

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants in Accordance with the
Uniform Guidance

Lehigh University

June 30, 2025 (with summarized comparative
financial information for June 30, 2024)

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Lehigh University

Report on the audit of the financial statements**Opinion**

We have audited the consolidated financial statements of Lehigh University and its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2025, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to 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 June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the consolidated financial statements 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary 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 audits of the consolidated financial statements and certain additional procedures. These additional procedures included 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 US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other matter

Report on 2024 summarized comparative information

We have previously audited the University's 2024 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated October 17, 2024. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2025 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. 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 the University's 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.

Grant Thornton LLP

Philadelphia, Pennsylvania
October 15, 2025

Lehigh University

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,
(In thousands)

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 58,659	\$ 29,703
Accounts receivable, net (Note 6)	21,047	22,452
Prepaid expenses and other assets	20,814	25,096
Contributions receivable, net (Note 8)	34,475	31,945
Notes receivable, net	9,416	9,033
Investments (Notes 3 and 5)	2,594,277	2,445,280
Funds held in trust by others	5,330	5,051
Property, plant, and equipment, net (Note 7)	795,272	770,795
Total assets	\$ 3,539,290	\$ 3,339,355
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 44,843	\$ 60,789
Deferred revenues	21,216	15,848
Annuity payment obligations	17,991	18,000
Other liabilities (Notes 11, 13, and 16)	96,547	97,031
Bonds and notes payable (Note 10)	553,759	484,255
Total liabilities	734,356	675,923
Net assets (Notes 4 and 9)		
Without donor restrictions	1,337,415	1,297,175
With donor restrictions	1,467,519	1,366,257
Total net assets	2,804,934	2,663,432
Total liabilities and net assets	\$ 3,539,290	\$ 3,339,355

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

Lehigh University

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30,
(with summarized comparative financial information for year ended June 30, 2024)
(In thousands)

	2025		Total	2024
	Without Donor Restrictions	With Donor Restrictions		
Support and revenues				
Tuition and fees, net	\$ 257,841	\$ -	\$ 257,841	\$ 246,127
Federal grants and contracts	50,749	-	50,749	47,987
State and local grants and contracts	8,740	-	8,740	9,902
Private grants and contracts	4,477	-	4,477	4,963
Contributions	16,871	-	16,871	15,594
Investment return, net (Note 3)	113,564	-	113,564	105,012
Auxiliary enterprises, net	61,476	-	61,476	59,138
Independent operations (Note 1)	16,184	-	16,184	13,835
Other sources	12,700	-	12,700	11,803
Net assets released from restrictions	3,924	(3,924)	-	-
Total support and revenues	546,526	(3,924)	542,602	514,361
Expenses				
Salaries and wages	229,350	-	229,350	220,989
Employee benefits	79,388	-	79,388	71,050
Purchased services	58,293	-	58,293	53,616
Occupancy	46,420	-	46,420	43,904
Depreciation	44,200	-	44,200	41,931
Interest	17,458	-	17,458	18,861
Independent operations	16,024	-	16,024	15,875
Other business expenses	67,221	-	67,221	67,939
Total expenses (Note 12)	558,354	-	558,354	534,165
Operating loss	(11,828)	(3,924)	(15,752)	(19,804)
Nonoperating activity				
Investment return, net (Note 3)				
University	51,466	77,234	128,700	122,446
Independent operations	523	-	523	4,997
Gifts and trusts	2,060	32,145	34,205	41,337
Net assets released from restrictions and changes in donor intent	4,627	(4,627)	-	-
Change in fair value of interest rate swaps (Note 11)	(1,880)	-	(1,880)	1,254
Changes in postretirement health benefits obligation other than net periodic benefit cost (Note 13)				
University	719	-	719	6,481
Independent operations	18	-	18	248
Net periodic benefit costs other than service costs (Note 13)				
University	(2,406)	-	(2,406)	(2,457)
Independent operations	(71)	-	(71)	(78)
Other	(2,988)	434	(2,554)	3,567
Nonoperating income	52,068	105,186	157,254	177,795
CHANGE IN NET ASSETS	40,240	101,262	141,502	157,991
Net assets at beginning of year	1,297,175	1,366,257	2,663,432	2,505,441
Net assets at end of year	\$ 1,337,415	\$ 1,467,519	\$ 2,804,934	\$ 2,663,432

The accompanying notes are an integral part of this consolidated financial statement.

Lehigh University
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30,
(In thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 141,502	\$ 157,991
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Gifts and trusts restricted for long-term investment	(28,327)	(26,794)
Noncash contributions	(1,809)	(2,750)
Investment earnings restricted for long-term investment	(1,400)	(1,220)
Net realized and unrealized gains on investments	(222,973)	(209,823)
Change in fair value of interest rate swap agreements	2,990	(1,254)
Payment of annuity obligations	1,282	1,304
Other nonoperating activity	23	1,884
Depreciation and amortization	59,686	42,765
Independent operations provision for uncollectible accounts	1,243	(163)
University provision for uncollectible accounts	81	49
Change in operating assets and liabilities:		
Accounts receivable	1,392	(3,092)
Contributions receivable	(2,530)	(11,134)
Accounts payable and accrued expenses	(17,992)	(5,434)
Deferred revenues	5,368	(2,625)
Annuity payment obligations	(9)	(5,563)
Deposits held for others	(4)	(188)
Accrued postretirement benefit cost	1,577	(3,929)
Prepaid expenses and other assets	1,291	(777)
Other liabilities	(999)	1,022
	<u>(59,608)</u>	<u>(69,731)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	1,221,261	650,302
Purchases of investments	(1,147,909)	(544,243)
Student loans and other notes advanced	(1,012)	(1,074)
Independent operations loans advanced	(2,226)	(1,041)
Student loans and other notes collected	763	612
Independent operations loans collected	760	1,411
Purchase of land, buildings, and equipment	(67,282)	(57,774)
	<u>4,355</u>	<u>48,193</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Proceeds from bonds issuance	125,425	-
Repayments on bonds	(70,095)	(7,240)
Gifts and trusts restricted for long-term investment	28,327	26,794
Investment earnings restricted for long-term investment	1,400	1,220
Decrease in refundable loan funds	(128)	(186)
Payment of annuity obligations	(1,282)	(1,304)
	<u>83,647</u>	<u>19,284</u>
Net cash provided by financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>28,394</u>	<u>(2,254)</u>
Cash, cash equivalents, and restricted cash at beginning of year	<u>30,611</u>	<u>32,865</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 59,005</u>	<u>\$ 30,611</u>
Reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown above:		
Cash and cash equivalents	\$ 58,659	\$ 29,703
Cash restricted for long-term investment purposes	346	908
	<u>\$ 59,005</u>	<u>\$ 30,611</u>
Total cash, cash equivalents, and restricted cash shown above		
Supplemental data:		
Cash paid for interest	\$ 20,107	\$ 19,893
Accounts payable and accrued expenses for property, plant, and equipment	2,046	10,122

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

Lehigh University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lehigh University (the University), an independent, nondenominational, coeducational university, is incorporated in the Commonwealth of Pennsylvania as a nonprofit corporation and is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The University is accredited by the Middle States Association of Colleges and Schools.

Founded in 1865, the University has approximately 5,900 undergraduates within its major units - the College of Arts and Sciences, the College of Business, the College of Health, and the P.C. Rossin College of Engineering and Applied Science - and approximately 1,800 students enrolled in graduate programs offered through these colleges and in the College of Education.

The University's subsidiary organization, LU Properties, LLC (LU Properties), a Pennsylvania limited liability company, serves as Manager for limited liability companies that were established as a result of a real estate gift. The University is the sole member of all of the limited liability companies. As Manager, LU Properties is responsible for the strategic and operational aspects of the real estate investment. The results of their operations are shown as nonoperating investment return in the University's consolidated statement of activities.

LU Properties also serves as Manager for South River Investments LLC (South River). South River, a Pennsylvania limited liability company, was formed to own and develop certain real estate properties in the local community. The results of South River's operations are included in the expenses presented in Note 12, *Functional Allocation of Expenses*.

The Ben Franklin Technology Partners of Northeastern PA (BFTP) and Manufacturers Resource Center (MRC) are also wholly owned subsidiaries of the University. The results of their operations are shown as independent operations in the University's consolidated statement of activities.

BFTP is an entity that encourages public and private sector cooperation in stimulating economic growth. BFTP provides funds to its clients under the terms of its early stage loan programs and manufacturer grants.

MRC provides resources to help small and medium-sized regional manufacturing companies enhance their ability to compete successfully by providing consulting, education, and strategic partnering services.

The majority of the independent operations operating revenue reported in the University's consolidated statement of activities relates to BFTP and MRC revenue received in the form of federal and state grants, client fees for services, and investment return.

The assets and liabilities of all subsidiary organizations appear in the respective line items of the consolidated statements of financial position.

Basis of Presentation

The accompanying consolidated financial statements of the University include all subsidiary organizations and have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). All significant inter-entity balances and transactions have been eliminated.

Lehigh University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The University's consolidated financial statements are presented in accordance with the external financial reporting requirements for not-for-profit organizations, which include three basic financial statements and the classification of resources into two separate classes of net assets, as follows:

Without Donor Restrictions - Net assets that are free of donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.

With Donor Restrictions - This category includes net assets subject to donor-imposed restrictions that may be met by actions of the University or by the passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the University. Donors of these assets generally permit the University to use all or part of the investment return on related investments for general or specific purposes in accordance with a Board approved spending policy.

Note 9, *Net Assets*, provides additional information regarding the composition of net assets with and without donor restrictions.

Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions restricted for acquisitions of facilities and equipment, contributions restricted with donor-imposed stipulations, change in the fair value of interest rate swaps, gains and losses on investments net of the University's spending policy, certain postretirement benefits-related changes in net assets and other non-recurring activities.

Cash Equivalents

All highly liquid investments with an original maturity of three months or less, except those held for long-term investment purposes, are considered to be cash equivalents.

Investments

Investments are stated at fair value or net asset value (NAV) as a practical expedient to fair value (Notes 3 and 5).

Unrealized and realized gains and losses on investments, net of spending policy, are included in nonoperating investment return in the consolidated statement of activities.

The University's investments are exposed to various risks such as interest rate, currency, market, and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Contributions and Government Grants

Contributions received, including unconditional promises to give, are recognized as revenues when the donor's commitment is received. Unconditional promises to give are recognized at the estimated present value of the future cash flows, net of allowances. Allowances for uncollectible amounts are recorded based on management's estimate of realizability of the underlying promises to give.

Unconditional contributions, gifts, and grants with no purpose or time restrictions are reported as revenues without donor restrictions. Contributions made towards long-lived assets are held as donor restricted until the asset is completed and placed into service. At such time, the contribution is considered to be released from restriction and reclassified to net assets without donor restrictions. Contributions that are released

Lehigh University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

from restriction within the year received are classified as net assets without donor restrictions. Gifts of noncash assets are recorded at their fair value.

A contribution, gift, or grant is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome.

Grants from federal and state government agencies are included as federal and state grants and contracts in the consolidated statement of activities and are recognized as qualifying expenses are incurred.

The University receives grants and contracts revenue from various government agencies and private sources for the support of research, training, and other sponsored programs. Revenues associated with the direct costs of these programs are recognized as the related costs are incurred. Indirect cost reimbursements from federal agencies are based on predetermined rates negotiated with the University's cognizant agency, the Office of Naval Research, and are in effect through fiscal year 2027. These rates are also used for other sponsored programs except where separately negotiated. Indirect cost reimbursements from all sources totaled \$14.0 million and \$13.5 million in 2025 and 2024, respectively.

Outstanding amounts related to conditional federal grants not recognized as of June 30, 2025 were approximately \$69.5 million.

Split-Interest Agreements and Annuities Payable

The University's split-interest agreements with donors consist primarily of annuity, life income, and charitable trusts for which the University serves as trustee. A majority of the assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets and changes in the estimated present value of future cash outflows and other changes in the estimates of future benefits.

The annuities payable represent the net present value of future cash outflows over the annuitant's life expectancy, as required by the annuity agreements. The net present value is calculated using a discount rate range of 1.23% to 7.50%. The University is required by the laws of certain states to register and maintain reserves against charitable gift annuities. Such required reserves amounted to approximately \$10.5 million as of both June 30, 2025 and 2024, and are reported within investments in the consolidated statements of financial position. Actual reserves meet or exceed the requirements and are invested in accordance with the laws of the state in which the University offers gift annuities.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost or at the fair value at the date of the gift, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related asset. Depreciation is not recorded on land or collections. Depreciable assets and lives generally are as follows:

Buildings	50 to 60 years
Equipment, software, and books	5 to 10 years
Leasehold and other improvements	10 to 20 years

Lehigh University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Tuition and Fees

Tuition and fees are reported net of financial aid that effectively reduces the amount of tuition and fees collected from students. Net tuition and fees are recorded as revenue during the year that the related academic services are rendered. Financial aid amounts offset against gross tuition and fees for 2025 and 2024 were \$166.9 million and \$154.1 million, respectively. Generally, students who adjust their course load or withdraw completely prior to completion of 60% of the semester may receive a full or partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized.

Auxiliary Enterprises

Auxiliary enterprises revenue, primarily from room and board, is reported net of financial aid that effectively reduces the amount collected from students. Financial aid amounts offset against auxiliary enterprises revenue for 2025 and 2024 were \$5.8 million and \$5.2 million, respectively. Net room and board revenues are reported in the fiscal year in which the academic programs and services are delivered.

Asset Retirement Liabilities

The University recognizes a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the University capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statement of activities.

Deferred Revenues

Cash received for specific activities that have not yet taken place are recorded as deferred revenues. Significant components of deferred revenues include student tuition and educational fees received in advance of services to be rendered and unexpended advances of grant and contract revenues.

Use of Estimates

The preparation of the University's consolidated financial statements 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 dates of the consolidated statements of financial position and the reported amounts of revenue and expense included in the consolidated statement of activities. Actual results could differ from such estimates.

Prior Year Summarized Financial Information

The consolidated statement of activities includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the University's consolidated financial statement for the year ended June 30, 2024, from which the summarized information was derived.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year presentation. There were no changes to total assets, liabilities, net assets, revenues, expenses or changes in net assets as previously reported in the fiscal 2024 consolidated financial statements.

Lehigh University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Operating Leases

The University recognizes a right-of-use (ROU) asset and a lease liability for all leases with an initial term greater than 12 months at the lease commencement date. Lease liabilities represent the present value of the future lease payments over the expected lease term, which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using a risk-free rate at lease inception. The University recognizes lease expense on a straight-line basis over the lease term. The University determines if an arrangement is or contains a lease at contract inception. Where an arrangement is a lease, the University determines if it is an operating lease or a finance lease.

Income Taxes

The University has been recognized by the Internal Revenue Service as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. There was no provision for income taxes due on unrelated business income in the accompanying consolidated financial statements. Management has analyzed the tax positions taken by the University, and has concluded that as of June 30, 2025 and 2024 there are no material uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 2 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, at June 30, are as follows (in thousands):

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 51,462	\$ 21,817
Accounts receivable, net	20,447	21,852
Contributions without donor restrictions due in one year or less	3,668	7,339
Investments not subject to donor restrictions or board designations	202,785	200,183
	278,362	251,191
Liquidity resources:		
Commercial paper, \$75 million authorized	75,000	75,000
Total available within one year	\$ 353,362	\$ 326,191

The University manages its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the University invests cash in excess of daily requirements in short-term investments. The University has both operating reserves and physical plant renewal and replacement reserves set aside to be drawn upon to meet its operating and contractual obligations. The reserves are held in the cash and cash equivalents line on the statements of financial position.

The University has a \$75 million taxable commercial paper program. The commercial paper program can be used for the interim financing of capital projects and to finance general operating costs of the University, if necessary. These secured taxable promissory notes can be issued in various amounts with maturities no greater than 270 days. At June 30, 2025 and 2024, there were no outstanding notes.

Lehigh University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

In June 2024, the University entered into a \$50.0 million revolving line of credit issued by The Northern Trust Company. The line of credit had an interest rate of 5.88% (term SOFR +.55%) as of June 30, 2025 and matures on June 12, 2026. As of June 30, 2025, the University has not drawn any amount against the available line of credit. The line of credit is secured by a pledge of, and security interest in, the University's gross revenues.

In addition, the University's governing board and senior management have designated \$585.0 million as of June 30, 2025 to function as endowment and \$291.0 million as long-term investments. Although the University does not intend to spend from its board-designated investments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, these funds could be made available, if necessary. However, both the donor restricted and board-designated endowments contain investments with provisions that limit or prevent liquidation that would reduce the total investments that could be made available (Note 5).

Distributions from endowments with donor restrictions for the fiscal year ending June 30, 2026 are anticipated to be approximately \$44.1 million. Distributions from endowments without donor restrictions for the fiscal year ending June 30, 2026 are anticipated to be approximately \$40.4 million. Such distributions will be funded from fiscal year 2025 net investment return and from endowment investment return earned in prior years if income is less than the University's spending policy. Note 4, *Endowment Net Assets*, provides additional information about the University's endowment spending policy.

NOTE 3 - INVESTMENTS

Investments by major class at June 30 are as follows (in thousands):

	2025	2024
Short-term investments	\$ 74,141	\$ 36,811
Fixed income investments:		
U.S. government	227,458	234,636
Corporate	84,223	127,087
Other	1	1
Corporate stocks	29,489	27,902
Mutual and exchange-traded funds	460,218	364,391
Real estate	41,742	42,159
Alternative investments:		
Public equity	430,119	286,954
Absolute return	453,544	504,919
Private investments	789,003	816,330
Life insurance and other investments	4,339	4,090
Total investments	\$ 2,594,277	\$ 2,445,280

The University's investments are comprised of the assets of the University's endowment, real estate held for investment purposes, assets supporting certain split interest agreements, and other investments for general operating purposes. Investments are reported at fair value or NAV as a practical expedient to fair value. Note 5, *Fair Value Measurements*, provides additional information about inputs used to determine fair value and about investments reported at NAV.

The majority of endowment and annuity fund investments are combined in investment pools with each individual account subscribing to or disposing of shares on the basis of the fair value per share. The investment objective is to maximize long-term total return through a combination of income and capital

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

appreciation in a manner consistent with sound investment practices. The components of total investment return are reflected below (in thousands). Investment earnings for the years ended June 30 are net of investment expenses.

	2025	2024
Investment earnings	\$ 23,223	\$ 24,052
Net realized and unrealized gains	219,041	203,406
	242,264	227,458
Independent operations	4,511	6,985
Total	\$ 246,775	\$ 234,443

Investment return, as reflected in the consolidated statement of activities, consists of the following components (in thousands):

	2025	2024
Operating:		
Endowment spending distribution	\$ 82,743	\$ 77,710
Spending distribution - other	13,510	12,866
Other investment earnings	17,311	14,436
	113,564	105,012
Independent operations	3,988	1,988
Total operating	117,552	107,000
Nonoperating:		
Endowment spending distribution	1,937	1,961
Other investment losses, net	(537)	(741)
Net realized and unrealized gains net of spending distribution	127,300	121,226
	128,700	122,446
Independent operations	523	4,997
Total nonoperating	129,223	127,443
Total investment return	\$ 246,775	\$ 234,443

NOTE 4 - ENDOWMENT NET ASSETS

The University's endowment consists of approximately 3,000 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments (board-designated).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the original gift amount. Deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of the new donor restricted contributions.

Underwater donor restricted endowment funds at June 30, are as follows (in thousands):

	2025	2024
Fair value of underwater endowment funds	\$ 260	\$ 4,167
Original endowment gift amounts	3,002	6,857
Underwater amounts	\$ (2,742)	\$ (2,690)

Endowment funds include funds actively managed by the University as part of a single commingled investment pool as well as a limited number of individual funds that are separately invested or held in trust by others. The principal financial objective of the endowment pool is that the real purchasing power of the endowment principal should be preserved and, if possible, enhanced, to help ensure the University's financial future. The productivity of the endowment pool must strike a balance between the preservation of principal in real terms for perpetuity and supporting a spending policy that sustains the educational mission of the University.

The Prudent Investor Rule of the Commonwealth of Pennsylvania views investment prudence on the part of the fiduciary from the standpoint of the total portfolio. Therefore, any reasonable investment may be considered for endowment pool assets as long as the risk and return tradeoff of the entire portfolio is prudent. The University's investment policy includes a target asset allocation, well diversified among suitable asset classes that is expected to generate, on average, the level of expected return necessary to meet endowment objectives at a responsible level of volatility consistent with achieving that return. To monitor the effectiveness of the investment strategy of the endowment pool, performance goals are established to exceed the expected real rate of return, established benchmark indices, and the median return of comparable endowment funds.

Commonwealth of Pennsylvania law permits the University to allocate to operating income a minimum of 2% and a maximum of 7% of a three-year moving average of the market value of the endowed assets. Unless the terms of the gift instrument state otherwise, accumulated endowment gains may be spent over time by the University.

The University has an endowment spending policy based on 5% of a three-year moving average market value with a minimum increase of -2% per year and a maximum increase of 5% per year over the prior year's spending rate.

Any income earned in excess of the spending limit is reinvested while funds may be withdrawn from investment return earned in prior years if income is less than the spending policy provision. This is designed to insulate investment policy from budgetary pressures, and to insulate program spending from fluctuations in capital markets. Average annual spending rates per share were 4.5% for both fiscal years 2025 and 2024.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Endowment net asset composition as of June 30, 2025 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds (corpus)	\$ -	\$ 676,982	\$ 676,982
Board-designated endowment funds (corpus)	235,956	-	235,956
Accumulated gains on endowment funds	349,041	688,378	1,037,419
Total endowment net assets	\$ 584,997	\$ 1,365,360	\$ 1,950,357

Endowment net asset composition as of June 30, 2024 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds (corpus)	\$ -	\$ 654,368	\$ 654,368
Board-designated endowment funds (corpus)	237,291	-	237,291
Accumulated gains on endowment funds	314,994	616,906	931,900
Total endowment net assets	\$ 552,285	\$ 1,271,274	\$ 1,823,559

Changes in endowment net assets for the years ended June 30, 2025 and 2024 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2023	\$ 516,918	\$ 1,185,504	\$ 1,702,422
Investment return, net	68,910	108,189	177,099
Contributions and other additions, net	150	19,676	19,826
Endowment distributions	(37,407)	(42,264)	(79,671)
Other changes	3,714	169	3,883
Total change in endowment funds	35,367	85,770	121,137
Net assets, June 30, 2024	552,285	1,271,274	1,823,559
Investment return, net	74,668	116,817	191,485
Contributions and other additions, net	59	21,399	21,458
Endowment distributions	(40,482)	(44,200)	(84,682)
Other changes	(1,533)	70	(1,463)
Total change in endowment funds	32,712	94,086	126,798
Net assets, June 30, 2025	\$ 584,997	\$ 1,365,360	\$ 1,950,357

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June 30, 2025 and 2024

NOTE 5 - FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy are described below. The hierarchy gives the highest priority to unadjusted quoted or published prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements):

Level 1 - Unadjusted quoted or published prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Quoted prices for instruments that are identical or similar in markets that are not active and model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

The hierarchy requires the use of observable market data when available. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the measurement.

The following discussion describes the valuation methodologies used for assets and liabilities measured at fair value:

Funds Held in Trust by Others

Funds held in trust by others are held and administered by outside trustees, with the University deriving income or a residual interest from the assets of such funds. Funds held in trust by others are recognized at the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or the University is notified of its existence.

Split-Interest Agreements

Depending on the type of agreement, fair value measurements for split-interest agreements are performed either at inception or on a recurring basis. Fair value of the residual gift is generally based on the present value of expected future cash flows including payments to beneficiaries and investment return, and Level 3 inputs include the life expectancy of the donor and other beneficiaries as well as financial assumptions.

Interest Rate Swaps

The fair value of the University's interest rate swap obligation is based on valuations provided by an independent party, taking into account current interest rates and the current creditworthiness of the swap counterparties, which are considered Level 2 inputs to fair value.

Investments

Fair value of equity securities (short-term investments, corporate stocks, mutual and exchange-traded funds) has been determined from observable market or published quotations, when available. Fair value for fixed income investments and certain real estate funds is based upon prices provided by the University's investment managers and custodian banks. Both the investment managers and the custodian banks use a variety of pricing sources to determine fixed maturity market valuations.

Estimated fair value of alternative investments that are not readily marketable is recorded at the NAV as provided by external investment managers as a practical expedient for fair value. The University reviews

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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and evaluates the values provided by external investment managers and agrees with the valuation methods and assumptions used in determining the NAV of those investments.

Investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following table presents the University's fair value hierarchy for investments at June 30, 2025 (in thousands):

	Fair Value Measurements at Reporting Date Using			NAV	Total
	Level 1	Level 2	Level 3		
Short-term investments	\$ 74,141	\$ -	\$ -	\$ -	\$ 74,141
Fixed income investments:					
U.S. government	212,523	14,935	-	-	227,458
Corporate	-	84,223	-	-	84,223
Other	-	1	-	-	1
Corporate stocks	29,489	-	-	-	29,489
Mutual and exchange-traded funds	460,218	-	-	-	460,218
Real estate	-	41,742	-	-	41,742
Alternative investments:					
Public equity	-	-	-	430,119	430,119
Absolute return	-	-	-	453,544	453,544
Private investments	-	-	-	789,003	789,003
Life insurance and other investments	4,297	42	-	-	4,339
Total investments	<u>\$ 780,668</u>	<u>\$ 140,943</u>	<u>\$ -</u>	<u>\$ 1,672,666</u>	<u>\$ 2,594,277</u>

The following table presents the University's fair value hierarchy for investments at June 30, 2024 (in thousands):

	Fair Value Measurements at Reporting Date Using			NAV	Total
	Level 1	Level 2	Level 3		
Short-term investments	\$ 36,811	\$ -	\$ -	\$ -	\$ 36,811
Fixed income investments:					
U.S. government	220,645	13,991	-	-	234,636
Corporate	-	127,087	-	-	127,087
Other	-	1	-	-	1
Corporate stocks	27,902	-	-	-	27,902
Mutual and exchange-traded funds	364,391	-	-	-	364,391
Real estate	-	42,159	-	-	42,159
Alternative investments:					
Public equity	-	-	-	286,954	286,954
Absolute return	-	-	-	504,919	504,919
Private investments	-	-	-	816,330	816,330
Life insurance and other investments	4,085	5	-	-	4,090
Total investments	<u>\$ 653,834</u>	<u>\$ 183,243</u>	<u>\$ -</u>	<u>\$ 1,608,203</u>	<u>\$ 2,445,280</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The University held total fixed income and equity investments with a liquidity of 30 days or less of \$880.0 million at June 30, 2025. The following redemption table clarifies the nature, risk, and liquidity of the University's investments in alternative investment vehicles that are reported at NAV per share (or its equivalent) at June 30, 2025 (in thousands):

	Liquidity (in Days)				Unfunded Commitments (4)	Estimated Remaining Lives	Redemption Frequency	Redemption Notice Period	
	Within 30	31-90	91-365	>365					Total
Alternative investments:									
Public equity (1)	\$ 98,473	\$ 41,896	\$ 94,059	\$ 194,094	\$ 428,522	\$ 2,796	N/A	Daily - up to 3 years	0 - 60 days
	-	-	-	1,597	1,597	3,038	0 - 2 years	Generally not eligible	N/A
	<u>98,473</u>	<u>41,896</u>	<u>94,059</u>	<u>195,691</u>	<u>430,119</u>	<u>5,834</u>			
Absolute return (2)	-	69,051	171,344	151,788	392,183	22,654	N/A	Qtr - up to 5 years	30 - 120 days
	-	-	-	61,361	61,361	35,630	1 - 5 years	Generally not eligible	N/A
	-	69,051	171,344	213,149	453,544	58,284			
Private investments (3)	-	-	-	789,003	789,003	297,773	1 - 13 years	Generally not eligible	N/A
Total alternative Investments	<u>\$ 98,473</u>	<u>\$ 110,947</u>	<u>\$ 265,403</u>	<u>\$1,197,843</u>	<u>\$ 1,672,666</u>	<u>\$ 361,891</u>			

- (1) This category's primary objective is to capture the returns of publicly traded equities on a global market basis in order to provide long-term growth to the endowment.
- (2) The primary objective of this category is to capture the returns associated with skill-based active management by exploiting the inefficiencies associated with marketable securities, thus providing a diversifying return stream with low correlation to returns of stocks. These funds should also provide principal protection in equity sell-offs.
- (3) This category includes investments in private equity and real estate funds. The primary objective of private equity funds is to achieve long-term returns in excess of public equity investments in part by earning an illiquidity premium. The primary objective of real estate funds is to provide portfolio diversification, with long-term returns expected to be between that of stocks and bonds. These funds will also potentially offer some protection for the endowment in the event of inflation. Private investments typically have commitment periods up to 12 years.
- (4) The University is obligated under certain investment agreements to periodically advance additional funding up to contractual levels. The investment agreements do not specify exact funding dates; however, it is likely that funding will occur over the next several years. Funds to meet these commitments will be generated from rebalancing the investment pool asset allocation, as well as donor gifts and existing cash.

NOTE 6 - ACCOUNTS RECEIVABLE, NET

Accounts receivable at June 30, (net of allowances for credit losses) are as follows (in thousands):

	2025	2024
Accounts receivable, net:		
Student accounts	\$ 2,181	\$ 1,775
Grants and contracts	12,925	11,523
Investment income	2,563	4,939
Other	3,378	4,215
	<u>\$ 21,047</u>	<u>\$ 22,452</u>

Allowances for credit losses were \$1.8 million in both 2025 and 2024.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment is summarized as follows at June 30, (in thousands):

	2025	2024
Land and improvements	\$ 117,913	\$ 110,843
Buildings and improvements	1,159,124	1,058,816
Furniture, equipment, books, and collections	265,912	255,099
Construction in progress	45,135	94,023
ROU asset	7,373	7,492
	1,595,457	1,526,273
Less: accumulated depreciation	(800,185)	(755,478)
Total	\$ 795,272	\$ 770,795

Depreciation expense totaled \$45.7 million and \$43.5 million for the years ended June 30, 2025 and 2024, respectively. Interest expense that was capitalized totaled \$0.8 million and \$0.8 million for the years ended June 30, 2025 and 2024, respectively.

NOTE 8 - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable includes unconditional promises to give and charitable remainder trusts where the University is not the trustee of the assets of the trust, but will receive a distribution upon its termination. The net present value of contributions receivable is calculated using a discount rate range of 1.26% to 3.90%. Unconditional promises are expected to be realized in the following periods (in thousands):

	2025	2024
In one year or less	\$ 11,103	\$ 11,381
Between one year and five years	23,705	19,891
More than five years	3,942	4,253
	38,750	35,525
Less:		
Unamortized discount	(2,046)	(1,543)
Allowance for uncollectible accounts	(2,229)	(2,037)
	\$ 34,475	\$ 31,945

Outstanding promises to give that were conditional amounted to \$9.6 million and \$9.9 million as of June 30, 2025 and 2024, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE 9 - NET ASSETS

Net assets without donor restrictions include the following at June 30, (in thousands):

	2025	2024
Undesignated	\$ 397,961	\$ 395,047
Board designated endowment funds	584,997	552,285
Annuity and life income funds	3,554	3,438
Plant funds and capital project reserves	284,067	280,214
Independent operations	66,836	66,191
	\$ 1,337,415	\$ 1,297,175

Net assets with donor restrictions include the following at June 30, (in thousands):

	2025	2024
Contributions receivable	\$ 34,475	\$ 31,945
Loan funds	2,989	3,438
Annuity and life income funds	45,038	42,313
Endowment funds - corpus	676,982	654,368
Accumulated gains on endowment funds	688,378	616,906
Other - related to time and purpose restrictions	19,657	17,287
	\$ 1,467,519	\$ 1,366,257

Donor restricted endowment funds are restricted for scholarships, fellowships, professorships, chairs and other academic and research purposes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE 10 - BONDS AND NOTES PAYABLE

Bonds, loans, and notes payable are reported net of any unamortized premiums, discounts, or issuance costs. Net unamortized premiums were \$17.4 million and \$2.0 million at June 30, 2025 and 2024, respectively. Net unamortized bond issuance costs were \$3.0 million and \$1.8 million at June 30, 2025 and 2024, respectively. The following table presents bonds, loans, and notes payable at June 30, (in thousands):

	2025	2024
Northampton County General Purpose Authority (NCGPA):		
Series 2000B bonds; tax-exempt variable rate revenue bonds, \$25,000 due serially from December 1, 2003 to December 1, 2030, variable rates 3.78% on June 30, 2024 bonds were supported with a standby bond purchase agreement	\$ -	\$ 9,637
Series 2004 bonds; tax-exempt index rate revenue bonds, \$50,000 due serially from May 15, 2025 to May 15, 2034, rates of 5.00% on June 30, 2024	-	49,887
Series 2007 bonds; tax-exempt revenue bonds, \$24,615 variable rate CPI bonds due serially from November 15, 2019 to November 15, 2025, variable rates of 3.58% and 4.67% on June 30, 2025 and 2024, respectively	1,400	7,062
Series 2016A bonds; 4.00% to 5.00% tax-exempt fixed rate revenue bonds, \$26,715 due serially from November 15, 2026 to November 15, 2036	28,430	28,604
Series 2016B bonds; tax-exempt variable rate revenue bonds, \$74,950 due serially from November 15, 2017 to November 15, 2039, variable rate of 1.92% and 4.57% on June 30, 2025 and 2024, respectively. Bonds are supported with a standby bond purchase agreement, which expires August 31, 2029	69,783	70,439
Series 2016 taxable bonds; \$150,000 due serially from November 15, 2044 to November 15, 2046, fixed rate 3.48%	149,366	149,335
Series 2020 taxable bonds; 2.553% to 2.703% fixed rate bonds, \$170,000 due serially from November 15, 2040 to November 15, 2050	169,323	169,291
Series 2024 tax exempt bonds; 5.00% fixed rate bonds, \$125,425 due serially from November 15, 2024 to November 15, 2034	135,457	-
	\$ 553,759	\$ 484,255

On August 15, 2024, the University issued \$125,425,000 aggregate principal amount of its Series 2024 tax exempt bonds (the 2024 bonds) due November 15, 2034. The 2024 bonds are secured by a pledge of and security interest in the University's gross revenues. The proceeds of the 2024 bonds will be used to finance current and future capital projects consistent with the University's capital plan and any other purpose duly authorized by the University. A portion of the 2024 bonds were also used to refund all of outstanding variable rate Series 2000B and Series 2004 bonds. Also, in connection with the issuance of the 2024 bonds, the University terminated the interest rate swap agreements associated with the 2000B Bonds and 2004 Bonds.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The series 2016 and 2020 taxable bonds are secured by a pledge of and security interest in the University's gross revenues.

Payment of all outstanding tax-exempt bonds is secured by separate loan agreements between the University and the NCGPA. Each loan agreement is a general obligation of the University for which it has pledged its full faith and credit. In addition, the University has granted NCGPA a security interest in the University's gross revenues as defined in each loan agreement. In accordance with the NCGPA loan agreements, the University established rates and charges sufficient to provide, in each fiscal year, for the payment of the University's operating expenses and debt service on its long-term indebtedness. The University may incur additional indebtedness under certain conditions described in the loan agreements and the bond indentures.

Under the terms of the loan agreements and the bond indentures, the University is required to maintain certain financial covenants. The University was in compliance with such covenants as of June 30, 2025 and 2024.

At June 30, 2025, the aggregate annual maturities of bonds, loans, and notes payable for the next five years and, thereafter, are as follows (in thousands):

2026	\$	6,180
2027		5,415
2028		5,715
2029		6,010
2030		9,800
Thereafter		506,255
Total long-term bonds payable		539,375
Unamortized issuance costs		(2,974)
Unamortized bond premium		17,358
	\$	553,759

The Series of 2016B bonds bear interest at a weekly rate determined by the remarketing agent. The University may elect to convert to another variable rate mode or to a fixed mode as determined by the remarketing agent.

Bondholders have a right to tender variable rate bonds at interest rate reset dates.

The University entered into a separate standby bond purchase agreement to provide liquidity in case of tender of the 2016B bonds. This agreement expires prior to the maturity of the bonds and may be extended at the University's request. However, the bank has no obligation to agree to the extended purchase period.

The University serves as the liquidity facility for its Commercial Paper program, however no commercial paper was issued during fiscal year 2025.

NOTE 11 - INTEREST RATE SWAP AGREEMENTS

The University employs derivatives, primarily interest rate swap agreements, to manage interest rate risk associated with outstanding debt. The net fair value of the University's swap agreements is included in other assets or other liabilities in the statements of financial position, and was recorded as an asset of \$9.3 million and an asset of \$12.3 million at June 30, 2025 and 2024, respectively. The change in fair value

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

of the interest rate swaps is reflected in nonoperating activity on the statement of activities and was (\$1.9) million and \$1.3 million for the years ended June 30, 2025 and 2024, respectively.

Significant terms of each of the swap agreements are as follows (in thousands):

Series	Counterparty	Effective Date	Current Notional Amount	University Pays	University Receives	Expiration Date
2000B bonds	JPMorgan Chase	12/7/2000	\$ -	4.530%	67% of USD - 1-month	12/1/2030
2004 bonds	Wells Fargo	12/18/2008	-	1.953	LIBOR-BBA 67% of USD - federal funds	5/15/2034
2007 CPI bonds	JPMorgan Chase	2/1/2007	1,400	4.100	Variable rate based on CPI-U	Various thru 11/15/2025
2016B bonds	Wells Fargo	10/6/2016	69,935	1.148	70% of USD - federal funds	11/15/2039
			<u>\$ 71,335</u>			

Certain of the University's interest rate swap agreements contain provisions that require the University's debt to maintain an investment grade credit rating from each of the major credit rating agencies. If the University's debt were to fall below investment grade, it would be a violation of these provisions, and the counterparties to the rate swap agreement could request next-day full collateralization on all rate swaps in net liability positions.

NOTE 12 - FUNCTIONAL ALLOCATION OF EXPENSES

The following table includes operating expenses by type and function for the year ended June 30, 2025 (in thousands):

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Independent Operations	Total
Salaries and wages	\$ 101,413	\$ 28,105	\$ 1,300	\$ 23,191	\$ 24,565	\$ 48,412	\$ 2,364	\$ 4,201	\$ 233,551
Employee benefits	35,285	6,949	362	8,784	8,650	18,513	845	1,129	80,517
Purchased services	2,769	12,127	288	3,644	3,352	13,598	22,515	2,457	60,750
Occupancy	13,158	3,553	343	3,469	3,743	6,264	15,890	1,557	47,977
Depreciation	11,229	11,366	388	3,080	3,955	6,228	7,954	1,529	45,729
Interest	7,734	2,145	99	1,758	1,870	3,670	182	-	17,458
Other expenses	16,120	7,308	1,183	11,323	8,845	10,128	12,314	5,151	72,372
	<u>\$ 187,708</u>	<u>\$ 71,553</u>	<u>\$ 3,963</u>	<u>\$ 55,249</u>	<u>\$ 54,980</u>	<u>\$ 106,813</u>	<u>\$ 62,064</u>	<u>\$ 16,024</u>	<u>\$ 558,354</u>

The following table includes operating expenses by type and function for the year ended June 30, 2024 (in thousands):

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Independent Operations	Total
Salaries and wages	\$ 99,568	\$ 26,517	\$ 1,257	\$ 21,978	\$ 21,493	\$ 45,503	\$ 4,673	\$ 4,030	\$ 225,019
Employee benefits	32,547	5,732	335	8,121	6,642	16,237	1,436	1,076	72,126
Purchased services	2,906	10,532	283	3,199	3,452	13,216	20,028	2,495	56,111
Occupancy	12,607	3,346	469	3,461	3,379	6,561	14,081	1,175	45,079
Depreciation	10,597	10,773	376	3,128	3,585	5,816	7,656	1,546	43,477
Interest	8,513	2,278	107	1,866	1,831	3,860	406	-	18,861
Other expenses	16,011	9,776	1,832	9,285	10,361	11,471	9,203	5,553	73,492
	<u>\$ 182,749</u>	<u>\$ 68,954</u>	<u>\$ 4,659</u>	<u>\$ 51,038</u>	<u>\$ 50,743</u>	<u>\$ 102,664</u>	<u>\$ 57,483</u>	<u>\$ 15,875</u>	<u>\$ 534,165</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The consolidated financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee benefits, interest, and certain occupancy expenses, which are allocated on the basis of salary and wage expense.

Fund-raising costs were approximately \$13.6 million and \$13.3 million in 2025 and 2024, respectively, and are included in institutional support.

NOTE 13 - POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The University pays for a portion of the cost of medical insurance for retired employees and their eligible dependents. During fiscal year 2025, the University reimbursed retirees a maximum of \$122.35 per month for premium expenses. The maximum monthly reimbursement amount will increase each year at the lesser of medical Consumer Price Index (CPI) or 8%. These postretirement medical benefits accrue from the date of hire. The University uses a July 1 measurement date for its plan. Summarized plan information is stated below (in thousands).

The following shows the reconciliation of the beginning and ending balances of the benefit obligation (in thousands):

	2025	2024
Benefit obligation at beginning of year	\$ 45,114	\$ 49,043
Operating:		
Service cost	1,609	1,939
Benefits paid	(1,772)	(1,674)
Total operating	(163)	265
Nonoperating:		
Interest cost	2,477	2,535
Actuarial gain	-	1,442
Assumption changes	(737)	(8,171)
Total nonoperating gain	(1,740)	(4,194)
Benefit obligation at end of year	\$ 46,691	\$ 45,114

The following table sets forth the status of the plan, which is unfunded, at June 30:

	2025	2024
Accumulated postretirement benefit obligation:		
Retirees	\$ 21,262	\$ 21,845
Fully eligible active plan participants	11,187	10,842
Other active plan participants	14,242	12,427
Accumulated postretirement benefit liability	\$ 46,691	\$ 45,114

Lehigh University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Weighted average assumptions as of and for the years ended June 30, are as follows:

	2025	2024
Discount rate for net periodic postretirement benefit cost	5.60%	5.25%
Discount rate for accumulated postretirement benefit obligation	5.80	5.60
Maximum increase in reimbursement rate	Lesser of medical CPI or 8%	Lesser of medical CPI or 8%
Healthcare cost trend rate assumed for next year	8.00	6.00
Rate to which the cost trend rate is assumed to decline (ultimate rate)	5.00	5.00
Year that ultimate rate is reached	2026	2025

Estimated future University contributions reflecting expected future service are as follows (in thousands):

Fiscal Year Ending June 30:

2026	\$	1,882
2027		2,053
2028		2,168
2029		2,274
2030		2,391
2031 through 2035		13,982

NOTE 14 - RETIREMENT PLANS

The University provides pensions to substantially all salaried faculty and staff through a defined-contribution plan administered by Teacher's Insurance and Annuity Association. The plan features base contributions from the University and voluntary employee contributions with a University match. Total expense for this plan was \$18.6 million and \$17.7 million in 2025 and 2024, respectively.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Litigation

The University is party to various legal actions and claims arising in the ordinary course of operations. While it is not feasible to predict the ultimate outcome of such matters, management is of the opinion that the resolution of such matters will not have a material adverse effect on the University's consolidated financial position or changes in net assets.

Lehigh University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Operating Leases and Other Financing Obligations

The University leases certain equipment and real property. These leases are classified as operating leases. During the year ended June 30, 2025, these leases have a weighted average remaining lease term of 3.14 years and were calculated using a weighted average discount rate of 2.88% resulting in a present value discount of approximately \$0.1 million. During the year ended June 30, 2024, the leases have a weighted average remaining lease term of 3.96 years and were calculated using a weighted average discount rate of 2.83% resulting in a present value discount of approximately \$0.2 million. Operating leases ROU assets and liabilities as of June 30, 2025 were \$2.8 million and \$2.8 million, respectively, and \$3.8 million and \$3.8 million at June 30, 2024, respectively.

	<u>2025</u>
Maturity analysis:	
Less than 1 year	\$ 1,090
1 to 2 years	752
2 to 3 years	722
3 to 4 years	<u>352</u>
Total undiscounted lease liabilities, end of period	<u>\$ 2,916</u>

Included in other liabilities is a finance obligation of \$41.6 million related to the construction of a student housing residence facility on the University's land. The related construction costs are capitalized and depreciated, and included in property, plant, and equipment, net on the consolidated statements of financial position. The finance obligation has a remaining term commensurate with the land lease which is 45 years as of June 30, 2025. The University amortizes the finance obligation to revenue as the related asset is being depreciated.

Other

Open commitments with general contractors, engineering firms, and other vendors related to the construction, renovation, and repair of certain facilities amounted to approximately \$19.7 million and \$42.3 million as of June 30, 2025 and 2024, respectively.

NOTE 16 - SUBSEQUENT EVENTS

The University has evaluated subsequent events through October 15, 2025, the date the consolidated financial statements were issued, and concluded that there were no additional items requiring disclosure.

SUPPLEMENTAL INFORMATION

Lehigh University
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2025

Program: Federal sponsor/project title	Assistance Listing Number (ALN)	Pass-through Entity Identifying Number	Pass-through Entity	Direct	Pass-through	Passed through to Subrecipients	Total Expenditures
Student Financial Assistance Cluster:							
Department of Education:							
Federal Supplemental Education Opportunity Grant	84.007	N/A	N/A	\$ 554,668	\$ -	\$ -	\$ 554,668
Federal Perkins Loan Program	84.038	N/A	N/A	-	-	-	-
Loans outstanding beginning of year				693,145	-	-	693,145
New loans issued				-	-	-	-
Administrative cost allowance				100,892	-	-	100,892
Federal Work Study Program	84.033	N/A	N/A	750,000	-	-	750,000
Federal Pell Grant Program	84.063	N/A	N/A	7,974,576	-	-	7,974,576
Federal Direct Loan Program	84.268	N/A	N/A	25,364,801	-	-	25,364,801
Total Department of Education				35,438,082	-	-	35,438,082
Total Student Financial Assistance Cluster				35,438,082	-	-	35,438,082
Research and Development Cluster:							
Department of Agriculture:							
Agricultural Research Basic and Applied Research	10.001	N/A	N/A	26,942	-	-	26,942
Agricultural Research Basic and Applied Research	10.001	58-2020-4-012	USDA Agricultural Research Service	-	11,601	-	11,601
Total Agricultural Research Basic and Applied Research				26,942	11,601	-	38,543
Specialty Crop Research Initiative	10.309	2023-51181-41162	Penn State University	-	68,708	-	68,708
Agriculture and Food Research Initiative (AFRI)	10.310	N/A	N/A	275,135	-	38,373	275,135
Total Department of Agriculture				302,077	80,309	38,373	382,386
Department of Commerce:							
Sea Grant Support	11.417	NA24OARX417C0151	PA Sea Grant College Program	-	57,557	-	57,557
Habitat Conservation	11.463	NA20NMF4630328	National Marine Sanctuary Foundation Inc	-	829,590	279,934	829,590
Center for Sponsored Coastal Ocean Research_Coastal Ocean Program	11.478	N/A	N/A	179,870	-	109,206	179,870
Measurement and Engineering Research and Standards	11.609	70NANB24H013	University of California, San Diego	-	25,498	-	25,498
Total Department of Commerce				179,870	912,645	389,140	1,092,515
Department of Defense:							
Department of Defense - Air Force:							
Air Force Defense Research Sciences Program	12.800	N/A	N/A	821,844	-	151,249	821,844
Department of Defense - Army-Research Laboratory:							
Military Medical Research and Development	12.420	HT94252410607	Azevan Pharmaceuticals, Inc.	-	271,673	-	271,673
Basic Scientific Research	12.431	N/A	N/A	3,773,522	-	1,508,683	3,773,522
Basic Scientific Research	12.431	W911NF-23-1-0406	University of California - Irvine	-	25,234	-	25,234
Total Basic Scientific Research				3,773,522	25,234	1,508,683	3,798,756
Department of Defense - Defense Advanced Research Projects Agency							
Research and Technology Development	12.910	N/A	N/A	527,260	-	-	527,260
Research and Technology Development	12.910	HR0011-24-2-0303	Massachusetts Institute of Technology	-	202,115	-	202,115
Total Research and Technology Development				527,260	202,115	-	729,375
Department of Defense - Navy:							
Basic and Applied Scientific Research	12.300	N/A	N/A	3,730,743	-	1,558,070	3,730,743
Total Department of Defense				8,853,369	499,022	3,218,002	9,352,391
Department of Education:							
Education Research, Development and Dissemination	84.305	N/A	N/A	308,325	-	308,325	308,325
Education Research, Development and Dissemination	84.305	R305A210027	University of Wisconsin - Madison	-	41,727	-	41,727
Total Education Research, Development and Dissemination				308,325	41,727	308,325	350,052
Research in Special Education	84.324	N/A	N/A	1,824,334	-	408,944	1,824,334
Total Department of Education				2,132,659	41,727	717,269	2,174,386
Department of Energy:							
Office of Science Financial Assistance Program	81.049	N/A	N/A	2,404,945	-	15,049	2,404,945
Office of Science Financial Assistance Program	81.049	DE-SC0022696	Energy Research Company	-	293,330	-	293,330
Office of Science Financial Assistance Program	81.049	DE-SC0012577	Georgia Institute of Technology	-	198,519	-	198,519
Office of Science Financial Assistance Program	81.049	DE-SC0012673	The Research Fnd for the State Univ of NY - Stony Brook	-	220,311	-	220,311
Office of Science Financial Assistance Program	81.049	DE-SC0022980	University of Michigan	-	73,938	-	73,938
Total Office of Science Financial Assistance Program				2,404,945	786,098	15,049	3,191,043
Conservation Research and Development	81.086	N/A	N/A	415,666	-	-	415,666
Renewable Energy Research and Development	81.087	N/A	N/A	626,198	-	321,496	626,198
Renewable Energy Research and Development	81.087	DE-EE0010984	Binghamton University	-	7,385	-	7,385
Renewable Energy Research and Development	81.087	DE-EE0007897	Secat, Inc.	-	183,617	-	183,617
Renewable Energy Research and Development	81.087	DE-EE0009450	University of New Hampshire	-	846,581	-	846,581
Total Renewable Energy Research and Development				626,198	1,037,583	321,496	1,663,781
Fossil Energy Research and Development	81.089	N/A	N/A	776,612	-	168,800	776,612
Fossil Energy Research and Development	81.089	DE-FE0032403	Washington State University	-	23,657	-	23,657
Total Fossil Energy Research and Development				776,612	23,657	168,800	800,269
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	N/A	N/A	625,025	-	87,549	625,025
Advanced Research Projects Agency - Energy	81.135	N/A	N/A	193,274	-	94,357	193,274
Advanced Research Projects Agency - Energy	81.135	DE-AR0001845	University of Tennessee	-	46,432	-	46,432
Advanced Research Projects Agency - Energy	81.135	DE-AR0001442	University of Virginia	-	32,094	-	32,094
Total Advanced Research Projects Agency - Energy				193,274	78,526	94,357	271,800
Total Department of Energy				5,041,720	1,925,864	687,251	6,967,584
Department of Housing and Urban Development:							
General Research and Technology Activity	14.506	N/A	N/A	60,358	-	-	60,358
Total Department of Housing and Urban Development				60,358	-	-	60,358
Department of Interior:							
National Cooperative Geologic Mapping	15.810	N/A	N/A	9,635	-	-	9,635
Total Department of Interior				9,635	-	-	9,635
Department of Transportation:							
Highway Planning and Construction	20.205	N/A	N/A	17,141	-	-	17,141
University Transportation Centers Program	20.701	69A3551847103	Penn State University	-	53,721	-	53,721
Total Department of Transportation				17,141	53,721	-	70,862
Environmental Protection Agency:							
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	8745900790-3522709000-V22	PA-Department of Environmental Protection	-	220,555	35,861	220,555
Total Environmental Protection Agency				-	220,555	35,861	220,555

See accompanying independent auditor's report and notes to the schedule of expenditures of federal awards.

Lehigh University
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
 Year ended June 30, 2025

Program: Federal sponsor/project title	Assistance Listing Number (ALN)	Pass-through Entity Identifying Number	Pass-through Entity	Direct	Pass-through	Passed through to Subrecipients	Total Expenditures
National Aeronautics and Space Administration:							
Science	43.001	80NSSC21M0106	Penn State University	\$ -	\$ 6,353	\$ -	\$ 6,353
Office of Stem Engagement	43.008	80NSSC20M0097	Penn State University	-	8,360	-	8,360
Total National Aeronautics and Space Administration				-	14,713	-	14,713
National Institutes of Health:							
Environmental Health	93.113	N/A	N/A	135,786	-	-	135,786
Oral Diseases and Disorders Research	93.121	N/A	N/A	112,929	-	7,938	112,929
Human Genome Research	93.172	1R01HG013153-01A1	The Hastings Center, Inc.	-	196,012	-	196,012
Research Related to Deafness and Communication Disorders	93.173	N/A	N/A	946,681	-	-	946,681
Mental Health Research Grants	93.242	N/A	N/A	449,299	-	177,624	449,299
Alcohol Research Programs	93.273	1R01AA030904-01	Loyola Marymount University	-	101,109	-	101,109
Drug Abuse and Addiction Research Programs	93.279	N/A	N/A	586,126	-	13,429	586,126
Drug Abuse and Addiction Research Programs	93.279	1R01DA054969-01A1	University of Nebraska	-	96,649	-	96,649
Drug Abuse and Addiction Research Programs	93.279	7R01DA043567-05	Virginia Commonwealth University	-	30,778	-	30,778
Total Drug Abuse and Addiction Research Programs				586,126	127,427	13,429	713,553
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	N/A	N/A	185,878	-	-	185,878
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	1R01EB033651-01A1	Sloan Kettering Institute for Cancer Research	-	85,053	-	85,053
Total Discovery and Applied Research for Technological Innovations to Improve Human Health				185,878	85,053	-	270,931
Minority Health and Health Disparities Research	93.307	1R01MD015905	University of Nebraska	-	33,098	-	33,098
Trans-NIH Research Support	93.310	1UG3OD035537-01	Trustees of the University of PA	-	24,277	-	24,277
National Center for Advancing Translational Sciences	93.350	1R01TR003844-01	The Hastings Center, Inc.	-	123,955	-	123,955
Cancer Cause and Prevention Research	93.393	5R01CA277780-02	Virginia Commonwealth University	-	52,013	-	52,013
Cancer Treatment Research	93.395	N/A	N/A	42,019	-	11,748	42,019
Cancer Treatment Research	93.395	1R21CA259800-01A1	University of Virginia	-	26,564	-	26,564
Total Cancer Treatment Research				42,019	26,564	11,748	68,583
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	NU38OT000297	Council of State and Territorial Epidemiologists	-	53,714	13,828	53,714
Blood Diseases and Resources Research	93.839	N/A	N/A	178,344	-	-	178,344
Blood Diseases and Resources Research	93.839	R01HL153986	University of Massachusetts, Amherst	-	140,308	-	140,308
Total Blood Diseases and Resources Research				178,344	140,308	-	318,652
Arthritis Musculoskeletal and Skin Diseases Research	93.846	N/A	N/A	188,023	-	-	188,023
Arthritis Musculoskeletal and Skin Diseases Research	93.846	5U54AR055073-18	Rutgers University	-	34,316	-	34,316
Arthritis Musculoskeletal and Skin Diseases Research	93.846	7U54AR055073-19	Rutgers University	-	157,111	-	157,111
Total Arthritis Musculoskeletal and Skin Diseases Research				188,023	191,427	-	379,450
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	N/A	N/A	470,033	-	-	470,033
Allergy and Infectious Diseases Research	93.855	1R01AI178975-01	University of Virginia	-	41,919	-	41,919
Allergy and Infectious Diseases Research	93.855	1R01AI179080	University of Virginia	-	84,281	-	84,281
Total Allergy and Infectious Diseases Research				-	126,200	-	126,200
Biomedical Research and Research Training	93.859	N/A	N/A	2,659,694	-	242,673	2,659,694
Biomedical Research and Research Training	93.859	1R15GM148952-01	Moravian University	-	11,052	-	11,052
Biomedical Research and Research Training	93.859	7R35GM147043-03	Purdue University	-	23,032	-	23,032
Biomedical Research and Research Training	93.859	1RG16GM150455-01	University of Alaska	-	3,523	-	3,523
Biomedical Research and Research Training	93.859	1R15GM140445-01A1	University of Central Oklahoma	-	31,170	-	31,170
Biomedical Research and Research Training	93.859	1R01GM145991-01A1	University of Kansas Medical Center	-	107,046	-	107,046
Total Biomedical Research and Research Training				2,659,694	175,823	242,673	2,835,517
Child Health and Human Development Extramural Research	93.865	N/A	N/A	378,288	-	209,149	378,288
Child Health and Human Development Extramural Research	93.865	1R41HD114332-01	Saavus, Inc.	-	40,084	-	40,084
Child Health and Human Development Extramural Research	93.865	R01HD105676	University of Maryland	-	361,807	-	361,807
Total Child Health and Human Development Extramural Research				378,288	401,891	209,149	780,179
Aging Research	93.866	N/A	N/A	279,798	-	62,523	279,798
Aging Research	93.866	2U24AG041689-11	Trustees of the University of PA	-	35,735	-	35,735
Total Aging Research				279,798	35,735	62,523	315,533
Vision Research	93.867	1R21EY034179-01A1	Trustees of the University of PA	-	114,257	-	114,257
Total National Institutes of Health				6,612,898	2,008,863	738,912	8,621,761
National Science Foundation:							
Engineering Grants	47.041	N/A	N/A	3,085,135	-	275,472	3,085,135
Engineering Grants	47.041	IIP-2048602	Princeton University	-	106,010	-	106,010
Engineering Grants	47.041	CMMI-1662816	University of Arizona	-	829	-	829
Engineering Grants	47.041	EEC-2330175	University of Kansas Center for Research, Inc.	-	286,011	-	286,011
Engineering Grants	47.041	ECCS-2129183	West Chester University	-	14,680	-	14,680
Total Engineering Grants				3,085,135	407,530	275,472	3,492,665
Mathematical and Physical Sciences	47.049	N/A	N/A	3,289,307	-	155,820	3,289,307
Mathematical and Physical Sciences	47.049	OAC-2246463	Drexel University	-	43,585	-	43,585
Mathematical and Physical Sciences	47.049	DMR-1922111	Georgia Institute of Technology	-	112	-	112
Mathematical and Physical Sciences	47.049	DMR-2019444	University of Washington	-	128,182	-	128,182
Total Mathematical and Physical Sciences				3,289,307	171,879	155,820	3,461,186
Geosciences	47.050	N/A	N/A	1,049,065	-	27,347	1,049,065
Computer and Information Science and Engineering	47.070	N/A	N/A	1,792,905	-	122,612	1,792,905
Computer and Information Science and Engineering	47.070	CCF-2300842	Computing Research Association	-	63,335	-	63,335
Computer and Information Science and Engineering	47.070	OAC-2139536	University of Texas	-	216,246	-	216,246
Total Computer and Information Science and Engineering				1,792,905	279,581	122,612	2,072,486
Biological Sciences	47.074	N/A	N/A	1,597,228	-	46,580	1,597,228
Biological Sciences	47.074	DBI-2014217	University of Colorado Boulder	-	205,966	-	205,966
Total Biological Sciences				1,597,228	205,966	46,580	1,803,194

See accompanying independent auditor's report and notes to the schedule of expenditures of federal awards.

Lehigh University
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year ended June 30, 2025

Program: Federal sponsor/project title	Assistance Listing Number (ALN)	Pass-through Entity Identifying Number	Pass-through Entity	Direct	Pass-through	Passed through to Subrecipients	Total Expenditures
Social Behavioral and Economic Sciences	47.075	N/A	N/A	\$ 523,247	\$ -	\$ 36,134	\$ 523,247
Education and Human Resources	47.076	N/A	N/A	701,252	-	64,446	701,252
Education and Human Resources	47.076	HRD-1834545	American Chemical Society	-	2,580	-	2,580
Education and Human Resources	47.076	DUE-2120936	Penn State University	-	16,771	-	16,771
Education and Human Resources	47.076	DRL-2300937	Temple University	-	48,225	-	48,225
Education and Human Resources	47.076	DUE-2142558	University of Nebraska	-	18,871	-	18,871
Total Education and Human Resources				701,252	86,447	64,446	787,699
Office of International Science and Engineering	47.079	N/A	N/A	69,404	-	-	69,404
Office of International Science and Engineering	47.079	OISE-1743701	Kansas State University	-	1,946	-	1,946
Total Office of International Science and Engineering				69,404	1,946	-	71,350
Office of Integrative Activities	47.083	N/A	N/A	590,924	-	245,656	590,924
Office of Integrative Activities	47.083	CNS-2401942	North Carolina A&T State University	-	33,654	-	33,654
Total Office of Integrative Activities				590,924	33,654	245,656	624,578
NSF Technology, Innovation, and Partnerships	47.084	N/A	N/A	2,266,138	-	580,378	2,266,138
NSF Technology, Innovation, and Partnerships	47.084	TI-2342532	BioLattice	-	17,162	-	17,162
NSF Technology, Innovation, and Partnerships	47.084	ITE-2230494	University at Buffalo	-	54,413	-	54,413
NSF Technology, Innovation, and Partnerships	47.084	TI-2346158	University of Illinois at Chicago	-	48,721	-	48,721
Total NSF Technology, Innovation, and Partnerships				2,266,138	120,296	580,378	2,386,434
Total National Science Foundation				14,964,605	1,307,299	1,554,445	16,271,904
Small Business Administration:							
Prime Technical Assistance	59.050	N/A	N/A	46,824	-	1,294	46,824
Total Small Business Administration				46,824	-	1,294	46,824
Total Research And Development Cluster				38,221,156	7,064,718	7,380,547	45,285,874
Department of Education:							
Special Education Grants to States	84.027	062-24-0032	Intermediate Unit 1	-	82,475	-	82,475
English Language Acquisition State Grants	84.365	T3652220049 - 24	Temple University	-	33,188	-	33,188
Total Department of Education				-	115,663	-	115,663
Department of Housing and Urban Development:							
Economic Development Initiative, Community Project Funding, and Miscellaneous grants	14.251	N/A	N/A	10,514	-	-	10,514
Total Department of Housing and Urban Development				10,514	-	-	10,514
Department of State:							
Academic Exchange Programs - Undergraduate Programs	19.009	S-ECAGD-21-CA-3082	IREX	-	124,231	-	124,231
Total Department of State				-	124,231	-	124,231
International Development Agency:							
USAID Foreign Assistance for Programs Overseas	98.001	N/A	N/A	14,029	-	-	14,029
Total International Development Agency				14,029	-	-	14,029
National Endowment for Humanities:							
Promotion of the Humanities Public Programs	45.164	N/A	N/A	628,576	-	-	628,576
Total National Endowment for Humanities				628,576	-	-	628,576
National Institutes of Health:							
Head Start	93.600	N/A	N/A	26,639	-	-	26,639
Total National Institutes of Health				26,639	-	-	26,639
Small Business Administration:							
Small Business Development Centers	59.037	SBAOEDSB240082	Kutztown University of Pennsylvania	-	314,310	-	314,310
Total Small Business Administration				-	314,310	-	314,310
Total Other Programs				679,758	554,204	-	1,233,962
Total Expenditures of Federal Awards				\$ 74,338,996	\$ 7,618,922	\$ 7,380,547	\$ 81,957,918

See accompanying independent auditor's report and notes to the schedule of expenditures of federal awards.

Lehigh University

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2025

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Lehigh University (the University) under programs of the federal government for the year ended June 30, 2025 in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the University. The Schedule does not present the activity for the University's subsidiary Manufacturers Resource Center that expended \$640,834 in federal awards for the year ended June 30, 2025. The financial statements of Manufacturers Resource Center are audited separately and did not meet the Uniform Guidance threshold to require a separate compliance audit of its federal expenditures for the year ended June 30, 2025.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The University has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D - FEDERAL PERKINS LOAN PROGRAM

Perkins loans are administered directly by the University, and balances and transactions relating to Perkins loans are included in the University's consolidated financial statements. Perkins loan expenditures reported on the Schedule include the balance of outstanding loans at June 30, 2025, and the administrative cost allowance claimed during the year ended June 30, 2025 of \$100,892. The outstanding balance of Federal Perkins Loans at June 30, 2025 was \$693,145.

There were no federal or institutional capital contributions to the Perkins revolving loan fund for the year ended June 30, 2025.

NOTE E - DIRECT LOANS

Direct Loans are made by the Secretary of Education and therefore balances and transactions relating to Direct Loans are not included in the University's consolidated financial statements. The University is responsible for the performance of certain administrative duties under the Direct Loan program, including origination and disbursement of loans.

The Schedule includes the amounts loaned to students during the year ended June 30, 2025. It is not practical to estimate the outstanding balance of loans under this program.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Lehigh 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 (*Government Auditing Standards*), the consolidated financial statements of Lehigh University and subsidiaries (the "University"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 15, 2025.

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 opinions on the 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 University'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of financial statement findings as item 2025-001, that we consider to be a significant deficiency in the University's internal control.

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*.

University's response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on the University's response.

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 report is not suitable for any other purpose.



Philadelphia, Pennsylvania
October 15, 2025

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Lehigh University

Report on compliance for each major federal program

Opinion on each major federal program

We have audited the compliance of Lehigh University (the "University") 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 June 30, 2025. 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 June 30, 2025.

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 (*Government Auditing Standards*); 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 Auditor's 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 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 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.

Other matter - federal expenditures not included in the compliance audit

The University's basic consolidated financial statements include the operations of Manufacturers Resource Center ("MRC"), a controlled subsidiary, which expended \$640,834 in federal awards that is not included in the University's schedule of expenditures of federal awards during the year ended June 30, 2025. Our compliance audit, described in the Opinion on Each Major Federal Program section of our report, does not include the operations of MRC because MRC did not meet the Uniform Guidance threshold to require a separate compliance audit of its federal expenditures for the year ended June 30, 2025.

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.

Auditor's 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 matter

The results of our audit procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2025-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. 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 University's 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 a 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 Auditor's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2025-002, that we consider to be a significant deficiency in the University's internal control over compliance.

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.

Grant Thornton LLP

Philadelphia, Pennsylvania
February 25, 2026

Lehigh University

SUMMARY OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2025

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		Unmodified		
Internal control over financial reporting:				
Material weakness(es) identified?	_____ yes	_____ no	X	no
Significant deficiency(ies) identified?	X yes	_____ none reported		
Noncompliance material to financial statements noted?	_____ yes	_____ no	X	no

Federal and State Awards

Internal control over the major program:				
Material weakness(es) identified?	_____ yes	_____ no	X	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	X yes	_____ none reported		
Type of auditors' report issued on compliance for the major federal programs:		Unmodified		
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	X yes	_____ no		

Identification of the major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
Various	Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs:		\$2,458,738		
Auditee qualified as low-risk auditee?	X yes	_____ no		

Lehigh University
FINANCIAL STATEMENT FINDINGS
Year ended June 30, 2025

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2025-001

Security Management - Monitoring - TouchNet - Significant Deficiency

Criteria:

Universities must establish and maintain effective internal controls over financial reporting, including IT controls over security management and monitoring of service providers. These IT controls ensure the security and integrity of financial data, as well as help to identify, assess, and mitigate risks related to financial reporting and IT security. Universities should conduct regular assessments and continuous monitoring of service providers to ensure compliance with security requirements. This includes periodic reviews and updates of security controls.

Condition:

- (1) Within the TouchNet application, which is an electronic payment software, there are four users within the Finance department that maintain elevated access. Management is aware of this conflict and has not implemented a logging and review control. The users have the ability to create accounts, utilize other users' accounts, and the integration from TouchNet to Banner (the financial reporting system) allows users to have direct access to the Banner database.
- (2) There is no formal documentation in place for user access management (i.e., new hires, user access modifications, and terminating access), nor is there a formalized user access review process in place.

Cause:

There is no formal review process in place for user access management.

Effect or Potential Effect:

- (1) Elevated access to the TouchNet system by Finance personnel allows users to make modifications to the financial data that is being transferred to Banner, as well as create accounts and utilize others' accounts.
- (2) Lack of documentation of a formal user provisioning process can lead to inappropriate access being granted or retained.

Recommendation:

- (1) We recommend that management provision elevated access only to those users within the IT Department to ensure appropriate segregation of duties within the Finance Department.
- (2) We recommend that management implement a formally documented review process for user access management to ensure that inappropriate access is not granted or retained within the TouchNet or Banner systems.

Lehigh University
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2025

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2025-002

Student Financial Assistance Cluster – Special Tests and Provisions – Disbursements to and on Behalf of Students – Compliance and Internal Control (Significant Deficiency)

Criteria:

Federal regulations under 34 CFR 668.164(h)(2) require institutions participating in Title IV programs to disburse a student's credit balance no later than 14 days after (1) the first day of class of a payment period if the credit balance occurred on or before that day, or (2) the balance occurred if that was after the first day of class.

Condition:

The University did not consistently disburse student credit balances within the required 14 day timeframe.

Cause:

Due to manual nature of the credit reimbursement process, and short-staffing within the department, there were insufficient monitoring controls in place to identify and resolve credit balances approaching the 14 day deadline.

Effect:

From a non-statistical sample of 22 credit balances, we identified two credit balances of \$1,197 that were disbursed beyond the 14 day requirement, resulting in non-compliance with federal regulations.

Questioned Costs:

None.

Repeat Finding:

No.

Recommendation:

We recommend that management implement procedures to monitor timing of non-workdays, staff absences and scheduled time off that could effect student credit disbursement timing. Management should establish coverage protocols to ensure that the University disburses student credit balances consistently and in a timely manner. Management should designate trained backup personnel and document responsibility for control performance during periods of employee absence. Management should periodically review adherence to these procedures to confirm that credit balance disbursements are performed timely and as designed, regardless of staffing availability.

Alternatively, management should consider automating the student credit balance disbursements to reduce reliance on manual processes and/or individual personnel.

Views of Responsible Officials:

Management acknowledges the errors identified and has taken action to strengthen controls surrounding these processes.

Lehigh University

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Year ended June 30, 2025

SECTION IV - SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Finding 2024-001 - Security Management - Monitoring - TouchNet - Significant Deficiency

Refer to finding 2025-001 for status on prior year audit findings.



February 16, 2026

Corrective Action Plan

Finding 2025-001

LTS (Central IT) has integrated TouchNet account provisioning into its standard enterprise system provisioning process (see attached documentation), consistent with the principle of least privilege. As part of this change, administrative access to TouchNet was removed effective January 7, 2026. Management updated forms and business processes so that the Bursar's Office now submits Jira requests for TouchNet account provisioning. Access is granted only after required training is completed and is limited to the minimum privileges necessary to perform assigned job functions. Elevated access is no longer granted outside of this controlled process. Additionally, these accounts are routinely audited.

Name of contact person:

Ilena Key is the Chief Technology Officer
Erik Zematis is the Chief Information Security Officer

Completion date:

The administrative access was removed on January 7, 2026.

Finding 2025-002

Lehigh acknowledge that in two instances, Title IV credit balances were not refunded within the required 14-day timeframe. The two exceptions identified were isolated in nature and attributable to unique circumstances rather than systemic process failure.

In the first instance, the student was enrolled in the summer term and their summer Pell Grant was not processed until October. As a result, the Title IV credit balance was created well after the end of the summer payment period, outside of our typical refund monitoring cycle for that term.

In the second instance, the credit balance was identified within the 14-day requirement. However, the student had not enrolled in direct deposit through the eBill system. Lehigh contacted the student to obtain payment instructions. When no banking information was provided to Lehigh, a paper check had to be issued, which extended the disbursement timeline beyond the 14-day period.

While these situations were atypical, we recognize the importance of ensuring timely disbursement regardless of individual circumstances.

To strengthen controls, we continue to prioritize Title IV credit balance refunds over refunds resulting from institutional aid or other funding sources to ensure compliance with federal timelines. Although we continue our institutional practice of holding refunds until after the 10th day of class to account for schedule adjustments and enrollment changes, we will begin generating and reviewing credit balance reports earlier in the cycle to allow sufficient processing time. We will implement automated reporting to identify credit balances that occur after the end of an academic period. These reports will be sent to a shared bursar office email account rather than an individual staff member. This will ensure visibility and actionability even during staff absences, turnover, or non-workdays. Responsibility for monitoring and processing Title IV credit balances will be formally documented. Multiple staff members will be trained in the procedures to ensure appropriate backup coverage during employee absences, leave, or staffing transitions. Management will periodically review refund timelines to confirm adherence to procedures and verify that credit balances are disbursed within regulatory timeframes. We believe these corrective actions address the audit recommendation and will ensure timely and consistent processing of Title IV credit balance disbursements regardless of staffing availability.

Name of contact person:

Jennifer Mertz is the Assistant Vice Provost of Financial Services and Director of Financial Aid

Completion date:

All of the control strengthening mechanisms and documentation will be complete by June 30, 2026