

Chaminade University of Honolulu

Financial Statements

June 30, 2023 and 2022

Together with Independent Auditor's Report

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A Hawaii Limited Liability Partnership

Independent Auditor's Report

To the Board of Regents of
Chaminade University of Honolulu:

Opinion

We have audited the accompanying financial statements of Chaminade University of Honolulu (the University) which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

KMH LLP

KMH LLP

Honolulu, Hawaii
November 21, 2023

Chaminade University of Honolulu

Statements of Financial Position

June 30, 2023 and 2022

	<u>Assets</u>	
	2023	2022
Cash and Cash Equivalents	\$ 11,890,379	\$ 6,449,202
Restricted Cash Equivalents	2,317,425	2,345,463
	<u>14,207,804</u>	<u>8,794,665</u>
Receivables:		
Student tuition and fees (less allowance for credit losses of approximately \$1,025,700 in 2023 and \$586,600 in 2022)	2,673,320	2,094,479
Pledges, net	1,072,890	2,886,568
Grants	2,139,273	1,846,198
Other	291,534	193,456
Total receivables	<u>6,177,017</u>	<u>7,020,701</u>
Investments	38,110,554	32,648,359
Other Assets	699,805	840,188
Land, Buildings, Improvements and Equipment, net	55,042,628	57,593,825
Right of Use Assets:		
Operating leases, net	6,356,795	6,730,624
Finance leases, net	942,420	1,052,216
Interest in Net Assets of Chaminade University Educational Foundation	<u>1,778,675</u>	<u>1,587,429</u>
Total assets	<u>\$ 123,315,698</u>	<u>\$ 116,268,007</u>

See accompanying notes to financial statements.

Chaminade University of Honolulu

Statements of Financial Position

June 30, 2023 and 2022

Liabilities and Net Assets

	<u>2023</u>	<u>2022</u>
Accounts Payable and Accrued Expenses	\$ 2,877,366	\$ 2,301,869
Accrued Payroll	1,819,489	1,919,570
Advance Tuitions and Other Deferred Revenues	6,505,869	1,927,395
Deposits Held in Custody for Others	303,667	275,225
Lease Obligations:		
Operating lease obligations	3,590,753	3,851,665
Finance lease obligations	1,392,633	1,502,332
Bonds Payable, net	19,414,801	19,891,071
Total liabilities	<u>35,904,578</u>	<u>31,669,127</u>
Commitments and Contingencies		
Net Assets:		
Without donor restrictions	48,768,788	49,676,033
With donor restrictions	38,642,332	34,922,847
Total net assets	<u>87,411,120</u>	<u>84,598,880</u>
Total liabilities and net assets	<u><u>\$ 123,315,698</u></u>	<u><u>\$ 116,268,007</u></u>

See accompanying notes to financial statements.

Chaminade University of Honolulu

Statements of Activities

For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:						
Tuition and fees, net of discounts and scholarships of \$14,960,002 in 2023 and \$14,116,923 in 2022	\$ 39,234,746	\$ -	\$ 39,234,746	\$ 34,960,785	\$ -	\$ 34,960,785
Contributions, private gifts and grants	386,828	4,608,454	4,995,282	427,952	9,762,498	10,190,450
Contributions of nonfinancial assets	3,106,500	-	3,106,500	2,944,600	-	2,944,600
Auxiliary enterprises	4,011,237	-	4,011,237	3,262,679	-	3,262,679
Federal grants and contracts	5,266,409	-	5,266,409	11,184,028	-	11,184,028
Net investment income (loss)	1,727,433	3,268,046	4,995,479	(1,374,501)	(3,501,566)	(4,876,067)
Change in interest in net assets of Chaminade University Educational Foundation	-	191,246	191,246	-	(305,356)	(305,356)
Net assets released from restrictions	4,348,261	(4,348,261)	-	4,166,122	(4,166,122)	-
Other	305,094	-	305,094	255,030	-	255,030
Total revenues, gains, and other support	58,386,508	3,719,485	62,105,993	55,826,695	1,789,454	57,616,149
Expenses:						
Program expenses:						
Instructional	23,661,557	-	23,661,557	21,628,371	-	21,628,371
Academic support	13,110,288	-	13,110,288	11,842,183	-	11,842,183
Institutional support	9,188,453	-	9,188,453	9,040,022	-	9,040,022
Student services	6,891,270	-	6,891,270	7,875,234	-	7,875,234
Total program expenses	52,851,568	-	52,851,568	50,385,810	-	50,385,810
Fund-raising	1,215,503	-	1,215,503	962,326	-	962,326
Auxiliary enterprises	5,226,682	-	5,226,682	4,851,270	-	4,851,270
Total expenses	59,293,753	-	59,293,753	56,199,406	-	56,199,406
Change in net assets	(907,245)	3,719,485	2,812,240	(372,711)	1,789,454	1,416,743
Net Assets, Beginning of Year	49,676,033	34,922,847	84,598,880	50,048,744	33,133,393	83,182,137
Net Assets, End of Year	\$ 48,768,788	\$ 38,642,332	\$ 87,411,120	\$ 49,676,033	\$ 34,922,847	\$ 84,598,880

See accompanying notes to financial statements.

Chaminade University of Honolulu

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,812,240	\$ 1,416,743
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of land, buildings, improvements and equipment	4,747,550	4,786,666
Amortization of finance lease assets	109,796	144,376
Provision for doubtful accounts, net	439,100	207,800
Amortization of pledge discounts	(21,661)	(21,661)
Amortization of bond premiums and debt issuance costs	13,730	13,731
Interest in net assets of Chaminade University Educational Foundation	(191,246)	305,356
Net realized and unrealized gains on investments	(3,884,669)	5,647,905
Contributions restricted for long-term investment	(743,495)	(5,987,040)
Recovery from forgiveness of note payable	-	-
Change in operating assets and liabilities:		
Student tuition and fees receivable	(1,017,941)	(1,109,037)
Pledges receivable	1,835,339	453,293
Grants receivable	(293,075)	1,398,568
Other receivables	(98,078)	(62,150)
Other assets	140,383	3,295
Accounts payable and accrued expenses	456,375	(813,278)
Accrued payroll	(100,081)	102,679
Advance tuitions and other deferred revenues	4,578,474	224,589
Deposits held in custody for others	28,442	22,513
Operating lease right-of-use assets and liabilities	112,917	112,915
Net cash provided by operating activities	<u>8,924,100</u>	<u>6,847,263</u>
Cash Flows from Investing Activities:		
Purchases of investments	(1,771,582)	(8,455,292)
Proceeds from sale of investments	194,056	221,743
Purchases of land, buildings, improvements, and equipment	<u>(2,077,231)</u>	<u>(5,002,508)</u>
Net cash used in investing activities	<u>\$ (3,654,757)</u>	<u>\$ (13,236,057)</u>

(continued)

See accompanying notes to financial statements.

Chaminade University of Honolulu

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Financing Activities:		
Repayments of bonds payable	\$ (490,000)	\$ (460,000)
Principal payments on finance lease obligations	(109,699)	(121,257)
Proceeds from contributions and investment income restricted for:		
Investment in endowment	743,495	5,986,644
Investment in plant	<u>-</u>	<u>396</u>
Net cash provided by financing activities	<u>143,796</u>	<u>5,405,783</u>
Net increase (decrease) in cash and cash equivalents	5,413,139	(983,011)
Cash, Cash Equivalents, and Restricted Cash at beginning of year	<u>8,794,665</u>	<u>9,777,676</u>
Cash, Cash Equivalents, and Restricted Cash at end of year	<u><u>\$ 14,207,804</u></u>	<u><u>\$ 8,794,665</u></u>
Supplemental Disclosure of Cash Flow Information --		
Cash Paid During the Year for Interest	<u><u>\$ 1,108,576</u></u>	<u><u>\$ 1,139,714</u></u>
Supplemental Disclosure of Noncash Activity:		
Fixed Assets Additions Included in Accounts Payable and Accrued Expenses	<u><u>\$ 119,122</u></u>	<u><u>\$ 469,302</u></u>
Right-of-use assets obtained for operating lease obligations	<u><u>\$ -</u></u>	<u><u>\$ 3,817,509</u></u>

See accompanying notes to financial statements.

Chaminade University of Honolulu

Statement of Functional Expenses
For the Year Ended June 30, 2023

	Instructional	Academic Support	Institutional Support	Student Services	Fund-raising	Auxiliary Enterprises	Total
Salaries & Benefits	\$ 16,881,838	\$ 6,171,994	\$ 4,136,313	\$ 3,500,375	\$ 763,157	\$ 1,901,328	\$ 33,355,005
Supplies & Materials	681,047	287,409	96,473	98,378	51,070	332,674	1,547,051
Advertising & Promotion	13,282	111,530	110,447	866,283	24,673	37,420	1,163,635
Outside Services	2,183,168	893,322	637,781	575,554	183,887	174,988	4,648,700
Professional Services	85	10,694	792,986	253	6,527	24,270	834,815
Subscriptions & Fees	14,058	309,298	160,555	64,958	6,122	109,035	664,026
Utilities	318,120	439,724	265,712	159,978	9,806	624,339	1,817,679
Repairs & Maintenance	164,595	243,656	1,213,481	116,032	38,724	7,262	1,783,750
Lease & Operating Rent	910,312	1,256,537	340,953	444,966	27,964	674,827	3,655,559
Interest & Other	324,156	446,137	190,246	156,212	9,992	62,892	1,189,635
Depreciation and Amortization	1,271,358	2,109,471	354,026	448,214	50,134	624,143	4,857,346
Travel	162,774	143,752	24,144	106,117	19,461	652,871	1,109,119
Other Expenses	736,764	686,764	865,336	353,950	23,986	633	2,667,433
Total expenses	<u>\$ 23,661,557</u>	<u>\$ 13,110,288</u>	<u>\$ 9,188,453</u>	<u>\$ 6,891,270</u>	<u>\$ 1,215,503</u>	<u>\$ 5,226,682</u>	<u>\$ 59,293,753</u>

See accompanying notes to financial statements.

Chaminade University of Honolulu

Statement of Functional Expenses
For the Year Ended June 30, 2022

	Instructional	Academic Support	Institutional Support	Student Services	Fund-raising	Auxiliary Enterprises	Total
Salaries & Benefits	\$ 15,274,491	\$ 5,655,646	\$ 4,357,752	\$ 2,694,701	\$ 687,670	\$ 1,712,136	\$ 30,382,396
Supplies & Materials	693,472	339,132	89,600	87,214	10,370	122,540	1,342,328
Advertising & Promotion	8,938	131,528	128,229	601,293	32,674	58,218	960,880
Outside Services	1,725,577	870,887	819,328	331,398	79,073	120,875	3,947,138
Professional Services	682	74,497	759,931	104,166	20	13,101	952,397
Subscriptions & Fees	22,264	113,101	209,234	32,741	2,783	74,117	454,240
Utilities	274,628	372,147	250,070	129,921	9,000	548,003	1,583,769
Repairs & Maintenance	162,102	285,860	910,872	85,441	33,679	202,874	1,680,828
Lease & Operating Rent	867,678	1,170,809	359,056	394,909	26,068	604,956	3,423,476
Interest & Other	337,128	453,495	210,623	151,353	10,128	57,822	1,220,549
Depreciation and Amortization	1,339,350	2,003,245	406,097	490,973	52,167	639,210	4,931,042
Travel	114,845	46,347	46,384	74,990	5,265	435,741	723,572
Other Expenses	807,216	325,489	492,846	2,696,134	13,429	261,677	4,596,791
Total expenses	<u>\$ 21,628,371</u>	<u>\$ 11,842,183</u>	<u>\$ 9,040,022</u>	<u>\$ 7,875,234</u>	<u>\$ 962,326</u>	<u>\$ 4,851,270</u>	<u>\$ 56,199,406</u>

See accompanying notes to financial statements.

Chaminade University of Honolulu

Notes to Financial Statements

June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies

a. Organization

Chaminade University of Honolulu (the University) is a private, co-educational Catholic university established in 1955 by the Society of Mary, Marianists. The mission of the University is to prepare its students for professional careers and personal growth in an educational environment in the liberal arts tradition enriched by Catholic and Marianist values. The University offers classes that lead to Associate, Bachelors, Masters, and Professional Doctoral degrees.

The Marianist Center of Hawaii (MCH) is an autonomous, religious, not-for-profit Hawaii corporation established and controlled by the Society of Mary, Marianists, a Roman Catholic Institute of Consecrated Life, which owns, holds, and manages the land and certain of the buildings of the University's Kalaepohaku (Honolulu) campus used for the promotion and maintenance of its charitable, educational, and religious purposes. The University shares its campus with Saint Louis School (SLS), an affiliated college preparatory school for boys and young men.

b. Basis of Accounting

Net assets and revenues, gains and other support, expenditures, and other deductions are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed stipulations over which the Board of Regents (Board) has discretionary control.

Net assets without donor restrictions that are designated by the Board to be invested for long term use are considered to be quasi-endowment funds. The Board has the right to decide at any time to expend such funds.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. Contributions with donor-imposed restrictions are reported as donor restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies (continued)

b. Basis of Accounting (continued)

Net assets subject to donor-imposed stipulations that must be maintained permanently are also included in net assets with donor restrictions. The donors of these assets permit the University to use all of the income earned on related investments for general or specific purposes.

c. Cash and Cash Equivalents

For purposes of the statements of cash flows, the University considers all highly liquid instruments with original maturities of three months or less to be cash equivalents, unless they are purchased with resources that have donor-imposed restrictions that limit their use to long-term investment.

d. Restricted Cash Equivalents

Restricted cash equivalents include amounts deposited in money market funds, which are restricted by legal or contractual requirements associated with the servicing of the University's tax-exempt special-purpose revenue bonds and related bond reserves.

e. Student Receivables

Student accounts receivable which includes tuition and fees, are stated at amounts due from students, net of an allowance for credit losses. Receivables which are outstanding longer than the contractual payment terms are considered past due. The University recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the financial asset (contractual term) using historical experience, current general economic conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, which primarily consist of student accounts receivable. Assets are written off when the University determined that such financial assets are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date. As of June 30, 2023 and 2022, an allowance for credit losses accounts of approximately \$1,025,700 and \$586,000, respectively, was recorded.

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies (continued)

f. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statements of financial position with unrealized gains and losses included in the statements of activities.

Gains and losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Donated investments and in-kind gifts are stated at fair value at the date of donation.

g. Land, Buildings, Improvements, and Equipment

Buildings, improvements, and equipment are capitalized at cost, if purchased, or at fair market value at the date of donation. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and building improvements	10 to 30 years
Furniture, fixtures, and equipment	5 to 10 years

The University reports gifts of buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

h. Right-Of-Use Assets and Lease Liabilities

Right-of-use assets and lease liabilities represent amounts capitalized for the University's lease agreements in accordance with ASC Topic 842. The University recognizes rent expense for its operating leases on a straight-line basis over the terms of the respective lease agreements. Right-of-use assets for operating lease obligations include deferred lease rent expense recognized in advance of amounts due to the lessors. The University has elected to not apply the requirements in ASC Topic 842 to short-term leases that have terms of less than 12 months. There were no short-term leases at June 30, 2023 and 2022.

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies (continued)

i. Bond Issue Cost and Premium

The cost of issuing bonds are deferred and amortized to interest expense using the straight-line method, which approximates the effective interest method, over the term of the debt. Unamortized bond issuance costs are offset against the related bonds payable at June 30, 2023 and 2022. Amortization expense for the years ended June 30, 2023 and 2022 amounted to approximately \$22,200.

Bond premium is amortized ratably over the term of the related bond using the effective interest method, and the unamortized balance is reported as an offset to the related bond payable liability in the accompanying statements of financial position. Bond premium amortization for the years ended June 30, 2023 and 2022 amounted to approximately \$8,500.

j. Revenue Recognition

Private and federal grants and contracts—Revenues from private and federal grants and contracts are recognized when allowable expenditures are incurred under such agreements.

Tuition and educational fees, net—Student tuition and educational fees are recorded as revenues in the fiscal year the related academic services are rendered. Student tuition and educational fees received in advance of services to be rendered are recorded as deferred revenue. Financial aid provided by the University for tuition and educational fees is reflected as a reduction of tuition and educational fees. Financial aid does not include payments made to students for services provided to the University. Students who adjust their course load or withdraw within the first three weeks of the academic term may receive a full or partial refund in accordance with the University's refund policy. Refunds reduce the amount of revenue recognized. Payments for tuition are due the first day at the start of the academic term.

Chaminade University of Honolulu

Notes to Financial Statements

June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies (continued)

j. Revenue Recognition (continued)

The following table presents the University's revenues disaggregated by the nature of services for the years ended June 30, 2023 and 2022:

Tuition and fees, net:	2023	2022
Tuition	\$ 52,377,352	\$ 47,671,961
Fees	1,817,396	1,405,747
Discounts and scholarships	(14,960,002)	(14,116,923)
Total tuition and fees, net	<u>\$ 39,234,746</u>	<u>\$ 34,960,785</u>
Auxiliary enterprises:		
Housing	\$ 2,404,234	\$ 1,977,455
Dining, athletics, and other	1,607,003	1,285,224
Total auxiliary enterprises	<u>\$ 4,011,237</u>	<u>\$ 3,262,679</u>

The following table depicts activities for deferred revenue related to advanced tuition and other deferred revenue (see Note 1k):

	Balance at June 30, 2022	Refunds Issued	Revenue Recognized	Cash Received in Advance of Performance	Balance at June 30, 2023
Tuition	\$ 1,927,395	\$ -	\$ 1,927,395	\$ 2,689,453	\$ 2,689,453
Other	-	-	-	3,816,416	3,816,416
Total	<u>\$ 1,927,395</u>	<u>\$ -</u>	<u>\$ 1,927,395</u>	<u>\$ 6,505,869</u>	<u>\$ 6,505,869</u>

	Balance at June 30, 2021	Refunds Issued	Revenue Recognized	Cash Received in Advance of Performance	Balance at June 30, 2022
Tuition	\$ 1,680,536	\$ -	\$ 1,680,536	\$ 1,927,395	\$ 1,927,395
Other	22,270	-	22,270	-	-
Total	<u>\$ 1,702,806</u>	<u>\$ -</u>	<u>\$ 1,702,806</u>	<u>\$ 1,927,395</u>	<u>\$ 1,927,395</u>

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies (continued)

j. Revenue Recognition (continued)

The balance of deferred tuition revenue at June 30, 2023 will be recognized over the academic term as services are rendered during the year ending June 30, 2023. The balance of deferred revenue at June 30, 2022 has been recognized over the academic term as services were rendered during the year ended June 30, 2023.

k. Contributions

Unconditional promises to give (pledges receivable) that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using risk-free interest rates in the year in which the pledges are made. Amortization of the discounts is included in private gifts and grants revenue in the statements of activities. The University provides an allowance for uncollectible pledges based upon its best estimate of the amount of probable credit losses.

The University records conditional restricted pledges upon satisfaction of their conditions.

In 2016, the University received a conditional restricted pledge of approximately \$5,272,000 from Kamehameha Schools, a third-party educational trust. In 2018, the University received an amendment to the original pledge to include an additional conditional restricted pledge of approximately \$5,287,000. The University has recognized pledges receivable for variable installment payments on an annual basis upon the satisfaction of the conditions of the restricted pledge.

At June 30, 2022, the University had pledges receivable due from Kamehameha Schools of approximately \$2,025,000. These amounts, which were subsequently received, were recorded as pledges receivable and donor restricted contributions on the statements of net assets and statements of activities as of and for the years ended June 30, 2022. During the year ended June 30, 2023, the University received payment of approximately \$3,800,000 in advance of the expected annual installment and conditions of the agreement. The University recorded this balance in other deferred revenue on the statement of financial position.

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies (continued)

l. Contributed Nonfinancial Assets

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within revenue on the statement of activities included contributions of the use of land and certain buildings. Unless otherwise noted, contributed nonfinancial assets do not have donor-imposed restrictions. The University operates on the contributed use of land and certain buildings as noted in Note 12a. The University obtained a third-party valuation of the fair value of the land based on recent comparable sales prices in the University's real estate market.

m. Endowment

The University's endowment consists of 86 and 84 individual funds established for a variety of purposes at June 30, 2023 and 2022, respectively. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The University is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The University has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing donor-restricted funds, the University considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment funds are held as such until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the organization
- g. The investment policies of the organization.

Chaminade University of Honolulu

Notes to Financial Statements

June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies (continued)

m. Endowment (continued)

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The Investment Sub-Committee of the Board of Regents' Finance Committee has the responsibility to periodically review the Investment Policy, to ensure that it is in accordance with the objectives of the University. The University's goal is to protect, over the long-term, the future purchasing power of the managed funds by earning a net of fees return of 5.0% in excess of the long-term inflation rate.

The University's goal is to select an asset allocation which can reasonably be expected to earn the required rate of total return while assuming a risk no greater than that of a "standard" endowment portfolio when projected over a five-year period. The University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has a policy of appropriating for spending an average of 4% each fiscal year based on a 20 quarter average of the market value of the endowment fund on June 30 of the preceding fiscal year.

In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to maintain the future purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

At June 30, 2023 and 2022, total interfund financing of approximately \$1,892,000 and \$2,018,000, respectively, was outstanding from unrestricted operating funds. Repayment of the outstanding amount due to the endowment fund is made quarterly through principal and interest payments with an annual interest rate of 5.0%, and maturity of April 2034.

Chaminade University of Honolulu

Notes to Financial Statements

June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies (continued)

n. Impairment of Long-Lived Assets

Long-lived assets, such as buildings, improvements, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

o. Use of Estimates

The preparation of the financial statements requires management of the University to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, and other support and expenditures during the period. Significant items subject to such estimates and assumptions include the carrying amounts of donated buildings, improvements and equipment, obligations under the University's power purchase agreement, fair value of financial instruments, and valuation allowances for receivables. Actual results could differ from those estimates.

p. Concentrations of Credit Risk

Financial instruments that potentially subject the University to concentrations of credit risks primarily consist of temporary cash investments and student and pledges receivable. The University maintains its cash, cash equivalents, and restricted cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. Deposit accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per account holder. The University had approximately \$14,783,000 and \$9,438,000 in excess of federally-insured limits at June 30, 2023 and 2022, respectively. Management believes that the University is not exposed to any significant credit risk related to cash and cash equivalents.

At June 30, 2023 and 2022, approximately 75% and 67% of pledges receivable were due from one donor, respectively. The University maintains contact with donors throughout the year to identify and record an allowance for uncollectible pledges as they become known.

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies (continued)

q. Income Taxes

The University has received a determination from taxing authorities that its stated purpose is tax exempt as described in Section 501(c)(3) of the Internal Revenue Code and that contributions to the University are deductible for tax purposes by the donor, subject to the normal limitations imposed by the aforementioned authorities.

In evaluating a tax position for recognition, management judgmentally evaluates whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of related appeals or litigation processes, based on the technical merits of the position. If the tax position meets the more-likely-than-not recognition threshold, the tax position is measured and recognized in the University's financial statements as the largest amount of tax benefit that, in management's judgment, is greater than 50% likely of being realized upon ultimate settlement.

The University has evaluated its tax positions and determined that there were no uncertain tax positions at June 30, 2023 and 2022. Interest and penalties, if any (none in 2023 or 2022), are included in institutional support expenses.

r. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the University. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Significant expenses that are allocated include depreciation, rentals, and utilities, which are allocated on a square footage basis, as well as salaries and benefits, which are allocated on the basis of time and effort.

s. Risks and Uncertainties

On March 10, 2020, the World Health Organization (WHO) declared the coronavirus outbreak to be a pandemic. The coronavirus and actions taken to mitigate it have had an adverse impact on the economies and financial markets of many countries, including the United States of America (USA). On May 5, 2023 and May 11, 2023, the WHO and the USA, respectively, declared an end to the acute phase of the COVID-19 public health emergency, while also stating that the virus is an ongoing health issue and still poses a global threat. As a result, the University, continues to monitor these conditions including the financial effect to the University.

Chaminade University of Honolulu

Notes to Financial Statements

June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies (continued)

t. Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses (Topic 326). The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, is recognized through an allowance for credit losses and adjusted each period for changes in credit risk. The adoption of this ASU for the year ended June 30, 2023 did not have a significant effect on the University’s financial position and results of operations.

u. Reclassifications

Certain reclassifications were made to prior year’s financial statements to conform to the 2023 presentation. Such reclassifications had no impact on the previously reported net income.

2. Pledges Receivable

Pledges receivable consist of the following as of June 30, 2023 and 2022:

	2023	2022
Contributions to be received within 1 year	\$ 50,000	\$ 2,040,633
Contributions to be received in 1 to 5 years	70,000	90,000
Contributions to be received in more than 5 years	1,075,156	900,501
	1,195,156	3,031,134
Less discount at 2.95% in 2023 and 2022	(122,266)	(144,566)
	<u>\$ 1,072,890</u>	<u>\$ 2,886,568</u>

There is no allowance for uncollectible pledges receivable at June 30, 2023 and 2022.

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

3. Investments

Investments consist of the following as of June 30, 2023 and 2022:

	2023	2022
Mutual and exchange traded funds	\$ 35,947,162	\$ 30,412,704
U.S. government debt securities	676,356	630,669
Asset-backed securities	482,649	504,987
Corporate debt securities	781,672	880,184
Money market funds	222,715	219,815
Total investments	<u>\$ 38,110,554</u>	<u>\$ 32,648,359</u>

4. Fair Value Measurements

The FASB Accounting Standards Codification Topic 820 (ASC 820) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for identical or similar assets or liabilities in active or inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Chaminade University of Honolulu

Notes to Financial Statements

June 30, 2023 and 2022

4. Fair Value Measurements (continued)

The financial asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes to the methodologies used to determine fair value or transfers of items between levels for the years ended June 30, 2023 and 2022.

The following summarizes financial assets measured at fair value on a recurring basis as of June 30, 2023 and 2022, segregated by the level of the valuation inputs within the fair value of hierarchy utilized to measure fair value:

	Level 1	Level 2	Level 3	Total
2023:				
Mutual and exchange traded funds:				
Blended	\$ 29,223,555	\$ -	\$ -	\$ 29,223,555
Diversified emerging markets	2,838,659	-	-	2,838,659
Fixed income	3,884,948	-	-	3,884,948
Total mutual and exchange traded funds	35,947,162	-	-	35,947,162
Money market funds	222,715	-	-	222,715
U.S. government debt securities	-	676,356	-	676,356
Asset-backed securities	-	482,649	-	482,649
Corporate debt securities	-	781,672	-	781,672
	<u>\$ 36,169,877</u>	<u>\$ 1,940,677</u>	<u>\$ -</u>	<u>\$ 38,110,554</u>
2022:				
Mutual and exchange traded funds:				
Blended	\$ 23,592,430	\$ -	\$ -	\$ 23,592,430
Diversified emerging markets	3,180,364	-	-	3,180,364
Fixed income	3,639,910	-	-	3,639,910
Total mutual and exchange traded funds	30,412,704	-	-	30,412,704
Money market funds	219,815	-	-	219,815
U.S. government debt securities	-	630,669	-	630,669
Asset-backed securities	-	504,987	-	504,987
Corporate debt securities	-	880,184	-	880,184
	<u>\$ 30,632,519</u>	<u>\$ 2,015,840</u>	<u>\$ -</u>	<u>\$ 32,648,359</u>

Chaminade University of Honolulu

Notes to Financial Statements

June 30, 2023 and 2022

4. Fair Value Measurements (continued)

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents; Receivables; Accounts Payable and Accrued Expenses; Accrued Payroll; Advance Tuitions and Other Deferred Revenues; Deposits Held in Custody for Others – the carrying values approximate fair values due to the short maturity of these instruments or the use of market rates to discount the related cash flows.

The University's investments are recorded at fair value as follows:

Mutual and exchange traded funds are stated at fair value using quoted market prices or based on quoted prices obtained for similar assets.

Money market funds are determined using the net asset value reported on the active market on which the funds are traded.

U.S. Government and corporate debt securities are estimated using a market approach valuation technique that considers, among other things, credit information, observed market movements and sector news.

The University's policy is to transfer assets and liabilities into Level 3 when a significant input cannot be corroborated with market observable data. This may include circumstances in which market activity has dramatically decreased and transparency to underlying inputs cannot be observed, current prices are not available or substantial price variances in quotations among market participants exist. Transfers of assets and liabilities into or out of Level 3 are recognized at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. At June 30, 2023 and 2022, the University had no transfers into or out of Level 3.

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

4. Fair Value Measurements (continued)

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

5. Land, Buildings, Improvements, and Equipment

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

	2023	2022
Land	\$ 637,000	\$ 637,000
Building and building improvements	97,594,482	96,012,175
Furniture, fixtures, and equipment	20,856,376	19,945,569
	119,087,858	116,594,744
Less accumulated depreciation and amortization	(64,362,809)	(59,615,259)
	54,725,049	56,979,485
Construction in progress	317,579	614,340
	<u>\$ 55,042,628</u>	<u>\$ 57,593,825</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was \$4,747,550 and \$4,786,666, respectively.

6. Long Term Debt

a. Bonds Payable

The State of Hawaii constitution allows independent educational institutions the ability to issue tax-exempt State of Hawaii Special-Purpose Revenue Board (SPRB) bonds for the purpose of capital improvements.

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

6. Long Term Debt (continued)

a. Bonds Payable (continued)

The University's issuance of SPRB Series 2015 bonds was completed in December 2015 for \$20,255,000 and \$2,340,000 at a total premium of \$245,503. Management's objective for the issuance of the bonds was for the purpose of supporting various capital projects, repurchasing the SPRB Series 2006 bonds, and for funding a future debt service reserve. The series consists of term bonds with fixed interest rates ranging from 5.0% to 5.5% and maturing at various dates between January 1, 2022 and January 1, 2045. These obligations are secured by all tuition and fees received by the University, certain property, and by restricted cash equivalents. These obligations also include certain restrictive covenants with which the University was in compliance at June 30, 2023 and 2022.

Net bonds payable consist of the following at June 30, 2023 and 2022:

	2023	2022
Bonds payable	\$ 19,710,000	\$ 20,200,000
Unamortized bond premium	182,011	190,477
Unamortized issuance costs	(477,210)	(499,406)
	<u>\$ 19,414,801</u>	<u>\$ 19,891,071</u>

Interest expense on bonds payable amounted to \$997,750 and \$1,022,513 for the years ended June 30, 2023 and 2022, respectively.

Future maturities of the University's bonds payable as of June 30, 2023 are as follows:

Years ending June 30,	Principal	Interest	Total
2024	\$ 510,000	\$ 985,500	\$ 1,495,500
2025	540,000	960,000	1,500,000
2026	565,000	933,000	1,498,000
2027	590,000	904,750	1,494,750
2028	620,000	875,250	1,495,250
Thereafter	16,885,000	8,575,500	25,460,500
	<u>\$ 19,710,000</u>	<u>\$ 13,234,000</u>	<u>\$ 32,944,000</u>

Chaminade University of Honolulu

Notes to Financial Statements

June 30, 2023 and 2022

6. Long Term Debt (continued)

b. Line of Credit

The University has a \$6 million line of credit agreement with a bank available through March 2024 which bears interest at 8.25% at June 30, 2022, and secured by accounts receivable and equipment. There was no amount outstanding as of June 30, 2023 and 2022.

There was no capitalized interest on notes payable for the years ended June 30, 2023 and 2022.

7. Endowments

The University's endowment funds consist of the following at June 30, 2023 and 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
2023:			
Donor-restricted funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 22,290,172	\$ 22,290,172
Accumulated investment gains	-	8,638,449	8,638,449
	<u>\$ -</u>	<u>\$ 30,928,621</u>	<u>\$ 30,928,621</u>
2022:			
Donor-restricted funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 21,422,021	\$ 21,422,021
Accumulated investment gains	-	5,969,950	5,969,950
	<u>\$ -</u>	<u>\$ 27,391,971</u>	<u>\$ 27,391,971</u>

Chaminade University of Honolulu

Notes to Financial Statements

June 30, 2023 and 2022

7. Endowments (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with FASB ASC Topic 958-205-45, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2023, deficiencies exist in 3 donor-restricted endowment funds which together have an original value of approximately \$503,000, a current value of \$491,000, and a deficiency of \$12,000. As of June 30, 2022, deficiencies exist in 9 donor-restricted endowment funds which together have an original value of approximately \$6,790,000, a current value of \$6,053,000, and a deficiency of \$737,000. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board.

During the years ended June 30, 2023 and 2022, the University had the following endowment-related activities:

	Without Donor Restrictions	With Donor Restrictions	Total
2023:			
Beginning of year	\$ -	\$ 27,391,971	\$ 27,391,971
Investment return, net	-	3,254,052	3,254,052
Contributions	-	868,151	868,151
Appropriations for expenditures	-	(585,553)	(585,553)
	<u>\$ -</u>	<u>\$ 30,928,621</u>	<u>\$ 30,928,621</u>
2022:			
Beginning of year	\$ -	\$ 25,517,217	\$ 25,517,217
Investment return, net	-	(3,602,060)	(3,602,060)
Contributions	-	5,986,644	5,986,644
Appropriations for expenditures	-	(509,830)	(509,830)
	<u>\$ -</u>	<u>\$ 27,391,971</u>	<u>\$ 27,391,971</u>

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

8. Net Assets With Donor Restrictions

Net assets are released from donor restrictions primarily by incurring expenses that satisfy the restricted purposes. Net assets released from restrictions during the years ended June 30, 2023 and 2022 and the remaining balance of net assets with donor restrictions as of June 30, 2023 and 2022 is as follows:

	2023		2022	
	Restriction Released	Available Balance	Restriction Released	Available Balance
Purpose of restriction:				
Financial aid, scholarships and awards	\$ 2,038,395	\$ 24,515,727	\$ 2,337,549	\$ 22,186,183
Instructional support and other	2,244,768	5,980,591	1,828,177	5,188,767
Building improvements and equipment acquisitions	65,098	6,367,339	396	5,960,468
Interest in net assets of Chaminade University Educational Foundation	-	1,778,675	-	1,587,429
	<u>\$ 4,348,261</u>	<u>\$ 38,642,332</u>	<u>\$ 4,166,122</u>	<u>\$ 34,922,847</u>

All endowment funds are classified as net assets with donor restrictions. The net assets restricted for financial aid, scholarships and awards and instructional support and other include original donor-restricted endowment gift amounts of approximately \$17,609,000 and \$16,842,000, as of June 30, 2023 and 2022, respectively, and accumulated endowment investment gains of approximately \$7,685,000 and \$5,557,000, as of June 30, 2023 and 2022, respectively. The net assets restricted for building improvements and equipment acquisitions include original donor-restricted endowment gift amounts of approximately \$4,681,000 and \$4,580,000 as of June 30, 2023 and 2022, respectively, and accumulated endowment gains of approximately \$954,000 and \$413,000, as of June 30, 2023 and 2022, respectively. There are no accumulated investment gains related to non-endowment funds.

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

9. Liquidity

The University's financial assets available within one year of June 30, 2023 and 2022 for general expenditures are as follows:

	2023	2022
Financial Assets:		
Cash and cash equivalents	\$ 11,890,379	\$ 6,449,202
Restricted cash and cash equivalents	2,317,425	2,345,463
Receivables	6,177,017	7,020,701
Interest in net assets of CUEF	1,778,675	1,587,429
Investments	38,110,554	32,648,359
Financial assets, at year end	60,274,050	50,051,154
Less those unavailable for general expenditure within one year, due to:		
Pledge receivable not collectible within 1 year	(1,145,156)	(990,501)
Restricted for debt service	(2,317,425)	(2,345,463)
Donor-imposed restrictions	(38,642,332)	(34,922,847)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 18,169,137</u>	<u>\$ 11,792,343</u>

The University is supported mainly through tuition revenues, grants, fundraising, and private contributions. This includes donor restricted contributions. The University must maintain sufficient resources to meet the restricted purpose of those contributions. As a result, certain financial assets may not be available for general expenditures within one year. As part of the University's liquidity management, it has a policy to structure its financial assets to be available as obligations from day to day operations become due. Cash in excess of daily requirements are invested in short-term cash equivalents. In the event of unanticipated liquidity need, the University may draw upon a \$6 million line of credit (see Note 6b).

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

10. Commitments and Contingencies

a. Leases

Operating Leases

The University is committed under an operating lease agreement through 2032 for real property used for student housing. The lease provides that the University pay for property tax assessments, insurance, general excise taxes, and certain maintenance and operating expenses applicable to the leased premises. Certain lease agreements include an option to purchase the leased fee interest available at the University's option starting in 2017. These were not exercised during the years ended June 30, 2023 and 2022. This lease agreement was amended during the year ended June 30, 2022 to extend to 2033.

The University also has an agreement with SLS for the University to lease certain parcels of land from SLS on which the University constructed a locker and training buildings as well as for the use of various SLS athletic facilities. In consideration for the above, the University prepaid rent in January 2017 to SLS in the amount of \$450,000 for the land with a term of 40 years and \$3,050,000 for use of SLS' athletic facilities with a term of 30 years.

Right of use assets and related lease liabilities for operating leases have been recorded at amounts equal to the present value of the future lease payments using a risk-free rate applicable to the respective lease term, including extension options that are available to the University that management believes are reasonably certain of being exercised. Operating lease rent expense is recognized on a straight-line basis over the applicable lease term. Rent expense for the years ended June 30, 2023 and 2022 amounted to approximately \$374,000 and \$522,000, respectively. The carrying value of right-of-use assets related to operating leases was approximately \$6,357,000 and \$6,731,000, as of June 30, 2023 and 2022, respectively. The lease liability for operating leases totaled approximately \$3,591,000 and \$3,852,000 as of June 30, 2023 and 2022, respectively.

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

10. Commitments and Contingencies (continued)

a. Leases (continued)

Finance Leases

During the year ended June 30, 2012, the University, MCH and SLS (collectively, the Partners), jointly entered into a long-term power purchase agreement to purchase the energy generated by a solar electric generating facility (the System). The System provides energy to various buildings occupied by the Partners and has a generation output of approximately 352,000 kilowatt-hours at June 30, 2023. The Partners are jointly obligated under the terms of the agreement to purchase all of the energy output of the equipment at a rate of approximately \$0.18 per kilowatt-hour, with an escalation of 3 percent per year for the term of 20 years (\$0.238 at June 30, 2023). The total amount paid by the Partners for the years ended June 30, 2023 and 2022 was approximately \$85,000 and \$155,000, respectively.

The agreement includes two purchase options for the System available at the Partners' option during the years ending June 30, 2022 and 2027 at a cost equal to the greater of the fair value of the equipment or \$1,370,000 and \$1,128,000, respectively. The Partners have allocated the amounts due under the agreement among the University, SLS and MCH based on each party's share of the expected electricity usage. The University also had a finance lease for certain office equipment, which expired in June 2022.

Chaminade University of Honolulu

Notes to Financial Statements

June 30, 2023 and 2022

10. Commitments and Contingencies (continued)

a. Leases (continued)

The right-of-use assets and related lease liabilities for finance leases were recorded at amounts equal to the present value of future minimum lease payments using the University's incremental borrowing rate at the inception of the lease. Right-of-use assets for financing leases are amortized using the straight-line method over the estimated life of the asset. The carrying value of right-of-use assets related to finance leases was approximately \$942,000 and \$1,052,000 as of June 30, 2023 and 2022, respectively. Amortization of expense for the year ended June 30, 2023 and 2022 amounted to approximately \$110,000 and \$144,000, respectively. The lease liability for finance leases totaled approximately \$1,392,000 and \$1,502,000 as of June 30, 2023 and 2022, respectively.

Future minimum lease payments for operating and finance leases are approximately as follows:

	Operating Leases	Finance Leases
Years ending June 30,		
2024	\$ 434,000	\$ 179,000
2025	447,000	184,000
2026	460,000	188,000
2027	474,000	193,000
2028	488,000	198,000
Thereafter	2,150,000	750,000
	4,453,000	1,692,000
Less: amount representing interest	(862,000)	(300,000)
	<u>\$ 3,591,000</u>	<u>\$ 1,392,000</u>

Chaminade University of Honolulu

Notes to Financial Statements

June 30, 2023 and 2022

10. Commitments and Contingencies (continued)

a. Leases (continued)

As of and for the year ended June 30, 2023 and 2022, amounts related to operating and finance leases are as follows:

	2023	2022
Finance lease cost:		
Amortization of right-of-use assets	\$ 110,000	\$ 144,000
Interest on lease liabilities	66,000	71,000
Operating lease cost	603,000	631,000
	<u>\$ 779,000</u>	<u>\$ 846,000</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 261,000	\$ 409,000
Operating cash flows from finance leases	66,000	71,000
Financing cash flows from finance leases	110,000	121,000
Total cash paid	<u>\$ 437,000</u>	<u>\$ 601,000</u>
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ -	\$ 3,818,000
Finance leases	-	-
Total right-of-use assets obtained	<u>\$ -</u>	<u>\$ 3,818,000</u>
Weighted-average remaining lease term - operating leases	<u>8.47 years</u>	<u>9.91 years</u>
Weighted-average remaining lease term - finance leases	<u>7.03 years</u>	<u>8.58 years</u>
Weighted-average discount rate - operating leases	<u>4.43%</u>	<u>4.74%</u>
Weighted-average discount rate - finance leases	<u>4.25%</u>	<u>4.58%</u>

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

10. Commitments and Contingencies (continued)

b. Other Contract Commitments

The University is committed under construction contracts totaling approximately \$188,000 and \$469,000 at June 30, 2023 and 2022, respectively.

The University outsourced its bookstore operations in May 2014 to an independent third party. The outsourcing agreement continues through April 30, 2024 and may be renewed for an additional five year period subject to mutual agreement. Under the terms of the agreement, the University receives a variable percentage of gross sales from the operation of the bookstore, which is included in auxiliary enterprises in the accompanying statements of activities.

c. Litigation

The University is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the University's financial position, results of operations, or liquidity.

11. Transactions with Affiliated Entities

a. Marianist Center of Hawaii

The land and certain buildings from which the University operates belong to MCH. In March 2006, the properties were leased to the University under a lease agreement for a term of 50 years. The lease requires annual rent of \$1 and all taxes, assessments, and other charges applicable to the leased premises. The University has the option to extend the term of the lease for one additional 50-year period. This lease is not included in the operating leases in Note 10a. For the years ended June 30, 2023 and 2022, the estimated fair value of the lease rent for the land and buildings has been determined by a real estate appraiser to be approximately \$3,106,500 and \$2,944,600, respectively, and is included in contributions of nonfinancial assets and in various expenditure classifications in the accompanying statements of activities.

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

11. Transactions with Affiliated Entities (continued)

b. Chaminade University Educational Foundation

The Chaminade University Educational Foundation (the Foundation), a charitable trust, was created exclusively to encourage, promote, and assist in the financing of the objectives and purpose of the University. Trustees are appointed by majority vote of the remaining trustees. The Foundation has received a determination from taxing authorities that its stated purpose is tax exempt as described in the Internal Revenue Code. The Foundation's board of trustees has sole discretion as to the timing and amounts of contributions of its net assets to the University. During the years ended June 30, 2023 and 2022, the University did not have any transactions with the Foundation.

c. Contributions

Pledges receivable as of June 30, 2023 and 2022 include amounts from members of the Board totaling approximately \$25,000. Contributions for the years ended June 30, 2023 and 2022 include amounts received from members of the Board totaling approximately \$182,000 and \$169,000, respectively.

d. Saint Louis School

As further described in Note 10a, effective January 1, 2017, the University has an agreement with SLS for the University to lease certain parcels of land from SLS on which the University constructed a locker and training building as well as for the use of various SLS athletic facilities. The University also shares its campus with SLS under the terms of the lease with MCH. Certain utilities and other shared costs of maintaining the campus are paid by the University and subsequently reimbursed by SLS. The reimbursements totaled approximately \$709,000 and \$631,000 for the years ended June 30, 2023 and 2022, respectively. The University had approximately \$189,000 and \$41,000 due from SLS included in other receivables on the statements of financial position as of June 30, 2023 and 2022, respectively.

Chaminade University of Honolulu

Notes to Financial Statements
June 30, 2023 and 2022

12. Employee Benefit Plan

The University sponsors a contributory, defined contribution retirement plan for eligible career faculty and administrative employees. Plan contributions are based upon a percentage of each participant's total earnings and are funded by the University on a current basis. Contributions to the plan, net of any forfeitures, were approximately \$948,000 and \$909,000 for the years ended June 30, 2023 and 2022, respectively.

13. Subsequent Events

The University has evaluated subsequent events through November 21, 2023, the date on which the financial statements were available to be issued, and it was determined that all subsequent events had been properly accounted for.