financial assets which are excluded from this measure of liquidity include endowments and accumulated earnings restricted by donors or the University's Board of Trustees, bond reserves that can only be used for specific capital projects, assets held for or by others, and annuity reserves.

	(in thousands)	
	2023	2022
Financial assets		
Cash and cash equivalents	\$ 39,356	\$ 83,020
Accounts receivable, less allowances	11,209	10,233
Other assets	11,753	8,494
Prepaid pension asset	1,160	771
Pledges receivable, net	94,849	78,371
Student loans receivable, net	4,509	5,397
Investments	1,341,352	1,359,040
Financial assets at May 31	<u>1,504,188</u>	<u>1,545,326</u>
Less those unavailable for general expenditure within one year:		
Pledges receivable, net	94,849	78,371
Short-term investments	36	41
Accounts receivable beyond one year	1,612	1,322
Other assets	11,753	8,494
Prepaid pension asset	1,160	771
Student loans receivable	4,509	5,397
Endowment assets restricted by donors	735,001	714,387
Unrestricted endowment	459,915	451,139
Investments held for other purposes	<u>4,603</u>	<u>5,258</u>
Financial assets not available for expenditure within one year	<u>1,313,438</u>	<u>1,265,180</u>
Financial assets available to meet cash needs for general purposes within one year	<u>\$ 190,750</u>	<u>\$ 280,146</u>

As of May 31, 2023, the University has liquid assets on hand equal to 131 days of operating expenses. The University's practice is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 2 – LIQUIDITY AND AVAILABILITY: (Continued)

The University is substantially supported by student tuition and fees, sales and services of auxiliary enterprises and gifts with and without donor restrictions. Because donor restrictions require 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.

The University maintains two unsecured lines of credit totaling \$60,000,000, representing 41 days of operating expenses. No funds were drawn from these lines during the year ended May 31, 2023.

NOTE 3 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:

At May 31, 2023 and 2022, the fair value of cash and cash equivalents and deposits with bond trustees approximate their respective carrying amounts. The fair value of deposits with bond trustees are based on the quoted market price of the underlying securities (and would be considered Level 1).

Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, is not practicable.

The following tables present the financial instruments carried at fair value on a recurring basis as of May 31, 2023 and May 31, 2022, respectively, and indicate the fair value hierarchy of the valuation techniques that were utilized to determine such fair value. The tables reflect Investments in the Statements of Financial Position.

	As of May 31, 2023 (in thousands)				Investments at NAV
	Total	Level 1	Level 2	Level 3	
Cash equivalents - endowment	\$ 16,785	\$ 16,785	\$ -	\$ -	\$ -
Public equities	438,230	-	-	-	438,230
Hedge funds	408,917	-	-	-	408,917
Private Investments	327,244	-	-	-	327,244
Split-interest agreements	4,134	4,134	-	-	-
Investments of operating funds	141,797	-	141,797	-	-
Other investments	4,245	4,245	-	-	-
Total	<u>\$ 1,341,352</u>	<u>\$ 25,164</u>	<u>\$ 141,797</u>	<u>\$ -</u>	<u>\$ 1,174,391</u>

	As of May 31, 2022 (in thousands)				Investments at NAV
	Total	Level 1	Level 2	Level 3	
Cash equivalents - endowment	\$ 59,535	\$ 59,535	\$ -	\$ -	\$ -
Public equities	373,238	-	-	-	373,238
Hedge funds	391,685	-	-	-	391,685
Private Investments	339,306	-	-	-	339,306
Split-interest agreements	4,445	4,445	-	-	-
Investments of operating funds	188,215	-	188,215	-	-
Other investments	2,616	2,616	-	-	-
Total	<u>\$ 1,359,040</u>	<u>\$ 66,596</u>	<u>\$ 188,215</u>	<u>\$ -</u>	<u>\$ 1,104,229</u>

The methods described in Note 1 may produce a fair value calculation that is 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 estimate of fair value at the reporting date.

NOTE 3 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS: (Continued)

Liquidity risk is the risk that the University will not be able to meet its obligations associated with financial liabilities due to restrictions on ability to redeem investments. The University has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and gates. Details on the estimated remaining life and current redemption terms by asset class and type of investment are provided below:

	<u>Liquidity</u>
Cash & cash equivalents-endowment	Daily
Public equities	Varies
Hedge funds	Varies
Private Investments	Illiquid
Split-interest agreements	Daily
Investments of operating funds	Daily
Other investments	Daily

Required notice prior to redemption varies, generally between no required advance notice to 30 days' notice. The remaining life of private investment partnerships varies by individual investment, with the longest anticipated remaining life being 12.6 years.

NOTE 4 - NET ASSETS:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Without Donor Restrictions		
Undesignated	\$ 44,098	\$ 83,477
Invested in property, plant and equipment, net	535,271	493,222
Unrestricted endowment	<u>459,915</u>	<u>451,139</u>
	<u>\$ 1,039,284</u>	<u>\$ 1,027,838</u>
With Donor Restrictions		
Purpose restricted:		
Unexpended contributions for instruction and scholarships	\$ 88,847	\$ 73,561
Unexpended contributions for capital expenditures	85,809	77,022
Time restricted for future periods:		
Annuity and life income funds	3,903	3,952
Endowment – accumulated change in market value of investments and realized gains	<u>292,409</u>	<u>303,412</u>
Restricted for time or purpose	470,968	457,947
Restricted in perpetuity:		
Student loans	1,894	1,893
Endowment principal, primarily for scholarships and instruction	<u>471,089</u>	<u>441,133</u>
	<u>\$ 943,951</u>	<u>\$ 900,973</u>

NOTE 4 - NET ASSETS: (Continued)

The University's endowment consists of nearly 1,200 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds, funds designated by the Board of Trustees to function as endowments, and other funds set aside internally by the University. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Commonwealth of Pennsylvania has not enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), or a version of the Uniform Management of Institutional Funds Act (UMIFA). Governing law resides in 15 Pa. C.S. § 5548, *Investment of Trust Funds*. The University has interpreted relevant Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to net assets with donor restrictions, (b) the original value of subsequent gifts to the net assets with donor restrictions, and (c) enhancements or diminishments of the fund from investment income, loss and spending allowance.

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 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-specific period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. 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 equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

Under the University's spending policy, the University utilizes endowment and quasi-endowment resources to support operations at a level of 5% of the 12 calendar quarter moving average of the fair value of endowment and quasi-endowment investment assets calculated as of December 31st of the year immediately preceding the beginning of the University's fiscal year. Any difference between actual investment income and the amounts distributed is retained to support operations of future years. These retained balances are used in any year that the actual total investment return is below the spending rate. The remaining realized and unrealized gains/losses are reported as non-operating revenues. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to maintain spending at an amount equal to or less than total return less inflation.

NOTE 4 - NET ASSETS: (Continued)

At May 31, 2023, the endowment net asset composition by type of fund consisted of the following:

	(in thousands)		
	Without Donor Restrictions	With Donor Restrictions	Total
Amounts required to be maintained in perpetuity	\$ -	\$ 435,148	\$ 435,148
Other invested principal	288,070	7,444	295,514
Accumulated investment gains	171,845	292,409	464,254
Total Funds	<u>\$ 459,915</u>	<u>\$ 735,001</u>	<u>\$ 1,194,916</u>

Changes in endowment net assets for the fiscal year ended May 31, 2023 consisted of the following:

	(in thousands)		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 451,139	\$ 714,387	\$ 1,165,526
Investment return:			
Investment Income	1,131	3,481	4,612
Management and Admin Fees	(3,272)	(5,465)	(8,737)
Net appreciation (realized and unrealized)	9,520	17,648	27,168
Total investment return, net	<u>7,379</u>	<u>15,664</u>	<u>23,043</u>
Contributions	-	31,516	31,516
Investment in Unrestricted Endowment	20,548	-	20,548
Distribution for Spending	(19,151)	(26,566)	(45,717)
Endowment net assets, end of year	<u>\$ 459,915</u>	<u>\$ 735,001</u>	<u>\$ 1,194,916</u>

At May 31, 2022, the endowment net asset composition by type of fund consisted of the following:

	(in thousands)		
	Without Donor Restrictions	With Donor Restrictions	Total
Amounts required to be maintained in perpetuity	\$ -	\$ 408,754	\$ 408,754
Other invested principal	268,610	2,221	270,831
Accumulated investment gains	182,529	303,412	485,941
Total Funds	<u>\$ 451,139</u>	<u>\$ 714,387</u>	<u>\$ 1,165,526</u>

NOTE 4 - NET ASSETS: (Continued)

Changes in endowment net assets for the fiscal year ended May 31, 2022 consisted of the following:

	(in thousands)		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 440,767	\$ 681,793	\$ 1,122,560
Investment return:			
Investment Income	1,846	2,930	4,776
Management and Admin Fees	(3,327)	(5,298)	(8,625)
Net appreciation (realized and unrealized)	18,375	30,526	48,901
Total investment return, net	16,894	28,158	45,052
Contributions	-	25,864	25,864
Investment in Unrestricted Endowment	10,200	-	10,200
Distribution for Spending	(16,722)	(21,428)	(38,150)
Endowment net assets, end of year	<u>\$ 451,139</u>	<u>\$ 714,387</u>	<u>\$ 1,165,526</u>

From time to time, certain donor restricted endowment funds may have fair value below the amount required to be maintained by donors or law (“underwater endowment”). There were no such deficiencies reported at May 31, 2023 and 2022. Management has interpreted state law to permit prudent spending from underwater endowments.

NOTE 5 - INVESTMENTS:

Investment gains reported in the consolidated statements of activities for the year ended May 31 consisted of the following:

	(in thousands)		
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest, dividends, and other income	\$ 1,725	\$ 3,028	\$ 4,753
Net realized gains	9,467	17,742	27,209
Net change in unrealized gains and losses	(686)	(271)	(957)
Management fees and expenses	(3,732)	(5,514)	(9,246)
	<u>\$ 6,774</u>	<u>\$ 14,985</u>	<u>\$ 21,759</u>
	(in thousands)		
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest, dividends, and other income	\$ 1,843	\$ 3,297	\$ 5,140
Net realized gains	47,677	77,167	124,844
Net change in unrealized gains and losses	(33,698)	(47,248)	(80,946)
Management fees and expenses	(3,666)	(5,328)	(8,994)
	<u>\$ 12,156</u>	<u>\$ 27,888</u>	<u>\$ 40,044</u>

NOTE 5 – INVESTMENTS: (Continued)

The University uses various external investment managers to diversify its investments. The largest allocations to any individual investment manager as of May 31, 2023 and 2022 were 7.4% and 9.9%, respectively.

At May 31, 2023, based on partnership agreements, the University was committed to invest an additional \$230,651,000 in alternative investments, which is expected to occur over the next five to ten years. Alternative investments have liquidity restrictions. Amounts can be divested only at specified times based on the terms of the partnership agreements. Refer to Note 3 for additional information regarding redemption terms by asset class and type of investment. The financial statements of the limited partnerships are audited annually, generally as of December 31.

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment at May 31, 2023 and 2022 consisted of the following:

	(in thousands)	
	2023	2022
Land and improvements	\$ 87,081	\$ 70,186
Buildings and improvements	1,048,014	1,015,388
Equipment	91,423	82,868
Construction in progress	94,316	42,888
Unamortized asset retirement costs	223	370
	<u>1,321,057</u>	<u>1,211,700</u>
Less accumulated depreciation	(520,397)	(485,303)
	<u>\$ 800,660</u>	<u>\$ 726,397</u>

NOTE 7 - ACCRUED EXPENSES:

Accrued expenses at May 31, 2023 and 2022 consisted of the following:

	(in thousands)	
	2023	2022
Faculty and Staff Salaries	\$ 21,873	\$ 18,629
Payroll Taxes	1,116	5,372
Interest on Long-Term Debt	2,331	2,532
Asset Retirement Obligations	2,263	2,359
Workers Compensation Claims	1,428	1,467
Vacation Accrual	2,185	1,967
Other	10,451	16,717
	<u>\$ 41,647</u>	<u>\$ 49,043</u>

NOTE 8 – LEASES:

The University has operating leases for administrative offices, off-site data storage and optical fiber strands. The University's leases vary in terms of up to 25 years, including renewal periods that are considered reasonably certain. The University recognizes a right of use asset and a lease liability for operating leases based on the net present value of future minimum lease payments. Lease expense is recognized on a straight-line basis over the non-cancelable lease term, including renewal periods that are considered reasonably certain. The periods related to any renewal options deemed not reasonably certain to be exercised were excluded from the lease term with respect to the right of use asset and lease liability calculations.

NOTE 8 – LEASES: (Continued)

Amounts recognized in the Consolidated Financial Statements and other lease metrics for the fiscal year ending May 31, 2023 and 2022:

	(in thousands)	
	2023	2022
Lease Expense		
Operating Leases	\$ 1,396	\$ 1,378
Short-Term Leases	611	265
Variable Leases	50	37
Total	<u>\$ 2,057</u>	<u>\$ 1,680</u>
	<u>2023</u>	<u>2022</u>
Other information related to Operating Leases:		
Operating cash flows	\$ 1,329,000	\$ 1,178,000
Right-of-use assets obtained in exchange for lease obligations	\$ -	\$ 988,000
Weighted-average remaining lease term (in years)	14.02	14.75
Weighted average discount rate	0.94%	0.94%

At May 31, 2023, maturities of lease liabilities were as follows:

	(in thousands)
2024	\$ 1,315
2025	1,146
2026	1,159
2027	1,134
2028	958
Thereafter	10,164
Total	<u>\$ 15,876</u>
Less: Present value discount	<u>(1,025)</u>
Total lease liabilities	<u>\$ 14,851</u>

NOTE 9 - LONG-TERM DEBT:

Long-term debt payable at May 31, 2023 consisted of the following:

(in thousands)						
Bond Issuance	Year of Maturity	Interest Rate	Original Face Amount	Outstanding Principal	Unamortized Premium	Unamortized Issuance Costs
Delaware County Authority Bonds (a):						
2016	2031	4% - 5%	\$ 45,480	\$ 35,910	\$ 6,084	\$ (282)
2015	2045	3% - 5%	141,270	132,175	7,328	(770)
2014	2024	5%	52,205	19,830	1,647	(101)
2012	2022	5%	21,285	-	-	-
				<u>\$ 187,915</u>	<u>\$ 15,059</u>	<u>(1,153)</u>
Total						<u>\$ 201,821</u>

Long-term debt payable at May 31, 2022 consisted of the following:

(in thousands)						
Bond Issuance	Year of Maturity	Interest Rate	Original Face Amount	Outstanding Principal	Unamortized Premium	Unamortized Issuance Costs
Delaware County Authority Bonds (a):						
2016	2031	4% - 5%	\$ 45,480	\$ 39,255	\$ 6,760	\$ (313)
2015	2045	3% - 5%	141,270	135,355	7,647	(804)
2014	2024	5%	52,205	25,885	2,470	(152)
2012	2022	5%	21,285	2,850	342	(33)
				<u>\$ 203,345</u>	<u>\$ 17,219</u>	<u>(1,302)</u>
Total						<u>\$ 219,262</u>

All proceeds from the noted bond issuances were spent on capitalized assets. In addition, total plant-related debt amounted to \$219,468,000 and \$238,304,000 for the years ended May 31, 2023 and 2022, respectively.

- (a) The University has pledged and granted to the Delaware County Authority a lien on and security interest in the University's unrestricted revenues and certain property and equipment to collateralize the annual principal maturities and interest payments which average approximately \$18,604,000 through 2028, and \$9,737,000 from 2029 to 2046. The University is required to maintain unrestricted net revenues equal to 100% of the annual debt service requirement.

NOTE 9 - LONG-TERM DEBT: (Continued)

Aggregate maturities of long-term debt including call provisions at 100% for each of the next five fiscal years are as follows:

	<u>(in thousands)</u>
2024	\$ 16,520
2025	17,340
2026	7,530
2027	7,860
2028	8,185
Thereafter	130,480

Interest paid on long-term debt amounted to \$9,048,000 and \$9,822,000 for the years ended May 31, 2023 and 2022, respectively. Interest expense allocated to the functional expense categories in Note 12 amounted to \$6,835,000 and \$7,598,000 for the years ended May 31, 2023 and 2022, respectively.

The Delaware County Authority bond agreements contain certain covenants, including financial covenants that require the University to generate net revenues at least equal to 100% of actual debt service requirements, and to certify that maximum annual debt service does not exceed 12% of unrestricted revenues. The University was in compliance with these requirements at May 31, 2023 and 2022.

NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS:

The University sponsors a defined contribution retirement plan under which the University makes annual contributions for the benefit of the participants to the Teachers Insurance Annuity Association of America-College Retirement Equities Fund (TIAA-CREF), and the University has no further liability. The University's contributions to the defined contribution plan amounted to \$18,589,000 and \$17,268,000 for the years ended May 31, 2023 and 2022, respectively.

The University has a non-contributory defined benefit pension plan for certain full-time non-academic employees employed prior to May 31, 1999. Effective May 31, 2016, the defined benefit pension plan was frozen, with no future benefit accruals, as the result of a declining number of active employees participating in the plan. These employees were transitioned into the defined contribution pension plan effective June 1, 2016. The University will continue to fund the liabilities related to the benefits earned under the defined benefit pension plan prior to June 1, 2016.

In September 2021, the University notified participants in the defined benefit pension plan of its intention to fully terminate the plan effective October 31, 2021. The plan was fully funded as of May 31, 2021, and benefit accruals were frozen on May 31, 2016. It is anticipated that the termination process and the transfer of plan liabilities will be completed by the end of calendar year 2023.

The University provides postretirement medical benefits to retirees who met certain eligibility requirements and who retired prior to May 31, 2018. The University accrued for expected medical postretirement benefits over the years that the employees rendered the necessary service.

The University recognizes the funded status (the difference between the fair value of plan assets and the benefit obligation) of its pension and other postretirement plans in the Consolidated Statement of Financial Position, with a corresponding adjustment to net assets without donor restrictions.

NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS: (Continued)

The following is a reconciliation of the beginning and ending balances of the University's projected pension benefit obligation:

	(in thousands)	
	2023	2022
Change in Benefit Obligation		
Benefit obligation at the beginning of the year	\$ 51,958	\$ 61,296
Interest cost on projected benefit obligations	2,055	1,109
Actuarial (gain)/loss	(3,335)	(6,517)
Benefits and administrative expenses paid	(4,429)	(3,930)
Benefit obligation at the end of the year	<u>\$ 46,249</u>	<u>\$ 51,958</u>

The following table includes the significant assumptions upon which the calculation of the projected benefit obligation was based:

	2023	2022
Weighted average discount rate	5.07%	4.13%
Expected long-term rate of return on assets	4.45%	3.20%

The following table sets forth the funded status and amount recognized in the University's Consolidated Statements of Financial Position for the defined benefit plan:

	(in thousands)	
	2023	2022
Change in Plan Assets		
Fair value of plan assets at beginning of year	\$ 52,729	\$ 62,485
Actual return on plan assets	(891)	(5,826)
Employer contributions	-	-
Benefits and administrative expenses paid	(4,429)	(3,930)
Fair value of plan assets at end of year	<u>\$ 47,409</u>	<u>\$ 52,729</u>

Funded Status

Actuarial present value of benefit obligations:

Projected benefit obligation	\$ (46,249)	\$ (51,958)
Plan assets at fair value	47,409	52,729
Funded Status	<u>\$ 1,160</u>	<u>\$ 771</u>

The University develops a target asset allocation for the pension assets with the assistance of an independent investment consultant. The asset values at May 31, 2023 and May 31, 2022 are shared with the University's actuarial consultant, who utilizes a model to determine a range of reasonable expected rates of return based on the asset allocation and current capital market assumptions. The results are shared with the University and further discussed with the independent investment consultant and pension plan administrator. The expected rate of return is selected and is used in developing the net periodic benefit cost for the following fiscal year.

	(in thousands)	
	2023	2022
Components of Net Periodic (Benefit) Cost		
Interest cost on projected benefit obligation	\$ 2,055	\$ 1,109
Expected return on plan assets	(1,617)	(2,263)
Amortization of unrecognized net loss	1,075	674
Total net periodic (benefit) cost	<u>\$ 1,513</u>	<u>\$ (480)</u>

NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS: (Continued)

The following table includes the significant assumptions upon which the calculation of the net periodic expense was recorded:

	<u>2023</u>	<u>2022</u>
Weighted average discount rate	4.13%	2.69%
Expected long-term rate of return on assets	3.20%	3.75%

The expected benefit payments from the Plan in subsequent years are as follows:

Year ending	<u>(in thousands)</u>
May 31, 2024	\$ 1,487
May 31, 2025	-
May 31, 2026	-
May 31, 2027	-
May 31, 2028	-
May 31, 2029 through May 31, 2032	-

¹Based on ten months of expense assuming all liabilities are settled by March 31, 2024.

The University does not anticipate making an employer contribution during the fiscal year ending May 31, 2024.

Plan assets are allocated at May 31, 2023 and May 31, 2022 as follows:

	<u>2023</u>	<u>2022</u>
Equity Securities	0%	0%
Debt Securities	64%	80%
Alternative Investments	0%	0%
Cash & cash equivalents	<u>36%</u>	<u>20%</u>
Total	<u>100%</u>	<u>100%</u>

The plan assets are diversified among a mix of assets including international equities, fixed income, and cash. Asset mix is targeted to a specific allocation that is established by evaluating expected return, standard deviation, and correlation of various assets against the plan's long-term objectives, along with the planned plan termination. Asset performance is monitored monthly and rebalanced if asset classes exceed explicit ranges. The investment policy governs permitted types of investments. The Retirement Plans Investment Committee oversees the pension investment program and monitors investment performance, utilizing specific benchmarks and performance percentiles. Risk is closely monitored through the evaluation of portfolio holdings and tracking the portfolio performance.

The following tables present the Plan's financial instruments carried at fair value on a recurring basis as of May 31, 2023 and May 31, 2022, respectively, and indicate the fair value hierarchy of the valuation techniques that were utilized to determine such fair value, as discussed in Note 1.

	<u>(in thousands)</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments at NAV</u>	<u>Total</u>
Pension investment program:					
Equity securities	\$ -	\$ -	\$ -	\$ 51	\$ 51
Debt securities	-	-	-	30,186	30,186
Alternative investments				-	-
Cash & cash equivalents	<u>17,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,172</u>
Total at May 31, 2023	<u>\$ 17,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,237</u>	<u>\$ 47,409</u>

NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS: (Continued)

	(in thousands)				Total
	Level 1	Level 2	Level 3	Investments at NAV	
Pension investment program:					
Equity securities	\$ -	\$ -	\$ -	\$ 55	\$ 55
Debt securities	-	-	-	41,945	41,945
Alternative investments				-	-
Cash & cash equivalents	10,729	-	-	-	10,729
Total at May 31, 2022	<u>\$ 10,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,000</u>	<u>\$ 52,729</u>

The components of medical postretirement benefits as of May 31, 2023 and 2022 are as follows:

	(in thousands)	
	2023	2022
Projected benefit obligation	\$ 6,521	\$ 7,436
Fair value of plan assets	-	-
Unfunded status	<u>\$ (6,521)</u>	<u>\$ (7,436)</u>
Accrued post-retirement benefits	<u>\$ (6,521)</u>	<u>\$ (7,436)</u>
Weighted-average assumptions:		
Discount rate	4.80%	3.93%

There is no healthcare cost trend rate associated with the liabilities, because the University provides a fixed subsidy for postretirement medical benefits. Benefit expense totaled \$247,000 and \$137,000 for the years ended May 31, 2023 and 2022, respectively. Benefits payments totaled \$812,000 and \$856,000 for the years ended May 31, 2023 and 2022, respectively.

The University allows faculty members that meet specific criteria for eligibility to elect to participate in an early retirement program. The accrued liability for future payments under this program amounted to \$230,000 and \$296,000 as of May 31, 2023 and 2022, respectively.

NOTE 11 – EXPENSES BY BOTH NATURE AND FUNCTION:

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, interest on indebtedness, and facilities operations and maintenance. Depreciation is allocated based on square footage and interest is allocated based on original purpose of the borrowed funds. Costs of other categories were allocated on estimates of time and effort.

	(in thousands)					
	2023					
	Salaries and benefits	Other Operating	Depreciation	Interest	Operations and Maintenance	Total Expenses
Instruction	\$ 157,561	\$ 19,169	\$ 9,182	\$ 786	\$ 13,308	\$ 200,006
Research	9,245	5,691	15	33	30	15,014
Academic Support	46,417	22,699	1,826	(10)	1,674	72,606
Student Services	41,270	31,925	6,840	16	8,610	88,661
Institutional Support	53,814	32,454	3,021	700	3,055	93,044
Auxiliary Enterprises	25,352	28,282	13,959	4,046	17,906	89,545
Operations and Maintenance	19,317	18,659	5,343	1,264	(44,583)	-
	<u>\$ 352,976</u>	<u>\$ 158,879</u>	<u>\$ 40,186</u>	<u>\$ 6,835</u>	<u>\$ -</u>	<u>\$ 558,876</u>

NOTE 11 – EXPENSES BY BOTH NATURE AND FUNCTION: (Continued)

	(in thousands)					
	2022					
	Salaries and benefits	Other Operating	Depreciation	Interest	Operations and Maintenance	Total Expenses
Instruction	\$ 139,315	\$ 13,031	\$ 8,796	\$ 1,126	\$ 11,551	\$ 173,819
Research	7,753	4,099	24	47	28	11,951
Academic Support	43,373	20,528	1,593	10	1,457	66,961
Student Services	44,415	31,019	6,626	24	8,088	90,172
Institutional Support	50,855	26,739	2,963	731	2,305	83,593
Auxiliary Enterprises	22,720	22,340	14,495	4,348	16,671	80,574
Operations and Maintenance	17,828	17,158	3,802	1,312	(40,100)	-
	<u>\$ 326,259</u>	<u>\$ 134,914</u>	<u>\$ 38,299</u>	<u>\$ 7,598</u>	<u>\$ -</u>	<u>\$ 507,070</u>

Included in the above operating expenses are expenditures related to fund-raising activities for the year ended May 31, 2023 and 2022 of \$17,882,000 and \$16,298,000, respectively.

NOTE 12 - INCOME TAX:

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University files IRS Form 990-T (Exempt Organization Business Income Tax Return) annually, and is anticipating a net operating income for the year ended May 31, 2023, with regards to unrelated business income reported on IRS Form 990-T.

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

Under the terms of certain investment partnership agreements, the University and other investors are committed to fund additional investments as capital calls are exercised. Capital calls are generally exercised over a period of years and are subject to fixed expiration dates or other means of termination. The University's remaining commitments to all partnerships totaled \$230,651,000 and \$201,634,000 as of May 31, 2023 and 2022, respectively.

Outstanding commitments related to construction contracts totaled \$71,153,000 as of May 31, 2023.

The University has two unsecured lines of credit in the amounts of \$40,000,000 and \$20,000,000. No funds were drawn from these lines during the fiscal year.

NOTE 14 - UNCONDITIONAL PROMISES AND PLEDGES:

Contributions received, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the University reports the support as net assets without donor restrictions. Conditional promises are recorded when donor stipulations are substantially met.

Unconditional promises at May 31, 2023 and 2022 and the time periods in which they are expected to be realized are as follows:

	(in thousands)	
	2023	2022
In one year or less	\$ 51,932	\$ 50,148
Between one year and five years	66,467	53,955
In more than five years	7,044	1
Less: Discount	(10,893)	(6,203)
Allowance for doubtful accounts	(19,701)	(19,530)
	<u>\$ 94,849</u>	<u>\$ 78,371</u>

Estimated cash flows from pledges receivable due after one year are discounted using a base rate of the Federal Reserve Treasury constant maturities 5-year rate of return, adjusted for a risk factor related to potential write-offs of uncollectible pledges.

NOTE 15 – SUBSEQUENT EVENTS:

In connection with the preparation of the consolidated financial statements, the University evaluated subsequent events after the balance sheet date of May 31, 2023 through its distribution date of October 11, 2023.

Villanova University is currently negotiating definitive asset purchase agreements with Cabrini University and the Missionary Sisters of the Sacred Heart (together with Cabrini University, “Cabrini”), pursuant to which Villanova will agree, subject to the terms and conditions therein, to purchase the campus and certain related assets of Cabrini. Completion of the asset purchase will remain subject to the receipt of certain regulatory approvals and each party’s satisfaction of certain closing conditions. It is anticipated that closing would occur on or about June 30, 2024.

Villanova University and Subsidiaries
Financial Responsibility Supplemental Schedule and Notes
Year Ended May 31, 2023

<i>In thousands of dollars</i>	PRIMARY RESERVE RATIO	
	Expendable Net Assets:	
Statements of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions	\$ 1,039,284
Statements of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions	943,951
Note 4 of the Financial Statements: Annuity and life income funds	Annuities with donor restrictions	3,903
Note 4 of the Financial Statements: Endowment principal, primarily for scholarships and instruction	Term endowments with donor restrictions	-
N/A	Life income funds with donor restrictions	-
Note 4 of the Financial Statements: Net assets - Restricted in perpetuity	Net assets with donor restrictions: restricted in perpetuity	473,057
Note 4 of the Financial Statements: Restricted for time or purpose	Net assets with donor restrictions: Other for purpose or time	467,067
N/A	Secured and Unsecured related party receivables	-
N/A	Unsecured related party receivables	-
N/A	Unsecured other related party assets	-
Note 7 of the Financial Statements: Total Land, Buildings and Equipment	Property, plant and equipment, net (includes Construction in progress and Capital leases)	800,660
Note 7 of the Financial Statements: Land, Buildings and Equipment	Property, plant and equipment-pre-implementation (includes Capital leases)	-
N/A	Property, plant and equipment-post-implementation with outstanding debt for original purchase (includes Capital leases)	706,344
N/A	Property, plant and equipment-post-implementation without outstanding debt for original purchase	-
Note 7 of the Financial Statements: Land, Buildings and Equipment Construction in progress	Construction in Process	94,316
Statement of Financial Position - Right-of-use assets, operating leases, net	Lease right-of-use asset, net	14,482
N/A	Lease right-of-use asset pre-implementation	-
Statement of Financial Position - Right-of-use assets, operating leases, net	Lease right-of-use asset post-implementation	14,482
N/A	Intangible assets	-
Note 8 of the Financial Statements: Accrued expenses, asset retirement obligations	Post-employment and pension liabilities	2,263
Statement of Financial Position Long-term debt	Long-term debt-for long term purposes	201,821
Statement of Financial Position Long-term debt	Long-term debt-for long term purposes pre-implementation	-
Statement of Financial Position Long-term debt	Long-term debt-for long term purposes post-implementation	201,821
N/A	Line of Credit for Construction in Process	-
Statement of Financial Position - Operating leases, current and non-current liability	Lease right-of-use asset liability	14,482
N/A	Pre-implementation right-of-use leases liabilities	-
Statement of Financial Position - Operating leases, current and non-current liability	Post-implementation right-of-use leases liabilities	14,482
	Total Expenses and Losses	\$909,699

The accompanying notes are an integral part of the schedule.

Villanova University and Subsidiaries
Financial Responsibility Supplemental Schedule and Notes
Year Ended May 31, 2023

Statement of Activities - Total operating expenses without donor restrictions	Total expenses without donor restrictions-taken directly from Statement of Activities	\$ 558,876
Statement of Activities - Total non-operating activities without donor restrictions	Non-operating and Net Investment (loss)	(18,243)
Statement of Activities - Non-operating other components of postretirement benefit cost	Other components of net periodic pension costs	(1,344)
N/A	Change in value of split-interest agreements	-
Statement of Activities - Non-Operating (decreases)	Other losses	-
Statement of Activities - Non-Operating endowment resources	Net investment losses	(19,151)
Statement of Activities - Non-operating adjustment for retirement plan obligations	Pension-related changes other than net periodic costs	2,252

In thousands of dollars

EQUITY RATIO

Modified Net Assets		
Statements of Financial Position - Net assets without donor restrictions	Net Assets without donor restrictions	\$ 1,039,284
Statements of Financial Position - Net assets with donor restrictions	Net Assets with donor restrictions	943,951
Statement of Financial Position - Right-of-use assets, operating leases, net	Lease right-of-use asset pre-implementation	14,482
Statement of Financial Position - Operating leases, current and non-current liability	Pre-implementation right-of-use leases liabilities	14,482
N/A	Intangible assets	-
N/A	Unsecured related party receivables	-
N/A	Unsecured related party other assets	-
Statements of Financial Position - Total assets	Total assets	2,319,330
Statement of Financial Position - Right-of-use assets, operating leases, net	Lease right-of-use asset pre-implementation	14,482
N/A	Intangible assets	-
N/A	Unsecured related party receivables	-
N/A	Unsecured related party other assets	-

In thousands of dollars

NET INCOME RATIO

Change in Unrestricted Net Assets		
Statement of Activities - Total change in net assets without donor restrictions	Change in Net Assets Without Donor Restrictions	\$ 11,446
		-
Statement of Activities - Total operating revenues and releases without donor restrictions less: allocation of endowment resources (below)	Total Operating Revenue and Other Additions (Gains)	558,790
Statement of Activities - Endowment resources, without donor restrictions	Investment return appropriated for spending	19,151
Statement of Activities - Non-operating without donor restrictions	Non-Operating Revenue and Other Gains	(7,619)

The accompanying notes are an integral part of the schedule.

Villanova University and Subsidiaries

Financial Responsibility Supplemental Schedule and Notes

Year Ended May 31, 2023

A. Basis of Presentation

The accompanying Financial Responsibility Supplemental Schedule (the “Supplemental Schedule”) of Villanova University (the “University”) provides financial information required by the Department of Education to calculate the primary reserve ratio, equity ratio, net income ratio and the composite score as defined in Title 34 U.S. Code of Federal Regulations Part 668 Subpart L for the fiscal year-ended May 31, 2023 . The financial information in the Supplemental Schedule has been prepared in accordance with accounting principles generally accepted in the United States of America consistent with the financial statements. The Supplemental Schedule is presented for purposes of additional analysis as required by the Department of Education and are not a required part of the basic financial statements.

Villanova University and Subsidiaries
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023

Federal Program	Assistance Listing Number	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Sub-Recipients
Research and Development Cluster							
DEPARTMENT OF COMMERCE							
National Oceanic and Atmospheric Administration							
Coastal Zone Management Administration Awards	11.419		11,067	University of Michigan	SUBK00014137	11,067	
Sea Grant Support	11.459	55,333				55,333	
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478		8,827	University of Georgia	SUB00002938	8,827	
Marine Debris Program	11.999	93,069				93,069	29,726
National Institute of Standards and Technology							
Measurement and Engineering Research and Standards	11.609	79,359				79,359	
Total Department of Commerce		<u>227,761</u>	<u>19,894</u>			<u>247,655</u>	<u>29,726</u>
DEPARTMENT OF DEFENSE							
Office of Naval Research							
Basic and Applied Scientific Research	12.300	263,953				263,953	
The United States Army Medical Research Acquisition Activity							
Military Medical Research and Development	12.420		52,552	Drexel University	940012	52,552	
USACE Humphreys Engineering Center							
Optimizing carbon amendments to clean up DoD ranges	12.RD	227,859				227,859	112,226
Total Department of Defense		<u>491,812</u>	<u>52,552</u>			<u>544,364</u>	<u>112,226</u>
DEPARTMENT OF THE INTERIOR							
U.S. Geological Survey							
National Land Remote Sensing Education Outreach and Research	15.815		927	Pennsylvania Western University	MUELLER 2223-001	927	
Total Department of the Interior		<u>-</u>	<u>927</u>			<u>927</u>	<u>-</u>
DEPARTMENT OF TRANSPORTATION							
Highway Research and Development Program	20.200		2,056	University of Texas at Arlington	2022GC0417	2,056	
Total Department of Transportation		<u>-</u>	<u>2,056</u>			<u>2,056</u>	<u>-</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION							
National Aeronautics and Space Administration							
Science	43.001		20,000	Jet Propulsion Laboratory	1679527	20,000	
Science	43.001	484,857				484,857	11,393
Science	43.001		18,856	Smithsonian Astrophysical Observatory	GO8-19009X	18,856	
Science	43.001		296	Smithsonian Astrophysical Observatory	GO9-20095B	296	
Science	43.001		22,317	Smithsonian Astrophysical Observatory	GO9-20040X	22,317	
Science	43.001		1,510	Smithsonian Astrophysical Observatory	GO9-20010X	1,510	
Science	43.001		15,044	Smithsonian Astrophysical Observatory	GO0-21103B	15,044	
Science	43.001		38,694	Smithsonian Astrophysical Observatory	GO0-21032X	38,694	
Science	43.001		41,509	Smithsonian Astrophysical Observatory	GO1-22036X	41,509	
Science	43.001		2,288	Smithsonian Astrophysical Observatory	GO2-23085X	2,288	

See notes to the Schedule of Expenditures of Federal Awards

Villanova University and Subsidiaries
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023

Federal Program	Assistance Listing Number	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Sub-Recipients
Science	43.001		15,224	The SETI Institute	SC 3659	15,224	
Science	43.001		24,775	Universities Space Research Association	AGGR # 09_0194	24,775	
Science	43.001		73,407	Universities Space Research Association	GRANT 09_0537	73,407	
Science	43.001		73,869	Universities Space Research Association	SOFIA GRANT 09_0535	73,869	26,435
Association of Universities for Research in Astronomy	43.999		6,200	Universities Space Research Association	09-146	6,200	
STScI/The Secret Lives of Cepheids	43.RD		3,500	Space Telescope Science Institute	HST-GO-15305.001-A	3,500	
STScI/A Comprehensive Investigation of Gas-Phase Element Abundances and Extinction by Dust in the Large and Small Magellanic Clouds	43.RD		14,493	Space Telescope Science Institute	HST-AR-16133.002-A	14,493	
STScI/An NUV SNAP program to supplement and enhance the value of the ULLYSES OB star legacy data	43.RD		14,493	Space Telescope Science Institute	HST-GO-16230.002-A	14,493	
STScI/Accreting white dwarfs as probes of compact binary evolution	43.RD		13,640	Space Telescope Science Institute	HST-GO-16659.006-A	13,640	
STScI/Cycle 29 GO Program	43.RD		1,854	Space Telescope Science Institute	HST-GO-16894.001-A	1,854	
USRA/Cycle 9-09-0054	43.RD		85,387	Universities Space Research Association	43.RD 09-0054	85,387	
Total National Aeronautics and Space Administration		<u>484,857</u>	<u>487,356</u>			<u>972,213</u>	<u>37,829</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES							
National Endowment for the Humanities							
Promotion of the Humanities Division of Preservation and Access	45.149		18,844	Northern Illinois University	G2B66828-1	18,844	
Promotion of the Humanities Division of Preservation and Access	45.149		16,060	Northern Illinois University	PW-285073-22	16,060	
Total National Endowment for the Humanities		<u>-</u>	<u>34,904</u>			<u>34,904</u>	<u>-</u>
NATIONAL SCIENCE FOUNDATION							
National Science Foundation							
Engineering Grants	47.041	1,157,840				1,157,840	58,341
Mathematical and Physical Sciences	47.049	484,810				484,810	-
Geosciences	47.050		37,520	Marine Biological Laboratory	OCE-1637630	37,520	
Geosciences	47.050	259,878				259,878	
Computer and Information Science and Engineering	47.070	106,921				106,921	
Biological Sciences	47.074	939,858				939,858	20,760
Biological Sciences	47.074		2,575	The Research Foundation for The State University of New York	250-1158943-87049	2,575	
Biological Sciences	47.074		10,935	University of Massachusetts Boston	B000873807	10,935	
Social, Behavioral, and Economic Sciences	47.075	343,266				343,266	36,514
Social, Behavioral, and Economic Sciences	47.075		22,319	University of Pennsylvania	580325	22,319	
Education and Human Resources	47.076	839,359				839,359	25,523
Education and Human Resources	47.076		66,595	University Corporation at Monterey Bay	5057001A-04082021-A	66,595	
Office of International and Integrative Activities	47.079		20,228			20,228	
Total National Science Foundation		<u>4,152,160</u>	<u>139,944</u>			<u>4,292,104</u>	<u>141,137</u>

See notes to the Schedule of Expenditures of Federal Awards

Villanova University and Subsidiaries
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023

Federal Program	Assistance Listing Number	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Sub-Recipients
DEPARTMENT OF VETERANS AFFAIRS							
William S. Middleton Memorial Veterans Hospital/ Effect of Expanding Barrier Precautions for Reducing Clostridium difficile Acquisition in VA	64.RD	12,331				12,331	
Total Department of Veterans Affairs		<u>12,331</u>	<u>-</u>			<u>12,331</u>	<u>-</u>
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY							
Nonpoint Source Implementation Grants	66.460		61,622	Pennsylvania Department of Environmental Protection	C990003563	61,622	
P3 Award: National Student Design Competition for Sustain	66.516	15,225				15,225	
Total Environmental Protection Agency		<u>15,225</u>	<u>61,622</u>			<u>76,847</u>	<u>-</u>
DEPARTMENT OF ENERGY							
Department of Energy							
Office of Science Financial Assistance Program BEA/Data-driven failure diagnosis and prognosis of solid-state ceramic membrane reactor under harsh conditions	81.049	61,190				61,190	
TNC/Sockeye algorithm development	81.RD		30,554	Battelle Energy Alliance, LLC	249001	30,554	
	81.RD		50,000	Triad National Security, LLC	26865	50,000	
Total Department of Energy		<u>61,190</u>	<u>80,554</u>			<u>141,744</u>	<u>-</u>
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION							
National Archives and Records Administration							
National Historical Publications and Records Grants	89.003	100,266				100,266	
Total National Archives and Records Administration		<u>100,266</u>	<u>-</u>			<u>100,266</u>	<u>-</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Centers for Disease Control and Prevention							
Health Program for Toxic Substances and Disease Registry	93.161		327,389	American Academy of Pediatrics	771122_VU PO 101030	327,389	
Health Program for Toxic Substances and Disease Registry	93.161		159,232	American Academy of Pediatrics	PO # 100812	159,232	
Administration for Community Living							
Developmental Disabilities Projects of National Significance	93.631		61,599	Rush University Medical Center	20062507-SUB02	61,599	
National Institute of Health							
Environmental Health	93.113	102,997				102,997	
NIEHS Superfund Hazardous Substances_Basic Research and Education	93.143		103,655	University of Iowa	S02177-01	103,655	
Trans-NIH Research Support	93.310		29,179	Institute of Human Virology, Nigeria	1U54TW012041-02	29,179	
Nursing Research	93.361	521,634				521,634	76,966
Nursing Research	93.361		21,011	University of Pennsylvania	581600	21,011	
Cardiovascular Diseases Research	93.837	105,346				105,346	
Cardiovascular Diseases Research	93.837		113,835	The Children's Hospital of Philadelphia	PO # 200086508-RSUB	113,835	
Cardiovascular Diseases Research	93.837		5,826	Vasowatch, LLC	R41HL164191,	5,826	
Lung Diseases Research	93.838		18,873	University of Pennsylvania	5-U01-HL-145435-04	18,873	
Blood Diseases and Resources Research	93.839	26,979				26,979	26,979
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	153,035				153,035	90,484
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		5,370	Denver Health and Hospital Authority	A-19-0041-0001-S002	5,370	
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		33,659	Lankenau Institute for Medical Research	06306-3534	33,659	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		20,086	Albert Einstein College of Medicine of Yeshiva	R01NS109023	20,086	

See notes to the Schedule of Expenditures of Federal Awards

Villanova University and Subsidiaries
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023

Federal Program	Assistance Listing Number	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Sub-Recipients
Allergy and Infectious Diseases Research	93.855		19,065	University of Pennsylvania	579584	19,065	
Biomedical Research and Research Training	93.859	131,456				131,456	5,558
Biomedical Research and Research Training	93.859		1,020	The Research Foundation of SUNY	250-1124264-86213	1,020	
Aging Research	93.866	181,918				181,918	10,143
Aging Research	93.866		3,182	Northern Arizona University	1005109-01	3,182	
Total Department of Health and Human Services		<u>1,223,365</u>	<u>922,981</u>			<u>2,146,346</u>	<u>210,131</u>
Total Research and Development Cluster		<u>6,768,967</u>	<u>1,802,790</u>			<u>8,571,757</u>	<u>531,049</u>
Student Financial Assistance Cluster							
DEPARTMENT OF EDUCATION							
Office of Federal Student Aid							
Federal Supplemental Educational Opportunity Grants	84.007	801,144				801,144	
Federal Work-Study Program	84.033	1,196,235				1,196,235	
Federal Pell Grant Program	84.063	4,427,571				4,427,571	
Federal Direct Student Loan Program	84.268	56,632,520				56,632,520	
Outstanding Loans as of June 1, 2022	84.038	1,265,814				1,265,814	
New loans issued during 2023	84.038	-				-	
Administrative cost allowance	84.038	744				744	
Perkins Loan Program							
Total Department of Education		<u>64,324,028</u>	<u>-</u>			<u>64,324,028</u>	<u>-</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Health Resources and Services Administration							
Outstanding Loans as of June 1, 2022	93.364	536,631				536,631	
New loans issued during 2023	93.364	57,250				57,250	
Administrative cost allowance	93.364	1,153				1,153	
Nursing Student Loans Outstanding							
Loans as of June 1, 2022	93.264	2,810,856				2,810,856	
New loans issued during 2023	93.264	216,810				216,810	
Loan Program							
Total Department of Health and Human Services		<u>3,622,700</u>	<u>-</u>			<u>3,622,700</u>	<u>-</u>
Total Student Financial Assistance Cluster		<u>67,946,728</u>	<u>-</u>			<u>67,946,728</u>	<u>-</u>
Highway Planning and Construction Cluster							
DEPARTMENT OF TRANSPORTATION							
Federal Highway Administration							
Highway Planning and Construction	20.205		55,418	Pennsylvania Department of Transportation	PO 4300693271	55,418	
Highway Planning and Construction	20.205		73,439	Pennsylvania Department of Transportation	4400022549	73,439	
Total Department of Transportation		<u>-</u>	<u>128,857</u>			<u>128,857</u>	<u>-</u>
Total Highway Planning and Construction Cluster		<u>-</u>	<u>128,857</u>			<u>128,857</u>	<u>-</u>
Other Programs							
DEPARTMENT OF THE TREASURY							
Internal Revenue Service							
Low Income Taxpayer Clinics	21.008	104,626				104,626	
Total Department of the Treasury		<u>104,626</u>	<u>-</u>			<u>104,626</u>	<u>-</u>

See notes to the Schedule of Expenditures of Federal Awards

Villanova University and Subsidiaries
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023

Federal Program	Assistance Listing Number	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Sub-Recipients
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Health Resources and Services Administration							
Nurse Anesthetist Traineeship	93.124	26,493				26,493	
Total Department of Health and Human Services		<u>26,493</u>	<u>-</u>			<u>26,493</u>	<u>-</u>
Total Other Programs Cluster		<u>131,119</u>	<u>-</u>			<u>131,119</u>	<u>-</u>
Total Federal Award Expenditures		<u>74,846,814</u>	<u>1,931,647</u>			<u>76,778,461</u>	<u>531,049</u>

See notes to the Schedule of Expenditures of Federal Awards

Villanova University and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards

May 31, 2023

1. Basis of Presentation and Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) summarizes the expenditures of Villanova University and Subsidiaries (the “University”) under programs of the federal government for the year ended May 31, 2023. The information presented in the Schedule is presented on the accrual basis of accounting, which is in accordance with the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only the federal award activity of the University, it is not intended to and does not present the financial position, changes in net assets and cash flows of the University. The University applies its predetermined approved facilities and administrative rate when charging indirect costs to federal awards rather than the 10% de minimis cost rate as described in Section 200.414 of the Uniform Guidance.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and agencies and departments of the federal government and all sub-awards to the University by nonfederal organizations pursuant to federal grants, contracts and similar agreements.

Negative numbers in the Schedule represent adjustments to amounts reported in prior years in the normal course of business. Federal Assistance Listing numbers and pass-through numbers are provided when available.

2. Student Loan Programs

The Federal Perkins Loan Program (Federal Assistance Listing #84.038) is administered directly by the University and balances and transactions relating to this program are included in the University’s consolidated financial statements. The amount of Federal Perkins loans outstanding at May 31, 2023 totaled \$1,374,530. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Also included is the amount recovered, for the year ended May 31, 2023, for administrative cost allowance from the Perkins Loan Program of \$832.

The Nursing Student Loan Program (Federal Assistance Listing #93.364) is administered directly by the University and balances and transactions relating to this program are included in the University’s consolidated financial statements. The amount of Nursing Student loans outstanding at May 31, 2023 totaled \$531,172. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Also included is the amount recovered, for the year ended May 31, 2023, for administrative cost allowance from the Nursing Student Loan of \$1,294.

The Nursing Faculty Loan Program (Federal Assistance Listing #93.264) is administered directly by the University and balances and transactions relating to this program are included in the University’s consolidated financial statements. The amount of Nursing Faculty loans outstanding at May 31, 2023 totaled \$2,635,817. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. This program did not have an administrative cost allowance for the year ended May 31, 2023.



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

To the Board of Trustees of Villanova University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Villanova University and its subsidiaries (the "University"), which comprise the consolidated statement of financial position as of May 31, 2023, and the related consolidated statements of activities and change in net assets and of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements"), and have issued our report thereon dated October 11, 2023.

Report on Internal Control Over Financial Reporting

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

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

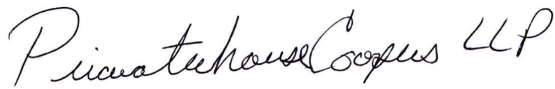
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

Philadelphia, Pennsylvania
October 11, 2023



Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance

To the Board of Trustees of Villanova University:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Villanova University's (the "University") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended May 31, 2023. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance

when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Other Matters

As indicated in Part I to the accompanying Schedule of Findings and Questioned Costs, we have audited the Student Financial Assistance cluster as a major program. Also, as indicated in the first paragraph of this report, we performed our audit of compliance using the compliance requirements contained in the OMB Compliance Supplement, including those contained in Part V 5.3, Compliance Requirement N, Special Tests and Provisions, Section 12 "Gramm-Leach-Bliley Act-Student Information Security." This section includes two suggested audit procedures with respect to verification that the institution (1) designated a Qualified Individual responsible for implementing and monitoring the institution's information security program, and (2) has a written information security program that addresses the remaining six required minimum elements that are detailed in the OMB Compliance Supplement, Part Five, Student Financial Assistance Cluster, Special Tests and Provisions, item 12, Gramm-Leach-Bliley Act – Student Information Security. Our procedures in relation to these two items were limited to inquiry of and obtaining written representation from management and obtaining and reading management's documentation related to these two items. Our procedures did not include an analysis of the adequacy or completeness of the minimum required elements of the institution's information security program.

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance finding identified in our audit described in the accompanying Management's

View and Corrective Action Plan. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

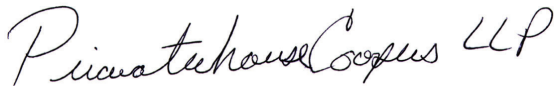
Report on Internal Control Over Compliance

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

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

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

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



Philadelphia, Pennsylvania
February 28, 2024

Villanova University and Subsidiaries
Schedule of Findings and Questioned Costs
Year Ended May 31, 2023

Section I – Summary of Auditor’s Results

Financial Statements

- (i) Type of auditor’s report issued: Unmodified
- (ii) (Internal control over financial reporting:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified not
considered to be material weaknesses? yes none reported
- (iii) Noncompliance material to financial
statements noted? yes no

Federal Awards

- (iv) Internal control over major programs:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified that
are not considered to be material
weaknesses? yes none reported
- (v) Type of auditor’s report issued on
compliance for major programs: Unmodified
- (vi) Any audit findings disclosed that are
required to be reported in accordance with 2
CFR 200.516(a) of OMB Uniform Guidance? yes no

(vii) Identification of major programs:

Name of Federal Program or Cluster	Federal Assistance Listing Number(s)
Student Financial Aid Cluster	Various

- (viii) Dollar threshold used to distinguish between
Type A and Type B programs: \$ 750,000
- (ix) Auditee qualified as low-risk auditee? yes No

Villanova University and Subsidiaries

Schedule of Findings and Questioned Costs

Year Ended May 31, 2023

Section II – Financial Statement Findings

No matters to be reported for the year ended May 31, 2023.

Section III – Federal Awards Findings and Questioned Costs

Finding 2023-001 –Special Tests and Provisions

Grantor(s): Department of Education

Program: Student Financial Aid Cluster

Assistance Listing #: Various

Award Title: Student Financial Aid Cluster

Award Year: 6/2022- 5/2023

Award #: N/A

Pass-through #: Not applicable

Criteria

Per the 2022 OMB Compliance Supplement, at the time an institution makes a disbursement to a student, it must confirm that the student is eligible for the funds being disbursed (34 CFR 668.164(b)(3)).

Additionally, the institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to ED; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement. The notification requirement for loan funds applies only if the funds are disbursed by EFT payment or master check (34 CFR 668.165).

Also, where disbursements created a credit balance in the student account and the student or parent did not provide an authorization for the institution to retain funds, the institution is required to provide the credit balance to the student within 14 days of the date the balance was created (34 CFR 668.164(h)(2)).

An institution is required to establish written policies and procedures that incorporate the provisions of 34 CFR 668.51 through 668.61 for verifying applicant information for those applicants selected for verification by ED. The institution shall require each applicant whose application is selected by ED to verify the information required for the Verification Tracking Group to which the applicant is assigned.

Condition

Disbursements to or on behalf of students

Through testing disbursements to or on behalf of students enrolled at the University, it was noted that 2 students out of a sample of 25 did not have evidence that the student file was reviewed to ensure all disbursement requirements were satisfied prior to the first disbursement to the student. For one of these students, the date of review was subsequent to the date of the first disbursement to the student. For the second student, there was no date of review.

Additionally, it was noted that 3 students out of the same sample of 25 did not receive notification of their disbursements for the Fall 2022 academic term. The students received disbursements on August 16th, 12th, and 14th, respectively, and did not receive notification of these disbursements.

Through testing disbursements to or on behalf of students enrolled at the University, it was noted that 1 student out of the same sample of 25 had a credit balance that was not refunded within the required 14-day period. For this particular student, the credit balance was created on January 13, 2023 and refunded to the student on February 2, 2023, which is 20 days later.

Villanova University and Subsidiaries

Schedule of Findings and Questioned Costs

Year Ended May 31, 2023

Verification

Through testing of verification, 1 student out of a sample of 25 was not verified even though the student was selected for verification.

Cause

Disbursements to or on behalf of students

The cause of the finding related to the 2 students without evidence of review to ensure all disbursement requirements were met prior to the first disbursement to the student was due to lack of recording the review within the student account.

The cause of the finding related to the 3 students who did not receive notification of their disbursements for the Fall 2022 academic term was a University system error during the period of August 9, 2022 through August 16, 2022 which sent required disbursement notifications to only those students with last names beginning with letters A-Po. All other students with last names outside this range did not receive the required notifications during this time period.

The cause of the credit balance refund finding is due to inadequate review when reviewing the report showing all students with credit balances and the date on which the credit balance was created.

Verification

The cause of the finding was inadequate review of the student file as management incorrectly thought the student was included in verification type v1, which had waived verification requirements during FY2023.

Effect

Disbursements to or on behalf of students

The students could have received an inappropriate amount of financial aid as the review of disbursement requirements was not performed prior to disbursement. For these two students, subsequent review performed by management revealed that they met all disbursement requirements.

The students did not receive timely notification that their financial aid was disbursed.

The student received their refund later than the deadline required by the regulations.

Verification

The student could have received an inappropriate amount of financial aid as they were flagged for verification that ultimately was not performed.

Questioned Costs

None as students were eligible for the aid they received, and the aid was disbursed at the correct amount.

Recommendation

Management should enhance their monitoring controls over student disbursements to ensure the student has met disbursement requirements prior to first disbursement and students are notified about their disbursements. The enhanced control should include a second level of review to ensure files are appropriately reviewed and students are appropriately notified prior to disbursement.

Management should also enhance their monitoring control over credit balance refunds to ensure refunds are made within the required timeframe. The enhanced control should include updating \the report used to monitor the aging of student credit balances.

Verification

Management should enhance its monitoring control for review of verification procedures being completed. The enhanced control should include a second level of review to ensure that all students selected for verification procedures have been verified accurately and timely.

Villanova University and Subsidiaries
Schedule of Findings and Questioned Costs
Year Ended May 31, 2023

Management's View and Corrective Action Plan

Management's response is included in "Management's Views and Corrective Action Plan" included in this report.

Villanova University and Subsidiaries

Summary Schedule of Prior Audit Findings

Year Ended May 31, 2023

Finding 2022-001: Enrollment Reporting

Grantor: Department of Education
Program: Student Financial Assistance Cluster
CFDA: 84.268
Title: Federal Direct Student Loan Program
Award Year: 6/1/2021 – 5/31/2022

Condition

Unless expected to submit its next updated enrollment report to the Secretary within the next 60 days, the University is required to notify National Student Loan Data System (NSLDS) within 30 days of discovering that a student left the University. Of the 25 students selected for testing, three were reported to NSLDS more than 60 days after the student had left the University, ranging between 69 and 98 days with an average of 79 days.

Status

The monthly reconciliation procedure has been successful in ensuring that student status changes are being reported to National Student Clearinghouse within the mandatory timeframe.



Villanova University Management's Views and Corrective Action Plan

Management's Response

Finding 2023-001: Special Tests and Provisions

The University agrees with this finding. As a result, the University has taken the following actions to be executed in FY24:

Verification

The University agrees with this finding. The Office of Financial Assistance has created additional reporting to confirm verification is completed for all required verifications. These reports will be run weekly and reviewed by a financial aid counselor, to confirm all V4 and V5 are completed and not waived.

Disbursement

The University agrees with this finding. The Office of Financial Assistance has made additional disbursement monitoring checks within the Banner system. These checks will stop a fund from disbursing unless the required documents have been satisfied in the system. These will be reviewed weekly on disbursement error reports shared with the office.

14-day refund Period

The University agrees with this finding. The Bursar's Office implemented the following procedure when the finding was identified:

To avoid such errors in the future and to ensure that the Bursar's Office adheres to the 14-day requirement, the Bursar's Office has established a procedure whereby the Refund Specialist must complete a federal refund report and provide it to the Associate Bursar for sign-off before running a subsequent report. This will ensure that refunds are not overlooked due to staff not processing a report in its entirety.

Notification

The University agrees with this finding. This does appear to have been an error with the job run on the identified sample day and not a human error. The Bursar's Office is reviewing each notification run output to ensure all notifications are produced. If there is any issue, the Bursar's Office will ensure any unsent e-mails are sent in the proper time.



Charles Hoffman
Bursar



Amanda Constable
Director of Financial Assistance



Sarah Caffrey
Assistant Vice President for Finance and Controller