

Research Update:

# Moravian University, PA 'BBB+' ICR And Various Bond Ratings Affirmed; Outlook Stable

April 29, 2026

## Overview

- S&P Global Ratings affirmed its 'BBB+' issuer credit rating (ICR) on [Moravian University](#), Pennsylvania.
- S&P Global Ratings also affirmed its 'BBB+' rating on [Bethlehem Redevelopment Authority](#), Pennsylvania's series 2021, 2022, and 2024 revenue bonds, issued for Moravian.
- In addition, S&P Global Ratings affirmed its 'BBB+' rating on [Northampton County General Purpose Authority](#), Pennsylvania's series 2013 and 2016 general revenue college bonds, issued for Moravian.
- The outlook is stable.

## Primary Contact

**Nicholas Breeding**  
Englewood  
212-438-3010  
nicholas.breeding  
@spglobal.com

## Secondary Contact

**Steven Sather**  
Englewood  
3037214962  
steven.sather  
@spglobal.com

## Rationale

### Security

A gross revenue pledge secures the bonds. As of June 30, 2025 (the latest audited year), Moravian had approximately \$104.4 million of debt outstanding, including public bonds, Moravian University Housing Inc. (MUHI) debt, bank loans, and finance lease liabilities. Moravian's debt is subject to certain covenants, including 1.0x debt service coverage. We do not consider the university's debt materially exposed to acceleration risk, given that a covenant violation may be remedied by retaining a consultant, and Moravian has consistently remained above this covenant, with approximately 1.8x coverage in fiscal 2025.

Moravian's maximum annual debt service (MADS) equals approximately \$9.7 million, or 6.4% of fiscal 2025 total adjusted operating expenses, which we consider somewhat high. However, annual debt service decreases steadily under the current schedule after fiscal 2026.

Management does not currently have any additional debt plans during the two-year outlook period.

### Credit highlights

We view Moravian's enterprise risk profile as strong, characterized by three years of solid enrollment growth, somewhat offset by weakening matriculation rates. We view the university's financial risk profile as adequate, characterized by persistent, if improving, full-accrual operating

deficits, somewhat offset by solid financial resources relative to operating expenses. We think these combined factors lead to an anchor of 'bbb+' and a final rating of 'BBB+'.

The rating reflects our opinion of Moravian's:

- Substantial 15.3% full-time-equivalent (FTE) enrollment growth since fall 2022;
- Solid cash and investments relative to operating expenses, supported by the incorporation of Lancaster Theological Seminary's financial resources in fiscal 2024;
- Significant progress on the current fundraising campaign, surpassing the original goal by a significant margin; and
- Trend of substantial application growth outside of variability due to unconvertible international applications in recent years.

We believe somewhat offsetting factors are what we consider university's:

- Ongoing, if improving, full-accrual operating deficits despite increasing student-generated revenue;
- Somewhat low cash and investments relative to debt compared with similarly rated peers;
- Moderately high MADS burden; and
- Declining matriculation rates, which we consider indicative of significant regional competition and demographic pressure in the northeast U.S.

Founded in 1742 as one of the nation's oldest colleges, Moravian University, formerly Moravian College, is a private, coeducational, university and theological seminary affiliated with the Moravian Church. The main campus is in Bethlehem, Pennsylvania, approximately 50 miles north of Philadelphia. Moravian offers more than 70 undergraduate programs, as well as 19 master's degree programs and six doctoral degree programs.

## **Environmental, social, and governance**

We have analyzed environmental, social, and governance factors related to Moravian's market position and financial performance. The university operates in a commonwealth somewhat affected by demographic pressure, which we view as a social capital factor, with fewer graduating high school students expected in Pennsylvania and the surrounding region for the next several years. However, growing enrollment and demand trends mitigate the potential pressure we consider part of our market position analysis. We view Moravian's environmental and governance factors as neutral in our credit rating analysis.

## **Outlook**

The stable outlook reflects S&P Global Ratings' expectation that Moravian's enrollment growth will likely continue, modest full-accrual operating deficits will persist in the near term, and financial resource ratios will remain in line with the current rating. We also expect demand metrics will remain generally stable near current levels.

## **Downside scenario**

We could revise the outlook to negative or lower the rating if full-accrual operating deficits were to worsen to an extent that materially pressures financial resource ratios or if enrollment significantly declines. We would also view issuance of significant additional debt without

commensurate growth in financial resources or substantial deterioration in selectivity and matriculation rates negatively.

## **Upside scenario**

We could revise the outlook to positive or raise the rating if financial resource ratios grow substantially to levels we consider commensurate with a higher rating, operating margins consistently improve to break-even results on a full-accrual basis, and demand metrics materially improve while Moravian maintains current enrollment levels.

## **Credit Opinion**

### **Enterprise Risk Profile--Strong**

#### **Market position and demand**

Moravian's FTE enrollment increased solidly for a third year by 5.5%, to a high of 2,616 in fall 2025, resulting in a three-year increase of 15.3% from the low of 2,268 in fall 2022. Undergraduate enrollment increased modestly in each of the past three years, reaching 2,023 in fall 2025 to surpass management's target of 2,000 undergraduate FTEs following, among other initiatives, investments in the institute for World Heritage & History, career outcomes, and student-family engagement strategies. Retention rates remained high compared with that of similarly rated peers at 79% in fall 2025, supported by ongoing strategies including weekly faculty alerts to support students, a new required course in fall 2025 teaching foundational university skills with corresponding trained peer mentors, and the expanded counseling center and other wellness spaces opening in the renovated Hauptert Union Building (HUB) in fall 2025.

The undergraduate enrollment growth reflected in part freshman class sizes above 500 in each of the past three years, supported by significant growth in applications in four of the past five years. Applications declined fairly substantially by 11.6% to 5,578 in fall 2025 from a high of 6,312 in fall 2024, which management primarily attributed to the removal of unconvertible applications related to unsolicited social media promotion of the university in Africa during the fall 2023 and fall 2024 admissions cycles. Application increases contributed to a trend of improving selectivity rates to 53.1% in fall 2024, but the application drop in fall 2025 contributed to a return to usual selectivity rates of 73.8% in fall 2025. Based on current data for fall 2026, management expects applications and selectivity rates will remain generally consistent. Matriculation rates continued declining to a low of 12.4% in fall 2025, which we consider indicative of the competitive environment, particularly given high tuition discount rates and international enrollment pressures at competing institutions.

Graduate enrollment also increased significantly in four of the past five years, growing by 11.7% to 593 in fall 2025 from 531 in fall 2024. The university continued expanding graduate program offerings, including adding second-degree Master of Business Administration options for other professional degrees like occupational therapy and speech pathology, as well as adding new master's degrees in cyber security and sports psychology. Management expects graduate and nontraditional enrollment will continue to grow in the near term, including within the School of Professional Studies & Innovation.

#### **Management and governance**

Moravian's management team has remained generally stable over the years, maintaining solid experience in the roles. The president, Dr. Bryon Grigsby, has been in place since July 2013. The most recent turnover included a new vice president and dean of the school of theology in February 2025 and new permanent provost in 2026 (following approximately one year serving as interim provost). The university is governed by a 28-member board of trustees.

The university operates according to a dynamic strategic-thinking process, which includes annual updates to a rolling three-year strategic plan to more swiftly respond to the changing market and emergencies. We think the university has sufficient cybersecurity policies, with no reported recent incidents in the past two years. We view budgeting practices as somewhat conservative relative to Moravian's final cash-based operating results, supported by monthly expense monitoring.

## Financial Risk Profile--Adequate

### Financial performance

Modest full-accrual operating deficits continued for a fourth year, though with solid improvement to a \$2.4 million deficit, or 1.6%, in fiscal 2025, from a \$3.9 million deficit, or 2.7%, in fiscal 2024. The improvement reflected ongoing growth in net tuition revenue by \$3.5 million, or 6.4%, in fiscal 2025 from fiscal 2024, as well as increases in auxiliary revenues by \$2.0 million and in unrestricted private gifts and grants by \$2.8 million. These gains were somewhat offset by a \$3.5 million increase in instruction expenses, though otherwise operating expenses remained fairly steady year over year.

Tuition discounting increased slightly to 49.1% in fiscal 2025, though we still consider this fairly low compared with similarly rated peers. Moravian's revenues remain highly concentrated on student-generated funds at 88.8% of revenues in fiscal 2025.

Based on current forecasts for fiscal 2026, management expects modest full-accrual operating deficits to continue in the near term. Management expects net tuition revenue growth to continue in line with enrollment growth, and for ongoing inflationary expense growth to be offset by some reductions in force and detailed expense monitoring.

### Financial resources

Total cash and investments declined by 5.7% to \$205.2 million in fiscal 2025 from \$217.5 million in fiscal 2024 as a result of spending down bond proceeds primarily for renovations of the HUB. Excluding unspent bond proceeds, cash and investments increased modestly by 4.8% to \$192.7 million in fiscal 2025 from \$183.8 million in fiscal 2024. As of June 30, 2025, unspent bond proceeds equaled \$12.5 million.

Financial resources equaled 134.3% of total adjusted operating expenses in fiscal 2025 and 196.6% of debt outstanding, or 126.2% of total adjusted operating expenses, and 184.6% of debt outstanding when excluding bond proceeds. We consider financial resource ratios relative to operating expenses solid compared with those of similarly rated peers, though we consider ratios relative to debt outstanding somewhat weak compared with both rating category medians and similarly rated peers.

Moravian's endowment increased solidly by 7.7% to \$180.5 million in fiscal 2025 from \$167.6 million in fiscal 2024. The university's endowment spending policy allows a 5% draw of the trailing three-year moving average. Over the past few years, Moravian used supplemental endowment

draws to support new program initiatives, including development of the school of professional studies and innovation. To date, the university has drawn \$2.7 million of the total authorized \$8.0 million.

In our view, the university has sufficient, if somewhat low, liquidity relative to financial resources, with \$16.6 million of net assets available within one year for operations, as well as \$23.8 million of endowment funds without donor restrictions. Moravian also has a combined \$7 million in lines of credit available, with no draws outstanding. The university had \$17.2 million of unfunded commitments as of fiscal 2025, which we consider somewhat high given Moravian's available financial resources, though management reports at least \$5 million of those commitments are unlikely to call further capital in the near term.

Moravian's ongoing fundraising campaign has raised \$97.1 million to date, toward the current \$100 million aspirational goal, following two increases from the original \$65 million goal. Running from 2018-2026, the campaign targets a portion of HUB renovations, supports experiential-learning initiatives, and primarily funds student scholarships.

**Debt and contingent liabilities**

As of June 30, 2025, Moravian had approximately \$108.2 million of debt outstanding, including:

- \$82.2 million of public series 2013, 2016, 2021, 2022, and 2024 bonds;
- \$13.7 million of variable-rate MUHI debt;
- \$5.7 million of privately placed notes payable; and
- \$2.8 million of finance lease liabilities.

Moravian acquired MUHI debt in fiscal 2016 and entered into two interest-rate swap agreements through 2032 with a total notional amount equal to the MUHI debt. MUHI pays a synthetic fixed rate of 3.26% while Fulton Bank pays a variable interest rate based on the one-month secured overnight financing rate. We do not rate MUHI-related debt or notes payable; however, we have reviewed loan documents for this debt. The MUHI debt is not subject to a demand option, and the associated dormitory is the only pledged asset, separate from the obligated group of the university. The MUHI debt also requires maintenance of a capital reserve account. Moravian has contingent liability risk exposure from notes payable with payment provisions that change on the occurrence of certain events. We consider risk manageable at the current rating because Moravian's available liquidity fully mitigates any associated acceleration risk.

The university has a defined-contribution retirement plan for substantially all regular full-time employees. Annual retirement expenses equaled 1.2% of total adjusted operating expenses in fiscal 2025, which we consider manageable.

**Moravian University, Pennsylvania--enterprise and financial statistics**

	--Fiscal year ended June 30--					Medians for 'BBB' category rated private colleges and universities
	2026	2025	2024	2023	2022	2024
<b>Market position and demand</b>						
FTE enrollment	2,616	2,480	2,405	2,268	2,309	2,440
Undergraduate as a % of FTE enrollment	77.3	78.6	79.5	80.2	80.5	75.3
First-year selectivity rate (%)	73.8	53.1	54.0	66.3	78.2	79.1

**Moravian University, Pennsylvania--enterprise and financial statistics**

	--Fiscal year ended June 30--					Medians for 'BBB' category rated private colleges and universities
	2026	2025	2024	2023	2022	2024
First-year matriculation rate (%)	12.4	16.0	18.5	19.4	21.0	13.8
First-year retention rate (%)	79.0	79.0	81.0	78.0	79.0	78.0
Six-year graduation rate (%)	74.0	72.0	71.0	70.0	68.0	65.9
In-state students (%)	72.0	73.0	74.0	74.0	76.0	68.8
<b>Financial performance</b>						
Adjusted operating revenue (\$000s)	N.A.	150,290	138,106	128,956	126,241	MNR
Adjusted operating expense (\$000s)	N.A.	152,725	141,984	133,735	129,630	MNR
Net adjusted operating margin (%)	N.A.	(1.59)	(2.73)	(3.57)	(2.61)	(2.30)
Change in unrestricted net assets (\$000s)	N.A.	(611)	3,438	(2,427)	(3,148)	MNR
Tuition discount rate (%)	N.A.	49.1	48.6	48.3	48.3	48.3
Student dependence (%)	N.A.	88.8	89.5	88.0	86.4	83.6
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Grant and contract dependence (%)	N.A.	1.2	1.1	1.0	5.2	1.2
<b>Financial resources</b>						
Endowment market value (\$000s)	N.A.	180,477	167,590	138,436	132,817	126,552
Cash and investments (\$000s)	N.A.	205,165	217,539	152,214	149,495	144,384
Cash and investments to operations (%)	N.A.	134.3	153.2	113.8	115.3	104.0
Cash and investments to total debt outstanding (%)	N.A.	196.6	201.0	213.3	200.7	197.7
<b>Debt</b>						
Total debt outstanding (\$000s)	N.A.	104,371	108,226	71,352	74,481	65,181
MADS burden (%)	N.A.	6.4	6.9	5.6	5.9	4.2
Average age of plant (years)	N.A.	8.2	14.9	13.8	12.9	16.7

Adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Adjusted operating expense = unrestricted expense plus financial aid expense. Net adjusted operating margin = 100\*(net adjusted operating income/adjusted operating expense). Student dependence = 100\*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. MADS burden = 100\*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Average age of plant = accumulated depreciation/depreciation and amortization expense. FTE--Full-time equivalent. MADS--Maximum annual debt service. N.A.--Not available.

**Ratings List**

**Ratings Affirmed**

Moravian Univ, PA Issuer Credit Rating BBB+/Stable

**Education**

Moravian University, PA General Obligation BBB+/Stable

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different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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