

**Harrisburg University of
Science and Technology**

Consolidated Financial Statements and
Supplementary Information

Years Ended June 30, 2025 and 2024
with Independent Auditor's Report

MaherDuessel

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

YEARS ENDED JUNE 30, 2025 AND 2024

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Consolidated Statements of Financial Position	1
Consolidated Statement of Activities – Year Ended June 30, 2025	2
Consolidated Statement of Activities – Year Ended June 30, 2024	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	6

Supplementary Information:

Financial Responsibility Supplemental Schedule	45
Notes to the Financial Responsibility Supplemental Schedule	46

Independent Auditor's Report in Accordance with *Government Auditing Standards*:

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
---	----

Independent Auditor's Report

**Board of Trustees
Harrisburg University of Science and Technology**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Harrisburg University of Science and Technology (University), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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 Consolidated Financial Statements

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

In preparing the 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 within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 generally accepted auditing standards 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 generally accepted auditing standards 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 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The financial responsibility supplementary schedule and supplemental schedule notes as required by the U.S. Department of Education are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 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.

Maher Duessel

Harrisburg, Pennsylvania
December 23, 2025

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 8,021,921	\$ 3,165,586
Tuition and fees receivable, less allowance of \$2,943,000 for 2025 and \$1,962,000 for 2024	2,596,710	3,799,762
Contributions receivable, net	6,053,507	7,671,732
Grants receivable	132,301	66,050
Other receivables, less allowance of \$10,500 for 2025 and \$0 for 2024	627,492	878,897
Prepaid expenses	600,303	694,313
Security deposits	95,560	272,697
Investments held for the benefit of others	82,070	268,554
Property and equipment, net	164,412,791	172,065,032
Operating lease right-of-use asset, net	2,983,200	3,659,705
Financing lease right-of-use asset, net	147,501	137,214
Restricted bond fund investments	15,439,762	13,146,232
Endowment funds	1,584,540	1,528,280
Other assets	21,001	21,001
Total Assets	\$ 202,798,659	\$ 207,375,055
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 992,698	\$ 1,983,964
Other liabilities	1,791,378	2,228,101
Accrued interest	1,760,017	1,773,548
Other accrued expenses	1,041,776	3,324,729
Deposits and deferred revenue	9,149,798	10,134,431
Line of credit	6,500,000	7,814,963
Operating lease liability	3,115,807	3,798,508
Financing lease liability	144,401	2,200,632
Notes payable	12,550,793	6,919,708
Bonds payable	143,358,588	146,260,901
Total Liabilities	180,405,256	186,439,485
Net Assets:		
Without donor restrictions		
Investment in property and equipment	20,924,696	19,814,399
Undesignated	(11,566,778)	(13,513,004)
Total without donor restrictions	9,357,918	6,301,395
With donor restrictions		
Purpose restrictions	4,580,978	5,181,443
Passage of time	7,012,507	8,010,732
Perpetual in nature	1,442,000	1,442,000
Total with donor restrictions	13,035,485	14,634,175
Total Net Assets	22,393,403	20,935,570
Total Liabilities and Net Assets	\$ 202,798,659	\$ 207,375,055

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

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support:			
Educational and general:			
Tuition and fees	\$ 65,617,743	\$ -	\$ 65,617,743
Less student aid	(7,085,770)	-	(7,085,770)
Tuition and fees, net	58,531,973	-	58,531,973
Contributions of cash and other financial assets	3,509,676	5,505,016	9,014,692
Contributions - noncash	159,133	-	159,133
Governmental grants	120,447	871,413	991,860
Interest and dividends	611,966	50,130	662,096
Other sources	3,164,057	-	3,164,057
Total educational and general	66,097,252	6,426,559	72,523,811
Auxiliary revenues	837,919	-	837,919
Realized gains on investments	-	16,639	16,639
Unrealized gains on investments	3,997	83,216	87,213
Net assets released from restrictions	8,125,104	(8,125,104)	-
Total revenues, gains and other support	75,064,273	(1,598,690)	73,465,583
Expenses:			
Educational and general:			
Instructional	32,146,929	-	32,146,929
Research	1,351,148	-	1,351,148
Academic support	5,076,360	-	5,076,360
Student services	12,709,353	-	12,709,353
Auxiliary	866,670	-	866,670
Institutional support	18,100,583	-	18,100,583
Fundraising	1,387,414	-	1,387,414
Total expenses	71,638,457	-	71,638,457
Change in Net Assets Before Other Income/Expense:	3,425,816	(1,598,690)	1,827,126
Other Income/Expense			
Gain on debt forgiveness	1,397,361	-	1,397,361
Impairment of assets	(1,766,654)	-	(1,766,654)
Total Other Income/Expense	(369,293)		(369,293)
Total Change in Net Assets	3,056,523	(1,598,690)	1,457,833
Net Assets:			
Beginning	6,301,395	14,634,175	20,935,570
Ending	\$ 9,357,918	\$ 13,035,485	\$ 22,393,403

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

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support:			
Educational and general:			
Tuition and fees	\$ 63,411,828	\$ -	\$ 63,411,828
Less student aid	(7,760,757)	-	(7,760,757)
Tuition and fees, net	55,651,071	-	55,651,071
Contributions of cash and other financial assets	1,160,988	5,372,116	6,533,104
Contributions - noncash	95,000	-	95,000
Governmental grants	3,465	819,867	823,332
Interest and dividends	584,489	48,406	632,895
Other sources	3,722,706	-	3,722,706
Total educational and general	61,217,719	6,240,389	67,458,108
Auxiliary revenues	670,937	-	670,937
Realized gains on investments	-	13,240	13,240
Unrealized gains on investments	2,531	119,401	121,932
Net assets released from restrictions	2,750,221	(2,750,221)	-
 Total revenues, gains and other support	 64,641,408	 3,622,809	 68,264,217
Expenses:			
Educational and general:			
Instructional	40,742,112	-	40,742,112
Research	877,471	-	877,471
Academic support	7,431,814	-	7,431,814
Student services	15,031,688	-	15,031,688
Auxiliary	856,570	-	856,570
Institutional support	20,186,413	-	20,186,413
Fundraising	1,104,925	-	1,104,925
Total expenses	86,230,993	-	86,230,993
Change in Net Assets Before Other Income/Expense:	(21,589,585)	3,622,809	(17,966,776)
Other Income/Expense			
Gain on debt forgiveness	3,848,403	-	3,848,403
Impairment of assets	(2,522,190)	-	(2,522,190)
Total Other Income/Expense	1,326,213		1,326,213
Total Change in Net Assets	(20,263,372)	3,622,809	(16,640,563)
Net Assets:			
Beginning	26,564,767	11,011,366	37,576,133
Ending	\$ 6,301,395	\$ 14,634,175	\$ 20,935,570

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

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,457,833	\$ (16,640,563)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Forgiveness of debt	(1,397,361)	(3,848,403)
Impairment of assets	1,766,654	2,522,190
Depreciation and amortization	6,818,318	6,671,723
Provision for credit losses on receivables	991,500	748,467
Right-of-use assets - leases	666,218	(218,058)
Noncash donations capitalized	(159,133)	(95,000)
Unrealized losses (gains) on investments	(83,216)	(119,401)
Realized losses (gains) on investments	(16,639)	(13,240)
Changes in assets and liabilities:		
(Increase) decrease in:		
Tuition and fees receivable	222,052	(1,794,461)
Contributions receivable	1,618,225	1,104,223
Grants receivable	(66,251)	(17,608)
Other receivables	251,405	(33,755)
Prepaid expenses	94,010	173,713
Security deposits	177,137	(48,000)
Increase (decrease) in:		
Accounts payable	(991,266)	487,807
Other liabilities	(436,723)	(76,270)
Accrued interest	(13,531)	(26,383)
Other accrued expenses	(1,930,817)	217,768
Deposits and deferred revenue	(984,633)	(310,525)
Lease liabilities	(1,704,210)	(248,395)
Net cash provided by (used in) operating activities	6,279,572	(11,564,171)
Cash Flows From Investing Activities:		
Purchases of investments	(50,130)	(147,469)
Sale and maturities of investments	(2,013,319)	(1,400,352)
Purchases of property and equipment	(773,597)	-
Investment in notes receivable	-	(1,358,884)
Net cash provided by (used in) investing activities	(2,837,046)	(2,906,705)
		(Continued)

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

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2025 AND 2024

(Continued)

	2025	2024
Cash Flows From Financing Activities:		
Principal paid on debt	(2,902,313)	(1,462,133)
Proceeds from line of credit	1,539,560	9,256,516
Payments on line of credit	(2,854,523)	(6,441,553)
Proceeds from issuance of notes payable	11,414,171	6,039,420
Payments on notes payable	(5,783,086)	(4,726,038)
Net cash provided by (used in) financing activities	1,413,809	2,666,212
Net Increase (Decrease) in Cash and Cash Equivalents	4,856,335	(11,804,664)
Cash and Cash Equivalents:		
Beginning of year	3,165,586	14,970,250
End of year	\$ 8,021,921	\$ 3,165,586
Unrestricted and Restricted Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 8,021,921	\$ 3,165,586
	\$ 8,021,921	\$ 3,165,586
Supplemental Disclosures of Cash Flows Information		
Cash paid for interest, net of capitalized interest of \$3,419,987	\$ 9,884,726	\$ 10,003,585
		(Concluded)

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

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

1. Summary of Significant Accounting Policies

Nature of Operations

Harrisburg University of Science and Technology (the "University" or "HU") is an independent not-for-profit institution located in Harrisburg, Pennsylvania. The University is the nation's only comprehensive university that integrates an affiliated college preparatory high school and a business accelerator. The University's academic and research programs in mathematics, science, and technology are designed to meet the needs of the region's youth, workforce, and businesses, and to expand, attract, and create economic opportunities in the region.

The University admitted its first class of students for the Fall 2005 term. In June 2009, the University was accredited by the Middle States Commission on Higher Education. The Middle States Commission on Higher Education is an institutional agency recognized by the U.S. Secretary of Education and the Council for Higher Education Accreditation.

During the year ended June 30, 2021, the University formed the Center for Innovation and Entrepreneurship, Inc. (CIE), which is a wholly owned subsidiary of the University. CIE was formed to provide capital for entrepreneurs on joint ventures the University may wish to pursue.

In October 2022, the University received accreditation approval for a Dubai campus in the United Arab Emirates. In November 2022, the Board of Trustees of the University approved forming a subsidiary of the University in the Dubai International Financial Center to conform to UAE governance requirements to offer degree programs. The Dubai Campus ceased operations on June 30, 2024.

Principles of Consolidation

The consolidated financial statements include the accounts of the University and its subsidiary, CIE Inc., and the University in the Dubai International Finance Center. All significant intercompany transactions have been eliminated.

Basis of Accounting

These consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

States of America, with income recognized when earned and expenses recognized when incurred.

Other Revenue and Expense

Other revenue and expense are those not directly related to the primary mission and activities of the University. These items are reported separately in the Statement of Activities. These items include loss on impairment and gain on debt forgiveness.

Use of Estimates

Management of the University has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Accordingly, actual results could differ from those estimates. Significant estimates that could ultimately result in changes to amounts reflected in these consolidated financial statements include provisions for credit losses, discount on pledges, and depreciation of property and equipment. It is at least reasonably possible that a change in estimates could occur in the near term.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

Contributions, including unconditional promises to give, are recorded as revenues in the period the promise is made. Conditional promises to give are not recognized until the conditions are met or the pledge payments are received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year (including those under the terms of gift annuities and charitable remainder trusts) are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible contributions receivable is determined based on management's judgment including such factors as prior collection history, type of contribution, and nature of the fundraising activity.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Contributions with donor-imposed restrictions are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor-imposed restriction. Contributions restricted for the acquisition of property and equipment are reported as with donor restrictions revenue. Those contributions are reclassified to net assets without donor restrictions when restrictions have been met. Unconditional promises to give are considered a passage of time restriction until the pledge is paid, at which time the restriction would be released. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as net asset without donor restriction support.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments (including overnight repurchase agreements) with original maturities of three months or less, that are not held for endowment or other long-term purposes. The University maintains its cash accounts in various financial institutions.

Bond Funds

Bond funds represent funds originated from bond proceeds that are set aside for payment of interest and principal on the University Revenue Bonds as described in Note 7 and for future capital projects. The terms of the bond agreements require a minimum balance of \$4,168,381 for the Series of 2017 and \$7,356,750 for the Series of 2020 bonds. The University maintained funds of \$5,843,907 and \$4,810,033 for the Series of 2017 bonds at June 30, 2025 and 2024, respectively, and \$9,595,855 and \$8,336,199 for the Series of 2020 bonds at June 30, 2025 and 2024, respectively, which are in excess of the required balance due to accumulated earnings on these funds. In addition, the University had remaining bond proceeds of \$0 at June 30, 2025 and 2024, for future capital projects and \$0 and \$9 set aside as capitalized interest to be used for future debt payments at June 30, 2025 and 2024, respectively.

Tuition and Fees Receivable and Allowance for Credit Losses

The University provides credit in the normal course of business to its students for tuition, fees, and room and board. It is the University's policy to provide an allowance for expected credit losses on uncollectible tuition and fees receivable based on an evaluation of the underlying account balances, the historical collection experience of

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

the University on such balances, the past due status, and other factors which, in management's judgment, require consideration in estimating expected credit losses. Management believes the historical loss information is a reasonable basis to which to determine expected credit losses because the composition of accounts receivable has been consistent in congruence with the University's collection policies. Further, management has determined that current and reasonably supported forecasted economic conditions are consistent with historical information used to estimate credit losses. As a result, credit losses have not been adjusted for any forecasted changes. Actual write-offs of uncollectible accounts are done periodically after collection efforts have been unsuccessful. Accounts receivable for tuition and fees, net were \$2,596,710, \$3,799,762, and \$2,112,304 as of June 30, 2025, June 30, 2024, and July 1, 2023, respectively. The allowance for credit losses is estimated at \$2,943,000 and \$1,962,000 as of June 30, 2025 and 2024, respectively, as determined by the allowance rollforward below:

	2025	2024
Beginning balance	\$ 1,962,000	\$ 1,855,000
Provision for credit losses	1,079,100	448,918
Write-offs	(98,100)	(337,363)
Recoveries	-	(4,555)
Ending balance	<u>\$ 2,943,000</u>	<u>\$ 1,962,000</u>

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Consolidated Statements of Financial Position. Unrealized gains and losses are included in the change in net assets.

Investments of the University are exposed to various risks, such as interest rate, market, currency, and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment assets reported in the consolidated financial statements.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Property and Equipment

Property and equipment values represent cost at date of acquisition, or fair value at date of donation in the case of gifts. The University uses a capitalization threshold of \$2,500. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	40 years
Leasehold improvements	5 - 30 years
Furnishings and equipment	5 - 7 years
Library contents	10 years

The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the period of disposal.

Leases

The University leases locations for classroom instruction, student union space, and miscellaneous equipment. The University determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position. Finance leases are included in financing lease right-of-use assets, and financing lease liabilities on the Consolidated Statements of Financial Position.

ROU assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the University's leases do not provide an implicit rate, the incremental borrowing rate is used which is based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The University's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Some of the University's lease agreements include rental payments based on changes in the consumer price index (CPI). Lease liabilities are not remeasured as a result of

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

changes in the CPI. Instead, changes in the CPI are treated as variable lease payments and are excluded from the measurement of the right-of-use asset and lease liability. The University also does not recognize short-term leases, those leases with initial terms of less than twelve months. These payments are recognized in the period in which the related obligation was incurred. The variable lease cost recognized and disclosed for those leases in 2025 and 2024 were \$47,400 and \$587,999, respectively.

Additionally, for certain equipment leases, the University applies a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

In evaluating contracts to determine if they qualify as a lease, the University considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

In determining the discount rate used to measure the right-of-use asset and lease liability, the University uses rates implicit in the lease, or if not readily available, they use their incremental borrowing rate. The incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the University's assets. Determining a credit spread as secured by the assets may require significant judgment.

Debt Issuance Costs

Debt issuance costs and discounts, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs and discounts relate. Amortization of debt issuance costs and discounts is reported as components of interest expense and is computed using the straight-line method, which is not materially different than the effective interest method.

Deposits and Deferred Revenue

Deposits and deferred revenue related to summer session tuition for the portion of the session occurring after June 30 and all fall session tuition received prior to June 30.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Net Assets

The University reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. A description of the two net asset categories follows:

Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.

With Donor Restrictions: Net assets whose use by the University is subject to donor-imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time and net assets subject to donor-imposed restrictions that are to be maintained permanently by the University.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are generally reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Advertising Expense

The University expenses advertising costs as incurred. This expense was \$764,860 and \$3,224,858 for the years ended June 30, 2025 and 2024, respectively.

Tax Status

Under provisions of the Internal Revenue Code, Section 501 (c)(3), and the applicable tax regulations of Pennsylvania, the University is exempt from taxes on income other than unrelated business income. The University's policy is to charge penalties and interest to income tax expense as incurred. The University files Form 990, "Return of Organization Exempt from Income Tax." Form 990 is generally subject to examination for a period of three years after the returns are filed.

CIE, Inc. is a corporation that is required to file an annual Form 1120. Any applicable federal income taxes are paid by the corporation.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

The University follows generally accepted accounting principles, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition for income taxes recognized in the University's consolidated financial statements.

Risk Management

The University receives a significant portion of its funding from federal sources, including student financial aid programs administered by the U.S. Department of Education and other various federal grants. Changes in federal policy, reductions in appropriations, or changes in eligibility criteria for federal programs could negatively impact the University's operations and financial position. While management considers the University's current federal funding streams to be stable, the current federal funding environment indicates a risk that future funding levels may be reduced, withheld, or delayed as a result of legislative or regulatory actions, executive orders, or government shutdowns. Management continues to monitor legislative and regulatory developments that could affect current and future federal funding.

Defined Contribution Pension Plan

The University sponsors a 403(b) pension plan covering substantially all employees. The University may make discretionary contributions to the plan annually. Through January 2016, the plan was funded solely by employee contributions. The University provided matching contributions of 8% effective July 1, 2022. Contributions by the University to the plan were \$1,065,421 and \$1,732,088 for the years ended June 30, 2025 and 2024, respectively. Since the plan is a defined contribution plan, the University has no financial obligations to the plan other than making any matching requirements it approves.

Deferred Compensation Plan

The University also sponsors a 457(f) supplemental deferred compensation plan to provide a deferred compensation plan for the President and certain other selected senior executives. Annual contributions to the plan with respect to the President are based on amounts specified in the President's employment agreement. Annual contributions for the other participants are determined by the President. These contributions are also subject to review and approval by the Executive Committee

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

during their annual review of the compensation package for the President. The President has the discretion to fund selected senior executives. The participants in the plan become 100% vested in the portion attributable to contributions and earnings for each plan year on the third anniversary of the first day of each plan year as long as the participant remains employed by the University. As long as the participant remains employed by the University, the participant becomes 100% vested in their entire account upon the earliest to occur of (1) involuntary termination (other than for “cause”); (2) voluntary termination for “good reason”; (3) age 60; (4) disability; or (5) death. Plan assets and liabilities under the plan at June 30, 2025 were \$82,070 and \$85,586, respectively. Plan assets and liabilities under the plan at June 30, 2024 were \$268,554 and \$372,079, respectively.

Revenue Recognition

Generally accepted accounting principles require recognition and disclosure of the recognition of revenues under ASC 606, “Revenue from Contracts with Customers”. The sources of revenue for the University are tuition and fees, contributions, government grants, interest and dividends, other sources, and auxiliary revenues. Revenue is recognized as earned based on contractual terms, as transactions occur, or as services are provided. All revenues determined to be in the scope of ASC 606 are presented within the Consolidated Statements of Activities and are recognized as performance obligations are met. Contributions, government grants, interest and dividend income, and unrealized gains/(losses) are recognized on the accrual basis, but these revenues are outside the scope of ASC 606.

Following is further detail of the various types of revenue the University earns and when it is recognized under ASC 606:

Tuition and Fees: The University recognizes tuition revenue over the applicable period of instruction. The University enters into contracts with students to provide delivery of the academic program and housing during an academic term. Revenue recognition commences once a student begins attending a course.

The University’s tuition and fees receivables (contract receivables) represent unconditional rights to consideration from its contracts with students. Students are invoiced and payment is due prior to the start of the term.

Tuition and auxiliary services revenue are considered to be separate performance obligations. The performance obligation for tuition is the delivery of the academic

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

program and the performance obligation for auxiliary services revenue is the University providing housing arrangements during the applicable academic term. The University recognizes tuition and housing revenues over the duration of the academic period to which the charges relate.

The University determines the transaction price based on the standard charges for tuition and housing, reduced by refunds and certain institutional scholarships and aid in accordance with the University's policies for granting such aid. Refunds were approximately 1.78% and 1.44% of the total amount billed for June 30, 2025 and 2024, respectively.

If a student withdraws during the academic term, the student is refunded based on a defined refund schedule and which week the student is in within the academic term. No refunds are awarded after the end of the third week of the academic term. There is no refund liability at June 30, 2025 and 2024.

The University's contract liabilities are reported as deposits and deferred revenue in the Consolidated Statements of Financial Position. Student deposits and deferred revenue in any period represent the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue in the Consolidated Statements of Activities and are reflected as liabilities in the accompanying Consolidated Statements of Financial Position.

The following table provides information about significant changes in deferred revenues for the years ended June 30:

	Other Deferred Revenue	Summer Tuition	Total
Deferred revenue at July 1, 2023	\$ 6,210,411	\$ 4,234,545	\$ 10,444,956
Revenue recognized during the year ended June 30, 2023	6,210,411	4,234,545	10,444,956
Deferred revenue at July 1, 2024	5,470,890	4,663,541	10,134,431
Revenue recognized during the year ended June 30, 2024	5,470,890	4,663,541	10,134,431
Cash received in advance of performance	4,534,234	4,615,565	9,149,798
Deposits and deferred revenue at June 30, 2025	<u>\$ 4,534,234</u>	<u>\$ 4,615,565</u>	<u>\$ 9,149,798</u>

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Other Sources: The University charges certain administrative and consulting fees for services to students and recognizes other income from various sources based on services provided. Revenues are recognized based on the delivery of goods and services which corresponds to the satisfaction of the performance obligation.

Auxiliary Revenues: Auxiliary revenues consist of housing and rental income. The performance obligation for auxiliary services revenue is the University providing housing arrangements during the applicable academic term. The University recognizes housing revenues over the duration of the academic period to which the charges relate.

Pending Accounting Standards Updates

The Financial Accounting Standard Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2023-09, *"Income Taxes (Topic 740): Improvements to Income Tax Disclosures,"* is effective for fiscal years beginning after December 15, 2025 for entities other than public business entities. The amendments in this update improve tax related disclosures primarily related to the rate reconciliation and income taxes paid information.

ASU 2025-05, *"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets,"* is effective for fiscal years beginning after December 15, 2025. The amendments in this update provide for a practical expedient and accounting policy election when estimating expected credit losses on current accounts receivable and/or current contract assets arising from transactions under Topic 606, including those assets acquired in a transaction accounted for under Topic 805, Business Combinations.

2. Liquidity and Availability

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. In addition, the University has two lines of credit available to cover any short term funding shortfalls in the amount of (1) \$9,000,000, of which \$284,860 was available to the University at June 30, 2025 and (2) \$6,500,000, of which \$0 was available to the University at June 30, 2025.

As of June 30, 2025 and 2024, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Financial assets at year-end:	2025	2024
Cash and cash equivalents	\$ 8,021,921	\$ 3,165,586
Tuition, fees and other receivables, net	3,224,202	4,678,659
Contributions and grants receivable, net	6,185,808	7,737,782
Endowment and bond funds	17,024,302	14,674,512
Total financial assets	34,456,233	30,256,539
Less amounts not available to meet general expenditures within one year:		
Future expendable donor-restricted endowment	223,261	86,280
Portion of donor-restricted endowment to be retained in perpetuity	1,442,000	1,442,000
Contributions not due in the next fiscal year	6,110,500	6,250,500
Bond funds	15,439,762	13,146,232
Financial assets available to meet general expenditures within one year	\$ 11,240,710	\$ 9,331,527

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

3. Contributions and Notes Receivables

Contributions receivable, representing donor promises to give, are discounted to present value assuming their respective terms. The effective interest rate applicable to the discount on unconditional promises to give was 4.07% and 4.66% at June 30, 2025 and 2024, respectively. The pledges are scheduled to be collected as follows, net of the allowance for uncollectible promises to give:

	2025	2024
Unconditional promises to give:		
Receivable in less than one year	\$ 173,100	\$ 1,627,250
Receivable in one year to five years	4,180,500	4,320,500
Receivable in five year to nine years	1,930,000	1,930,000
Total	6,283,600	7,877,750
Less allowance for uncollectible promises to give	-	-
Discount for present value of cash flows	(230,093)	(206,018)
Unconditional promises to give, net	\$ 6,053,507	\$ 7,671,732

At June 30, 2025, one donor accounted for 95.0% of total promises to give. Two contributors accounted for approximately 90.1% of total contribution revenue for the year ended June 30, 2024.

On July 1, 2021 the University entered into a convertible promissory note receivable with a medical partners company ("the Company") for the development of an osteopathic medical school at another university. Under the terms of the agreement, advances can be made up to \$2,000,000 for 24 months in accordance with milestone events outlined in the agreement with interest accruing on draws at 2.50%. The note is due and payable on demand of the University at any time after the later of 36 months from the drawdown date of the initial advance or the matriculation date, which is the first day of the calendar month following the first day of classes for the medical school.

The note receivable has a conversion feature that allows, at the Company's option, for the outstanding amount to be converted into equity securities on the later of the matriculation date or the initial closing of the Company. In lieu of converting the note, the Company may elect to repay the entire outstanding principal and accrued interest plus a premium equal to 20% of the principal that has been drawn. The principal

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

amount outstanding on this note was \$600,000 at June 30, 2024. Due to subsequent events at the Company, the University does not believe that any outstanding amount on the receivable will be collected in the future and has placed an allowance for expected credit loss in the amount of \$641,467, including principal and accrued interest, pending final outcome of their outstanding claims. The net amount recorded for this note receivable is \$-0- as of June 30, 2024.

4. Investments

The University's investments consisting of restricted bond funds, investments held for the benefit of others, and general investments, including endowments, which are summarized as follows at June 30:

	2025			
	Cost	Unrealized Gains	Unrealized Losses	Total Fair Value
Money markets	\$ 15,513,556	\$ -	\$ -	\$ 15,513,556
Fixed income mutual funds	728,793	-	(53,364)	675,429
Equity mutual funds	729,471	65,244	-	794,715
Alternative fixed income core diversified mutual funds	44,258	-	(3,656)	40,602
	<u>\$ 17,016,078</u>	<u>\$ 65,244</u>	<u>\$ (57,020)</u>	<u>\$ 17,024,302</u>
	2024			
	Cost	Unrealized Gains	Unrealized Losses	Total Fair Value
Money markets	\$ 13,164,763	\$ -	\$ -	\$ 13,164,763
Fixed income mutual funds	728,793	-	(67,230)	661,563
Equity mutual funds	729,471	79,408	-	808,879
Alternative fixed income core diversified mutual funds	44,258	-	(4,951)	39,307
	<u>\$ 14,667,285</u>	<u>\$ 79,408</u>	<u>\$ (72,181)</u>	<u>\$ 14,674,512</u>

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

5. Endowments

The University has one endowment established by a donor to provide investment income for student scholarships. Net assets associated with the endowment are classified and reported as net assets with donor restrictions based on the existence of donor-imposed restrictions.

The Commonwealth of Pennsylvania has not adopted the Uniform Prudent Management of Institutional Funds Act of 2006. Guidance for the administration of endowment funds in Pennsylvania is provided in Act 141, which was passed by the Pennsylvania legislature in 1998. Under Act 141, Pennsylvania not-for-profit organizations are permitted to elect an annual amount that may be used from their endowment funds based on an annual spending rate between 2% and 7%. Act 141 permits the spending of accumulated principal and income from an endowment fund if the amount withdrawn is less than or equal to the annually elected percentage. The University's interpretation of Act 141 classifies capital appreciation earned by the donor-restricted endowment fund investments as with donor restrictions activity. The University intends to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as donor-restricted net assets the original value of the gifts donated to the endowment and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The University considers several factors when making a determination to appropriate or accumulate donor-restricted endowment funds. These factors include the duration and preservation of the fund, the mission of the University, the purpose of the donor-restricted endowment fund, satisfaction of specific donor instructions, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, and other resources.

The University seeks to achieve the optimal return possible from the endowment investment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the organization to retain as a fund of perpetual duration. There are no deficiencies in endowment funds for fiscal years 2025 and 2024.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Endowment assets are invested as follows at June 30:

	2025			
	Cost	Unrealized Gains	Unrealized Losses	Total Fair Value
Money markets	\$ 73,794	\$ -	\$ -	\$ 73,794
Fixed income mutual funds	773,051	-	(57,020)	716,031
Equity mutual funds	729,471	65,244	-	794,715
	<u>\$ 1,576,316</u>	<u>\$ 65,244</u>	<u>\$ (57,020)</u>	<u>\$ 1,584,540</u>

	2024			
	Cost	Unrealized Gains	Unrealized Losses	Total Fair Value
Money markets	\$ 18,531	\$ -	\$ -	\$ 18,531
Fixed income mutual funds	773,051	-	(72,180)	700,871
Equity mutual funds	729,471	79,407	-	808,878
	<u>\$ 1,521,053</u>	<u>\$ 79,407</u>	<u>\$ (72,180)</u>	<u>\$ 1,528,280</u>

The changes in endowment net assets for the years ended June 30, 2025 and 2024 were as follows:

	With Donor Restrictions
Endowment net assets at July 1, 2023	\$ 1,251,035
Contributions	108,000
Appropriation for expenditure	(11,801)
Investment return, net	181,046
Endowment net assets at June 30, 2024	<u>1,528,280</u>
Contributions	-
Appropriation for expenditure	(13,004)
Investment return, net	69,264
Endowment net assets at June 30, 2025	<u>\$ 1,584,540</u>

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

6. Property and Equipment

A summary of property and equipment of the University as of June 30 is as follows:

	2025		
	Cost	Accumulated Depreciation	Depreciated Cost
Land	\$ 7,290,030	\$ -	\$ 7,290,030
Buildings and improvements	179,047,476	34,198,426	144,849,050
Leasehold improvements	4,511,911	1,378,518	3,133,393
Furnishings and equipment	18,267,998	9,530,888	8,737,110
Library contents	43,172	26,200	16,972
Construction in process	386,236	-	386,236
Total	<u>\$ 209,546,823</u>	<u>\$ 45,134,032</u>	<u>\$ 164,412,791</u>

	2024		
	Cost	Accumulated Depreciation	Depreciated Cost
Land	\$ 7,290,030	\$ -	\$ 7,290,030
Buildings and improvements	179,047,476	29,722,239	149,325,237
Leasehold improvements	7,503,555	2,254,691	5,248,864
Furnishings and equipment	17,717,240	7,540,938	10,176,302
Library contents	41,405	22,837	18,568
Construction in process	6,031	-	6,031
Total	<u>\$ 211,605,737</u>	<u>\$ 39,540,705</u>	<u>\$ 172,065,032</u>

Depreciation expense (including amortization expense of assets under finance leases) for the years ended June 30, 2025 and 2024 was \$6,818,318 and \$6,671,722, respectively.

7. Leases

The University has several long-term leases with a related party (see Note 14) for office space. The leases run for five (5) years and have one (1) year renewal options. The University has a 48-month lease agreement for the use of copiers. The University has a

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

lease with the Whitaker Center for eSports space with a term of 30 years, with the option to cancel after 10 years. The University has an additional lease with the Whitaker Center with a lease term of 28 years for the student union space. The University also has various leases for units with a local apartment complex in order to provide student housing.

On January 12, 2024, the University entered into an agreement with a third party to lease 32,771 square feet at 1500 Spring Garden Street, Philadelphia, Pennsylvania. Under the terms of the agreement, the “commencement date” of the lease was retroactive to August 1, 2023. The lease is for a term of thirty-six (36) months, in addition to the rental payments common area expenses are also charged to the University. Monthly base rent for the first three years after the “commencement date” is \$36,075, \$48,000, and \$49,440 for lease years one, two, and three, respectively.

On September 14, 2021, the University entered into an agreement with Messiah College to sublease 11,000 square feet and a paved parking area of approximately 2,550 square feet at 28 South Dewberry Street, Harrisburg, PA. The lease commenced on August 1, 2022 and will expire on July 31, 2027. Annual base rent is \$141,000 with an increase based on the consumer price index each year.

On March 29, 2023, the University entered into an agreement with Cogito Human Capital FZCO, a United Arab Emirates company to finance the occupancy of Building 19 in the Dubai Knowledge Park, which housed the University’s Dubai campus. The lease included the building along with all the fit outs to occupy the building. The lease commenced on January 5, 2023 and will expire on January 5, 2026. Monthly base rent is approximately \$29,800 for the term of the lease. These leases have been terminated and a settlement entered for a note payable of \$646,000 payable by September 2025 which resulted in forgiveness of debt of \$358,107.

On March 2, 2023, the University entered into an agreement with Tecom Investments FZ, LLC., a United Emirates company for the lease of approximately 15,600 square feet in the Dubai Knowledge Park. The lease commenced on January 24, 2023 and will expire on January 24, 2028. Monthly rent is approximately \$24,300 in the first year rising to approximately \$50,500 in the final year of the lease agreement. This lease was intended to provide space for classrooms. During the year ended June 30, 2024, it was determined no classes would be held in the classrooms and the related asset was considered impaired and shown as impairment of assets on the Consolidated Statement of Activities. During the year ended June 30, 2025, the lease was terminated and a

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

settlement agreement was entered into which resulted in forgiveness of debt of \$1,034,721 (see “Subsequent Event” footnote).

Total amount of financing and operating leases right of use assets that were recorded as of June 30, 2025 and 2024 were the following:

<u>June 30, 2025</u>	<u>Financing</u>	<u>Operating</u>
Right-of-use asset	\$ 186,504	\$ 5,455,814
Accumulated amortization	<u>(39,003)</u>	<u>(2,472,614)</u>
Total, net	<u>\$ 147,501</u>	<u>\$ 2,983,200</u>

<u>June 30, 2024</u>	<u>Financing</u>	<u>Operating</u>
Right-of-use asset	\$ 3,997,287	\$ 5,288,746
Accumulated amortization and terminated lease	<u>(3,860,073)</u>	<u>(1,629,041)</u>
Total, net	<u>\$ 137,214</u>	<u>\$ 3,659,705</u>

The amount shown as accumulated amortization for financing as of June 30, 2024 includes \$2,464,390 for impaired leases.

The components of lease expense were as follows as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 1,119,407	\$ 1,070,612
Short-term lease cost	47,400	587,999
Finance lease cost:		
Amortization of right-of-use assets	19,559	918,211
Interest on lease liabilities	<u>2,003</u>	<u>60,815</u>
Total finance lease costs	<u>\$ 21,562</u>	<u>\$ 979,026</u>

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Other information related to leases as of June 30, 2025 and 2024 was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	2025	2024
Operating cash flows from operating leases	\$ 1,119,407	\$ 1,070,612
Operating cash flows from finance leases	19,559	918,211
Financing cash flows from finance leases	2,003	60,815
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	-	648,302
Finance leases	-	-
Weighted average remaining lease term:		
Operating leases	16.8 years	14.8 years
Finance leases	2.84 years	3.35 years
Weighted average discount rate:		
Operating leases	5.54%	5.65%
Finance leases	4.15%	0.77%

Future minimum lease payments under leases as of June 30, 2025 were as follows:

Year Ending June 30,	Operating Leases	Finance Leases
2026	\$ 584,149	\$ 54,431
2027	523,787	50,322
2028	324,578	39,271
2029	161,547	9,300
2030	165,375	-
Thereafter	3,204,560	-
Total future minimum lease payments	4,963,996	153,324
Less: interest	(1,848,189)	(8,923)
Total	\$ 3,115,807	\$ 144,401

See Note 14 for related party rent expense.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

8. Bonds and Notes Payable

The changes in bonds and notes payable as of June 30 are as follows:

		2025			
		Beginning	Addition	Deletion	Ending
A)	Revenue Bonds - Series of 2017	\$ 49,135,000	\$ -	\$ (1,720,000)	\$ 47,415,000
	Bond issuance costs/underwriter's discount	(664,370)	-	46,030	(618,340)
	Original issue discount	(953,730)	-	65,840	(887,890)
	Net Series of 2017 bonds payable	47,516,900	-	(1,608,130)	45,908,770
B)	Revenue Bonds - Series of 2020	100,000,000	-	(1,360,000)	98,640,000
	Bond issuance costs/underwriter's discount	(1,255,999)	-	65,817	(1,190,182)
	Net Series of 2020 bonds payable	98,744,001	-	(1,294,183)	97,449,818
	Subtotal - bonds payable	146,260,901	-	(2,902,313)	143,358,588
C)	Notes payable - HMS	2,486,197	1,414,171	(229,857)	3,670,511
D)	Notes payable - individuals	-	1,000,000	(1,000,000)	-
E)	Construction note payable	3,787,511	-	(3,787,511)	-
F)	Notes payable - ESTA	646,000	-	(480,858)	165,142
G)	Notes payable - Member's 1st	-	9,000,000	(284,860)	8,715,140
	Subtotal - notes payable	6,919,708	11,414,171	(5,783,086)	12,550,793
	Total bonds and notes payable	\$ 153,180,609	\$ 11,414,171	\$ (8,685,399)	\$ 155,909,381

		2024			
		Beginning	Addition	Deletion	Ending
A)	Revenue Bonds - Series of 2017	\$ 50,775,000	\$ -	\$ (1,640,000)	\$ 49,135,000
	Bond issuance costs/underwriter's discount	(710,399)	-	46,029	(664,370)
	Original issue discount	(1,019,570)	-	65,840	(953,730)
	Net Series of 2017 bonds payable	49,045,031	-	(1,528,131)	47,516,900
B)	Revenue Bonds - Series of 2020	100,000,000	-	-	100,000,000
	Bond issuance costs/underwriter's discount	(1,321,995)	-	65,996	(1,255,999)
	Net Series of 2020 bonds payable	98,678,005	-	65,996	98,744,001
	Subtotal - bonds payable	147,723,036	-	(1,462,135)	146,260,901
C)	Notes payable - HMS	-	2,486,197	-	2,486,197
D)	Notes payable - individuals	2,000,000	-	(2,000,000)	-
E)	Construction note payable	7,455,163	-	(3,667,652)	3,787,511
F)	Notes payable - ESTA	-	646,000	-	646,000
	Subtotal - notes payable	9,455,163	3,132,197	(5,667,652)	6,919,708
	Total bonds and notes payable	\$ 157,178,199	\$ 3,132,197	\$ (7,129,787)	\$ 153,180,609

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Bonds Payable

(A) Revenue Bonds - Series of 2017

On July 12, 2017, the University issued bonds in the amount of \$58,015,000 with the Dauphin County General Authority ("DCGA"). The proceeds of the bonds were used to pay off the Revenue Bonds – Series B of 2007 and cover the costs of issuing the bonds. Interest is payable semiannually on April 15 and October 15, commencing October 15, 2017. The bonds are payable in principal installments ranging from \$1,505,000 to \$4,060,000 through October 15, 2041 with interest ranging from 4.000% to 5.125%.

The Series 2017 Bonds are secured by all University's revenues without donor restrictions and a first mortgage lien on the "Education Unit" within the Market Street property and its undivided percentage interests in the common elements and limited common elements of the condominium unit. The book value of this property is \$37,402,268 at June 30, 2025.

(B) Revenue Bonds - Series of 2020

On December 30, 2020, the University issued bonds in the amount of \$100,000,000 with the Dauphin County General Authority ("DCGA"). The proceeds of the bonds were used to fund the construction of the health sciences center and cover the costs of issuing the bonds. Interest is payable semiannually on April 15 and October 15, commencing April 15, 2021. The bonds are payable in principal installments ranging from \$1,360,000 to \$6,950,000 through October 15, 2053 with interest ranging from 4.250% to 6.250%.

The Series 2020 Bonds are secured by all University's revenues without donor restrictions and a first mortgage lien on Chestnut Street Land and the Chestnut Street Building during construction. Upon completion of construction, the mortgage lien automatically converts to a mortgage lien solely on the "Education Unit" within the Chestnut Street property and its undivided percentage interests in the common elements and limited common elements of the Chestnut Street condominium unit. The book value of this property as of June 30, 2025 was \$100,975,658.

Under the terms of the Series of 2017 and 2020 Bond agreements, the University is required to maintain a Debt Service Reserve Fund as described in Note 1.

In addition, the University is also required to meet certain financial covenants including 75 days cash on hand and a coverage ratio of at least 1.10 to 1 each year. If either of the

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

covenants is not met, engagement of an independent consultant will be triggered to submit a written report and make recommendations with respect to revenues and other financial matters of the University to increase cash on hand or the coverage ratio. The University was in compliance with the days cash on hand and the coverage ratio as of June 30, 2025. As of June 30, 2024, the University was in compliance with the days cash on hand. The University was not in compliance with the coverage ratio as of June 30, 2024, as such University was in technical default with the coverage ratio as of June 30, 2024. This resulted in the University entering into a consent and forbearance agreement related to the Revenue Bond Series of 2017 and 2020. This agreement provided for the University to obtain an additional revolving line of credit and on January 30, 2025, the University obtained the additional revolving line of credit with a credit union in the amount of \$6,500,000.

For the year ended June 30, 2023, the University retained a consultant to review operations for areas concerning expense reduction and/ or revenue enhancement. During the year ended June 30, 2024, a consultant expanded the work performed as part of the prior year's engagement. The engagement focused on evaluation of the progress made on recommendations from the previous consultant, gaining operational efficiency and stabilizing the institution. Further, during the year ended June 30, 2024, the University settled certain outstanding debt as described in the footnotes, that will result in increased cash flow in the future. In addition, the University is actively looking for an entity to sublease space (or assign the lease) that currently is not in use but for which there is a long-term lease commitment. Finally, the University will comply with enhanced reporting requirements to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board as a result of not meeting financial covenants.

Amortization of debt issuance costs to interest expense related to the 2017 and 2020 bonds was \$47,477 and \$47,554 for the years ended June 30, 2025 and 2024, respectively. Amortization of the underwriter's bond discount to interest expense for the years ended June 30, 2025 and 2024 was \$64,369 and \$64,471, respectively. Amortization of the original issue discount, only applicable to the Series 2017 bonds, for the years ended June 30, 2025 and 2024 was \$65,840 and \$65,840 respectively.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Principal payments due over the next five years and thereafter on the 2017 and 2020 bonds are as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2026	\$ 3,225,000
2027	3,385,000
2028	3,540,000
2029	3,720,000
2030	3,910,000
2031-2035	22,850,000
2036-2040	29,905,000
2041-2045	25,835,000
Thereafter	49,685,000
	<u><u>\$ 146,055,000</u></u>

Line of Credit

The University has a \$9,000,000 revolving line of credit with a credit union, secured by assets of the University. Borrowings under the line bear interest at the Wall Street Journal prime rate plus 1.5%, or a floor of 3.99% and ceiling of 18.00% (8.50% at June 30, 2025). Accrued interest and principal are due at maturity. Total amount outstanding on the line of credit as of June 30, 2024 was \$7,814,963. During the year ended June 30, 2025, this line of credit was converted to a note (described in Note 8).

On January 30, 2025, the University entered into a consent and forbearance agreement related to the Revenue Bond Series of 2017 and 2020. The agreement is in effect until February 28, 2025, and provided for the University obtain an additional revolving line of credit. On January 30, 2025 the University obtained the additional revolving line of credit with a credit union in the amount of \$6,500,000. The line of credit will be used as needed for operations and is guaranteed by certain board members. Borrowings under the line bear interest at the Wall Street Journal prime rate plus 1.5%, or a floor of 3.99% and ceiling of 18.00% (9.0% at June 30, 2025). Accrued interest and principal are due at maturity. Total amount outstanding on the line of credit as of June 30, 2025 and 2024 was \$6,500,000 and \$0, respectively.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Notes Payable

(C) Notes Payable - HMS

As part of the settlement agreement with the management company (described in Note 18), the University has a note payable of \$2,486,197 at June 30, 2025 and June 30, 2024. The note bears an interest rate of 6%. Beginning on November 25, 2024, the University will make twelve interest only payments in the amount of \$12,431. Beginning on November 25, 2025, the University will make a monthly payment of principal and interest in the amount of \$81,913 until the final payment on July 25, 2028.

A second note payable for amounts due after June 30, 2024, in the amount of \$1,414,171, was issued under the same settlement agreement with the management company and was recorded in fiscal year 2025. This note bears interest at a rate of 6%. Beginning November 25, 2024, the note requires the University to make six monthly payments of interest in the amount of \$7,071. Beginning on May 25, 2025, the University shall make six monthly payments of principal and interest in the amount of \$121,713, and a final balloon payment of \$839,377 on October 25, 2025.

(D) Individuals

The University had entered into a promissory note with a board member. Interest on this note accrued at 7.5%, and principal and interest are payable in full on August 1, 2023. The principal balance of \$2,000,000 is recorded under notes payable. This note was paid in full on July 14, 2023.

The University obtained a non-interest bearing loan from a board member. The principal balance of \$1,000,000 is recorded under notes payable. This loan was paid in full on January 7, 2025.

(E) Construction note payable

In June 2023, the University entered into a settlement agreement with the construction manager of the Health Science Tower. The University agreed to enter into a note payable for the remaining portion of the construction contract in the amount of \$8,065,191. Monthly installment payments varying between \$300,000 and \$350,000 for 23 months beginning in September of 2023. The note carries an interest rate of 10% and comes with a final balloon payment of \$1,784,436 in July 2025. On December 10, 2024, the University entered into a settlement agreement with the construction

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

manager which required a payment of \$3 million and results in debt forgiveness of \$1,551,642. A Trustee contributed \$2 million of the amount paid and agreed to loan the remaining \$1 million on a short-term basis which was repaid in January 2025. The University paid the \$3 million settlement to the construction manager on December 13, 2024.

Total interest expense was \$9,884,726 and \$10,033,585 (net of capitalized interest of \$3,413,987) for the years ended June 30, 2025 and 2024, respectively.

(F) Notes Payable – ESTA

As part of the settlement agreement with Emirates Specialized Trading Agencies – Sole Proprietorship LLC (ESTA) in which Cogito Human Capital FZCO is an affiliate (described in Note 7), a note was issued in the principal amount of \$646,000. The note bears interest at 6% and requires twelve monthly payments of principal and interest in the amount of \$55,599.

(G) Notes Payable – Member's 1st

As stated in the line of credit section (described in Note 8), the University had a \$9,000,000 revolving line of credit with a credit union. During the year ended June 30, 2025, this line of credit was converted to a note. The note bears an interest rate of 8.5%. Beginning on March 16, 2025, the University will make a monthly payment of principal and interest in the amount of \$142,103 until the final payment on February 16, 2032.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

9. Restrictions on Net Assets

The nature of net assets with restrictions at June 30 was as follows:

	<u>2025</u>	<u>2024</u>
Net assets with donor restrictions		
Endowment net assets subject to expenditure for specified purposes		
Scholarship fund interest	\$ 142,537	\$ 86,280
Endowment net assets to be maintained in perpetuity		
Scholarship fund	1,442,000	1,442,000
Net assets subject to expenditure for specified purposes		
Educational program development	1,332,278	2,050,000
Contributions used for donor purpose	2,807,263	2,807,263
Scholarships	298,900	237,900
Net assets subject to passage of time		
Pledges receivable	7,012,507	8,010,732
	<u>\$ 13,035,485</u>	<u>\$ 14,634,175</u>

Restricted net assets consist of endowment investments and other funds restricted for specific purposes on the Consolidated Statements of Financial Position. This consists of a Scholarship Fund Endowment (Note 5) established with a donor-imposed stipulation that the principal shall remain intact indefinitely, except as due to market fluctuations in the underlying investments, and the interest income is to be used to provide scholarships to students of the University. Other funds are to be used for specified purposes based on donor established restrictions.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

10. Assets Released from Restrictions

Net assets released from restrictions consist of the following for the years ended June 30, 2025 and 2024:

	2025	2024
Time restriction accomplished		
Collections of outstanding pledges	\$ 1,033,150	\$ 1,027,500
Purpose restriction accomplished		
State grant - IAG	174,033	169,740
County grant	-	10,000
Other state and federal grants	697,380	650,127
Research grants	49,750	83,859
Contributions utilized for donor purposes	5,955,477	680,824
Scholarships	215,314	128,171
	<u>\$ 8,125,104</u>	<u>\$ 2,750,221</u>

11. Government Grants

In 2008, the University was approved for a \$25 million Redevelopment Assistance Capital Program (RACP) reimbursement grant funded through the Commonwealth of Pennsylvania Office of Budget. In 2010, the University received approval for an additional \$1.25 million grant. These funds, along with \$1.4 million remaining from a prior \$12 million RACP grant, a \$5.0 million RACP grant approved in July 2011, and a \$6.0 million RACP grant approved in September 2011 brought the total RACP funding for the combined Harrisburg University and Harrisburg Sci-Tech High project to \$49.25 million.

There was no revenue from this grant in the years ended June 30, 2025 and 2024. Cumulative revenue recognized from the RACP grants applicable to this project was \$46,133,988, leaving a balance of \$2,807,262 in RACP grant funding to be recognized in future periods contingent upon meeting various matching requirements. This grant expired on December 31, 2017; however, the Commonwealth has extended the agreement to expire on September 30, 2026.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

The University is the recipient of various other federal and state government grants. Revenue from these grants in the amounts of \$991,860, including \$132,301 in grants receivable at June 30, 2025, was recognized for the year ended June 30, 2025. Revenue of \$823,332, including grants receivable of \$66,050 at June 30, 2024, was recognized for the year ended June 30, 2024.

12. Contributed Non-Financial Assets and Services

During the years ended June 30, 2025 and 2024, the University recognized contributions of nonfinancial assets and services within revenue, which did not have a donor-imposed restriction. It is the University's policy for management to assess noncash gifts prior to acceptance and make the decision to accept the gift based on management's analysis of the noncash gift's useability in the classroom, reduction in facility or operational costs, or if the asset is readily convertible to cash. University management will make a determination whether to hold or sell donated financial securities.

Information about contributed nonfinancial assets as of June 30, 2025, is as follows:

<u>Contributed Asset/Service</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restriction</u>	<u>Valuation Techniques and Inputs</u>
TRAK Machine	\$ 60,430	Educational programs	No associated donor restrictions	The University estimated the value of the equipment based on an independent appraisal of the subject property
TRAK Machine	\$ 51,123	Educational programs	No associated donor restrictions	The University estimated the value of the equipment based on an independent appraisal of the subject property

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Information about contributed nonfinancial assets as of June 30, 2024, is as follows:

<u>Contributed Asset/Service</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restriction</u>	<u>Valuation Techniques and Inputs</u>
High Temperature Printer	\$ 95,000	Educational programs	No associated donor restrictions	The University estimated the value of the equipment based on an independent appraisal of the subject property compared to other similar equipment.

13. Functional Expenses

Expenses are presented by functional classification in alignment with the overall mission of the University. The University's primary service mission is academic instruction and research which includes directly supporting functions such as the University's library system and Project Management Institute. Academic support and student services include various student supporting functions such as admission, financial aid, registrar, and student services. Auxiliary enterprises include all expenses relating to the operation of the University's auxiliary activities such as housing. Institutional support activities include centralized expenses incurred to provide support services for the University's primary mission and program functions. This category includes the University's fundraising activities as well as executive management, fiscal operations, general administration, and central technology.

Natural expenses attributable to more than one functional expense category are allocated using reasonable cost allocation techniques such as time and efforts. Depreciation and amortization expenses, interest expense and fundraising expenses are allocated based on cost center allocations and the time and effort estimates for each expense category.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Functional expenses by natural classification as of June 30, 2025 are as follows:

	Program Activities					Supporting Activities		
	Academic, Instruction, and Research	Academic Support	Student Services	Auxiliary	Total Program	Institutional Support	Fundraising	Total Expenses
Salaries & wages	\$ 15,964,909	\$ 2,344,287	\$ 3,502,609	\$ -	\$ 21,811,805	\$ 4,843,849	\$ 1,011,079	\$ 27,666,733
Taxes and benefits	3,353,870	585,274	955,330	-	4,894,474	1,481,006	108,047	6,483,527
Travel, meals and lodging	193,845	27,533	132,054	-	353,432	48,416	66,023	467,871
Supplies and equipment	236,785	62,455	86,634	25,324	411,198	43,248	-	454,446
Technology	325,139	510,327	49,526	-	884,992	1,212,749	-	2,097,741
Marketing	143,042	35,641	424,840	-	603,523	141,834	202,265	947,622
Facility management	1,448,176	-	-	841,346	2,289,522	2,198,582	-	4,488,104
Administration	2,197,568	94,813	5,442,665	-	7,735,046	4,594,323	-	12,329,369
Allocations:								
Interest expense	5,701,763	837,995	1,252,051	-	7,791,809	2,092,917	-	9,884,726
Depreciation expense	3,932,980	578,035	863,644	-	5,374,659	1,443,659	-	6,818,318
Total Expenses	\$ 33,498,077	\$ 5,076,360	\$ 12,709,353	\$ 866,670	52,150,460	\$ 18,100,583	\$ 1,387,414	\$ 71,638,457

Functional expenses by natural classification as of June 30, 2024 are as follows:

	Program Activities					Supporting Activities		
	Academic, Instruction, and Research	Academic Support	Student Services	Auxiliary	Total Program	Institutional Support	Fundraising	Total Expenses
Salaries & wages	\$ 19,548,446	\$ 3,743,327	\$ 3,140,072	\$ -	\$ 26,431,845	\$ 6,947,426	\$ 756,476	\$ 34,135,747
Taxes and benefits	3,994,836	809,239	893,806	-	5,697,881	1,788,313	91,360	7,577,554
Travel, meals and lodging	592,478	57,435	164,612	-	814,525	123,250	37,130	974,905
Supplies and equipment	473,864	27,756	99,420	75,558	676,598	41,900	-	718,498
Technology	406,575	568,094	39,774	-	1,014,443	1,249,155	-	2,263,598
Marketing	1,154,324	66,975	460,039	-	1,681,338	421,259	219,959	2,322,556
Facility management	1,689,499	-	-	781,012	2,470,511	3,181,262	-	5,651,773
Administration	4,161,700	252,539	8,614,980	-	13,029,219	2,851,836	-	15,881,055
Allocations:								
Interest expense	5,764,692	1,145,056	972,399	-	7,882,147	2,151,438	-	10,033,585
Depreciation expense	3,833,169	761,393	646,586	-	5,241,148	1,430,574	-	6,671,722
Total Expenses	\$ 41,619,583	\$ 7,431,814	\$ 15,031,688	\$ 856,570	64,939,655	\$ 20,186,413	\$ 1,104,925	\$ 86,230,993

14. Related Party Transactions

The University received private gifts and contributions from members of its Trustees totaling \$6,962,475 and \$50,925 during the years ended June 30, 2025 and 2024, respectively.

At June 30, 2023, the University had a short-term note with a board member in the amount of \$2,000,000. This note was paid in full on July 14, 2023.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

A Trustee's family owns a building in which the University has a five-year lease for two floors of office space and a parking lot, which began in fiscal year 2016. The University paid \$61,122 and \$72,920 in rental payments under the terms of this lease during the years ended June 30, 2025 and 2024, respectively.

A Trustee is the former President of UPMC, and UPMC rents 2 (two) office suites in Strawberry Square and the former Temple University space in Strawberry Square. UPMC signed a lease for the Health Sciences Center and has naming rights on the Health Science center due to a pledge of \$7,250,000.

A Trustee is the President and CEO of a non-profit organization that the University leases various office space from. The University subleases living space that is owned by this non-profit to use for student housing. The University has multiple leases with this non-profit and made payment amounts of \$301,482 and \$275,630 for rent and utilities for the years ended June 30, 2025 and 2024, respectively. The University made payments in the amounts of \$167,785 and \$125,327 for the Dewberry location. (Dewberry, Strawberry Square Associates and Strawberry Square Development Corporation).

During the year ended June 30, 2025, the University had a non-interest bearing loan from a board member in the amount of \$1,000,000. This loan was paid in full on January 7, 2025.

15. Other Investments

Investments held for the benefit of others consists of 457(f) supplemental deferred compensation plan assets invested in mutual funds with a fair value of \$82,070 and \$268,554 at June 30, 2025 and 2024, respectively.

16. Fair Value Measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices available in active markets for identical assets or liabilities that the organization can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in 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.

Level 3: Inputs that are unobservable inputs for the asset or liability.

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

Following is a description of the valuation methodologies used for instruments measured on a recurring basis at estimated fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Money Market Funds and Mutual Funds

Money Market Funds and Mutual Funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at the price. The mutual funds held are deemed to be actively traded.

Common Equity Securities

Common equity securities are valued at quoted market prices in an active market at daily closing prices.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

The following table sets forth by level within the fair value hierarchy, the University's financial assets that were accounted for at fair value on a recurring basis as of June 30, 2025 and 2024:

	2025			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 15,513,556	\$ -	\$ 15,513,556	\$ -
Equity domestic mutual funds	41,094	41,094	-	-
Equity international mutual funds	4,276	4,276	-	-
Alternative equity core diversified mutual funds	24,703	24,703	-	-
Alternative fixed income core diversified mutual funds	11,997	11,997	-	-
Mutual funds:				
Large cap	434,992	434,992	-	-
Small/mid cap	179,150	179,150	-	-
Developed international	108,644	108,644	-	-
Other international	71,929	71,929	-	-
US treasuries	152,146	152,146	-	-
High yield	80,811	80,811	-	-
Multi-sector	442,472	442,472	-	-
Global multi-sector	40,602	40,602	-	-
Total	<u>\$ 17,106,372</u>	<u>\$ 1,592,816</u>	<u>\$ 15,513,556</u>	<u>\$ -</u>

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

	2024			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 13,210,019	\$ -	\$ 13,210,019	\$ -
Fixed income domestic mutual funds	17,566	17,566	-	-
Equity domestic mutual funds	137,778	137,778	-	-
Equity international mutual funds	3,746	3,746	-	-
Alternative equity core diversified mutual funds	23,586	23,586	-	-
Alternative fixed income core diversified mutual funds	40,621	40,621	-	-
Mutual funds:				
Large cap	470,016	470,016	-	-
Small/mid cap	162,083	162,083	-	-
Developed international	111,138	111,138	-	-
Other international	65,643	65,643	-	-
US treasuries	150,624	150,624	-	-
High yield	77,294	77,294	-	-
Multi-sector	433,645	433,645	-	-
Global multi-sector	39,307	39,307	-	-
Total	<u>\$ 14,943,066</u>	<u>\$ 1,733,047</u>	<u>\$ 13,210,019</u>	<u>\$ -</u>

The University had no liabilities subject to fair value reporting requirements at June 30, 2025 and 2024.

17. Related Party Disclosure Required by the U.S. Department of Education

The following list of related party transactions is provided solely to comply with the Financial Responsibility, Administrative Capability, Certification Procedures, Ability to Benefit regulation promulgated by the U.S. Department of Education:

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Name	Location	Relationship	Type of Transaction	Amount of Transaction
University of Pittsburgh Medical Center (UPMC)	Harrisburg, PA	Trustee was a former executive at UPMC	Contributions	\$ 49,045
Select Medical	Mechanicsburg, PA	Trustee is executive chairman and Co- Founder	Contributions	\$ 875,000
Trustee #1	Enola, PA	Member of the Board of Trustees	Contributions	\$ 187,500
Trustee #2	Harrisburg, PA	Member of the Board of Trustees	Contributions	\$ 16,000
Trustee #3	Harrisburg, PA	Member of the Board of Trustees	Contributions	\$ 300
Trustee #4	Harrisburg, PA	Member of the Board of Trustees	Contributions	\$ 25,000
Trustee #5	Harrisburg, PA	Member of the Board of Trustees	Contributions	\$ 5,875
Trustee #6	Lemoyne, PA	Member of the Board of Trustees	Contributions	\$ 100,000
Trustee #7	Palmyra, PA	Member of the Board of Trustees	Contributions	\$ 25,000
Trustee #8	Harrisburg, PA	Member of the Board of Trustees	Contributions	\$ 100,600
Trustee #9	Harrisburg, PA	Member of the Board of Trustees	Contributions	\$ 6,400,000
Trustee #10	Harrisburg, PA	Member of the Board of Trustees and Interim President	Contributions	\$ 100,000
Trustee #11	Mechanicsburg, PA	Member of the Board of Trustees	Contributions	\$ 2,200

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

The University failed the financial responsibility composite score for fiscal years ending June 30, 2025 and 2024 and is required to have the appropriate letters of credit in the amounts of \$639,416 and \$505,000, respectively, to fulfill its obligation to the Department of Education.

18. Commitments and Contingencies

Memorandum of Understanding

A memorandum of understanding (MOU) with the Harrisburg School District was executed on October 12, 2006 under which the University agrees to provide fully funded scholarships to each graduate of the SciTech High program attending the University, as long as the graduates agree to remain Harrisburg residents for five years after graduation from the University and attain sufficient academic grades as identified in the agreement.

Contractual Commitment

The University has a marketing and recruiting agreement with a management company under which the University pays a fee to assist in marketing and recruiting international graduate students. Under the terms of the agreement, the University was obligated to pay the management company \$6,000,000 per year to recruit first time students and an additional 10% of all program tuition paid by repeat students that were recruited by the management company which was \$2,484,500 for the year ended June 30, 2024. On October 25, 2024, the University entered into a settlement agreement with the management company requiring the University to make a lump sum payment of \$3,000,000 to settle the outstanding balance. The agreement results in debt forgiveness of \$1,938,654 as of June 30, 2024, and debt forgiveness of \$362,640 as of October 25, 2024. As of June 30, 2024, the other accrued expense balance includes \$3 million payable to the management company. This \$3 million was paid to the management company on October 25, 2024. The agreement changed the fee structure with the management company to \$640 per enrolled international student for every semester they are enrolled and added benchmarks that allows for a performance fee to be paid to the management company for increments of newly enrolled students.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Financial Responsibility

34 CFR §668 addresses the requirements for the University to be considered "financially responsible" in order to continue to participate in Title IV Federal Student Aid.

An institution may be provisionally certified for a period up to three complete award years. Continued participation in Title IV Federal Student Aid is subject to ongoing approval by the U. S. Department of Education. The University was notified in January 2023 that its certification was extended for an additional period ending December 31, 2027.

19. Concentrations

The University has deposits at local financial institutions which exceed the Federal Deposit Insurance Corporation limits at times throughout the year. Management considers this a normal business risk.

Over the last several years, the University has experienced a significant growth in the number of international students enrolled in its graduate programs, primarily in science, technology, engineering, and math (STEM) curricula. International students comprised 83.3% and 83% of the total student enrollment for the 2024-2025 and 2023-2024 academic years, respectively. All of the international students attending the University reside in the United States on an F-1 student visa.

It is not possible at this time to predict what specific immigration or visa reforms may be implemented, or to quantify their potential impact on the University or its ability to attract new or retain existing international students. However, a significant drop in enrollment of international students, particularly at the graduate level, would have a material adverse effect on the revenues, operations, and financial condition of the University. The University recognizes such risks and is taking various steps to hedge against them.

20. Subsequent Events

During July 2025, the University entered into a settlement agreement with Tecom Investments FZ, LLC., a United Emirates company for a lease in Dubai Knowledge Park.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

The settlement required the University to make a payment of approximately \$507,754 to the company and resulted in forgiveness of debt of \$1,034,721.

On August 31, 2025, the University ceased all undergraduate and graduate degree program operations at the Philadelphia location. Impairment has been recorded on the Philadelphia campus assets as of June 30, 2025 resulting in a loss of \$1,733,244. The curriculum offered at the Philadelphia campus continued at the Harrisburg campus and students and faculty were provided with transition paths to continue with the University.

On September 30, 2025, the University obtained an additional revolving line of credit with a credit union in the amount of \$639,416. The University failed the financial responsibility composite score for fiscal year ending June 30, 2024 and is required to have the appropriate letter of credit to fulfill its obligations to the Department of Education.

SUPPLEMENTARY INFORMATION

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

YEAR ENDED JUNE 30, 2025

		Primary Reserve Ratio:	
Financial Statement Reference		Description	Amount
Expendable Net Assets:			
Statement of Financial Position- net assets without donor restrictions	Page 1	Net assets without donor restrictions	\$ 9,357,918
Statement of Financial Position- net assets with donor restrictions	Page 1	Net assets with donor restrictions	13,035,485
		Total net assets	\$ 22,393,403
Less:			
None		Secured and unsecured related party receivable	-
None		Unsecured related party receivable	-
Financial responsibility supplemental schedule notes	Page 46, Line 5	Property, plant and equipment, net (includes CIP)	164,560,292
Financial responsibility supplemental schedule notes	Page 46, Line 2c	Property, plant and equipment, pre-implementation without outstanding debt or original purpose	43,239,046
Financial responsibility supplemental schedule notes	Page 46, Line 4c	Property, plant and equipment, post-implementation with outstanding debt or original purpose	95,529,209
Financial responsibility supplemental schedule notes	Page 46, Line 4a	Property, plant and equipment, post-implementation without outstanding debt or original purpose	25,405,801
Financial responsibility supplemental schedule notes	Page 46, Line 4b	Construction in progress	386,236
Statement of Financial Position- Operating right-of-use assets, net	Page 1	Lease, right-of-use asset, net	2,983,200
None		Lease, right-of-use asset, pre-implementation	-
Statement of Financial Position- Operating right-of-use assets, net	Page 1	Lease, right-of-use asset, post-implementation	2,983,200
None		Intangible assets	-
None		Postemployment and pension liabilities	-
Plus:			
Financial responsibility supplemental schedule notes	Page 46 Line 8	Long-term debt for long term purposes	143,668,131
Financial responsibility supplemental schedule notes	Page 46 Line 6c	Long-term debt for long term purposes pre-implementation	45,908,770
Financial responsibility supplemental schedule notes	Page 46 Line 7c	Long-term debt for long term purposes post-implementation	97,759,361
None		Line of credit for construction in progress	-
Statement of Financial Position- Operating right-of-use liability	Page 1	Lease right-of-use asset liability	3,115,807
None		Pre-implementation of right-of-use lease liabilities	-
Statement of Financial Position- Operating right-of-use liability	Page 1	Post-implementation right-of-use lease liabilities	3,115,807
None		Annuities, term endowments and life income with donor restrictions	-
None		Annuities with donor restrictions	-
None		Life income funds with donor restrictions	-
None			-
Less:			
Statement of financial position- with donor restrictions, perpetual in nature	Page 1	Net assets with donor restrictions: restricted in perpetuity	1,442,000
		Total expendable net assets	<u>\$ (2,477,875)</u>
		Total Expenses and losses:	
Statement of Activities - Total expenses	Page 2	Total expenses without donor restrictions	<u>\$ 71,638,457</u>
Equity Ratio:			
		Modified Net Assets:	
Statement of Financial Position- net assets without donor restrictions	Page 1	Net assets without donor restrictions	\$ 9,357,918
Statement of Financial Position- net assets with donor restrictions	Page 1	Net assets with donor restrictions	13,035,485
		Total modified net assets	<u>\$ 22,393,403</u>
		Modified Assets:	
Statement of Financial Position- Total Assets	Page 1	Total Assets	<u>202,798,659</u>
		Total modified assets	<u>\$ 202,798,659</u>
Net Income Ratio:			
	Page 2	Change in Net Assets without donor restrictions	<u>\$ 3,056,523</u>
Statement of Activities - Total revenues and support	Page 2	Total Revenues and Gains without Donor Restrictions	<u>\$ 75,064,273</u>

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

YEARS ENDED JUNE 30, 2025 AND 2024

The Department of Education issued regulations, effective July 1, 2020, regarding a supplemental schedule and additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV. The supplemental schedule on the previous page and these disclosures are not required by accounting principles generally accepted in the United States of America but are intended for use by the Department of Education and to ensure compliance with Federal Title IV regulations.

Net Assets

1. Net assets with donor restrictions: restricted in perpetuity \$ 1,442,000

Property, Plant, and Equipment, net

2.	Pre-implementation property, plant, and equipment, net	
	a. Ending balance of last audited financial statements submitted to the Department of Education (June 30, 2019 financial statement)	\$ 76,187,344
	b. Less subsequent depreciation and disposals	<u>(32,948,298)</u>
	c. Balance pre-implementation property	43,239,046
4.	Post-implementation property, plant and equipment, net	
	a. Long-lived assets acquired without use of debt subsequent to June 30, 2019	25,405,801
	b. Construction in Progress	386,236
	c. Long-lived assets acquired with use of debt subsequent to June 30, 2019	<u>95,529,209</u>
5.	Total property, plant and equipment, net- June 30, 2025	<u>\$ 164,560,292</u>

Debt to be excluded from expendable net assets

6.	Pre-implementation long-term debt:	
	a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2019)	\$ 54,481,367
	b. Less subsequent debt repayments, net of bond cost amortization	<u>(8,572,597)</u>
	c. Balance Pre-implementation long-term debt	<u>\$ 45,908,770</u>
7.	Post-implementation long-term debt:	
	a. Long-term debt - for long term purposes post-implementation	\$ 110,696,554
	b. Less subsequent debt repayments, net of bond cost amortization	<u>(12,937,193)</u>
	c. Balance post-implementation debt for long term purposes	97,759,361
	d. Long-term debt - for operational purposes	12,900,368
	e. Less subsequent debt repayments, net of bond cost amortization	<u>(514,717)</u>
	f. Total post implementation debt for operational purposes	<u>12,385,651</u>
	g. Total post implementation long-term debt:	<u>\$ 110,145,012</u>
8.	Total long-term debt for long term purposes	<u>\$ 143,668,131</u>

9.	Debt Issue Date	Debt Maturity Date	Nature of Capitalized Amounts	Amounts Capitalized
	July 20, 2017	October 15, 2041	Building	\$ 64,345,072
	December 20, 2020	October 15, 2053	Building	\$ 107,934,394

**Harrisburg University of
Science and Technology**

Independent Auditor's Reports
In Accordance with
Government Auditing Standards

Year Ended June 30, 2025

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees Harrisburg University of Science and Technology

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harrisburg University of Science and Technology (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 December 23, 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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Maher Duessel

Harrisburg, Pennsylvania
December 23, 2025

**Harrisburg University of
Science and Technology**

Single Audit Report

Year Ended June 30, 2025
with Independent Auditor's Report

MaherDuessel

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditure of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings	12

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

**Board of Trustees
Harrisburg University of Science and Technology**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harrisburg University of Science and Technology (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 December 23, 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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Maher Duessel

Harrisburg, Pennsylvania
December 23, 2025

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

**Board of Trustees
Harrisburg University of Sciences and Technology**

Report on Compliance for its Major Federal Program

Opinion on its Major Federal Program

We have audited the Harrisburg University of Science and Technology (University)'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the University's major federal program for the year ended June 30, 2025. The University's major federal program is 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 types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on its Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the 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 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 its major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

Board of Trustees
Harrisburg University of Science and Technology
Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance and Report
on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal program.

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 generally accepted auditing standards, *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 generally accepted auditing standards, *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.

Board of Trustees
Harrisburg University of Science and Technology
Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance and Report
on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Harrisburg University of Science and Technology (University), for the year ended June 30, 2025, and have issued our report thereon dated December 23, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

Board of Trustees
Harrisburg University of Science and Technology
Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance and Report
on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Maher Duessel

Harrisburg, Pennsylvania
January 21, 2026

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal ALN	Pass-Through Entity Identifying Number	Grant Period	Revenues	Expenditures	Pass Through to Subrecipients
U.S. Department of Education:						
Student Financial Assistance Cluster:						
Federal Supplemental Educational Opportunity Grants	84.007	N/A	7/1/2024 - 6/30/2025	\$ 56,929	\$ 56,929	\$ -
Federal Work Study Program	84.033	N/A	7/1/2024 - 6/30/2025	62,310	62,310	-
Federal Pell Grant Program	84.063	N/A	7/1/2024 - 6/30/2025	2,167,250	2,167,250	-
Federal Direct Student Loans	84.268	N/A	7/1/2024 - 6/30/2025	3,724,446	3,724,446	-
Total Student Financial Assistance Cluster				6,010,935	6,010,935	-
Total U.S. Department of Education				6,010,935	6,010,935	-
U.S. Department of Health and Human Services:						
Passed through SCPA Works:						
Temporary Assistance for Needy Families (TANF)	93.558	PY24-4361-3	7/1/2024 - 6/30/2025	171,949	171,949	-
U.S. Department of the Treasury:						
Passed through Pennsylvania Department of Education:						
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	4400098644	3/3/2021-12/31/2025	218,919	218,919	-
U.S. Department of Transportation:						
Aircraft Pilots Workforce Development Grant Program	20.111	N/A	3/4/2024-3/4/2026	99,351	99,351	-
National Aeronautics and Space Administration:						
Science	43.001	80NSSC23K1411	10/1/2023-9/30/2024	28,847	28,847	-
Total Expenditures of Federal Awards				\$ 6,530,001	\$ 6,530,001	\$ -

See accompanying notes to schedule of expenditures of federal awards.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

1. General

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Harrisburg University of Science and Technology (University). The University is described in Note 1 to the University's consolidated financial statements.

2. Basis of Accounting/Indirect Cost Rate

The accompanying is presented using the accrual basis of accounting, which is described in Note 1 to the University's consolidated financial statements.

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

3. Relationship to Consolidated Financial Statements

Amounts reported in the accompanying Schedule agree with amounts included in the University's consolidated financial statements in all material respects.

4. Federal Direct Student Loans

The University is only responsible for the performance of certain administrative duties and is not considered the lender with respect to the student loan programs, and accordingly, these loans and are not included in its consolidated financial statements, and it is not practical to determine the balance of loans outstanding to students and former students of the University under these programs. The amount reported on the Schedule represents new loan advances during the year.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

5. Financial Responsibility

The University's Equity, Primary Reserve, and Net Income ratios for the year ended June 30, 2025 yield a composite score of 0.7 out of a possible 3.0 as described in 34 C.F.R. §668.172, Financial Ratios. Data required for the calculation of the ratios is in the Financial Responsibility Supplemental Schedules.

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

☐ yes ☒ none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☐ yes ☒ no

7. Major Programs:

ALN (s)

Name of Federal Program or Cluster

Student Financial Assistance Cluster:

84.007

Federal Supplemental Educational Opportunity Grants

84.033

Federal Work-Study Program

84.063

Federal Pell Grant Program

84.268

Federal Direct Student Loans

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? ☒ yes ☐ no

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

None

III. Findings and questioned costs for federal awards.

None

HARRISBURG UNIVERSITY OF SCIENCE AND TECHNOLOGY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2025

NONE