



BALDWIN WALLACE UNIVERSITY

Consolidated Financial Statements and Supplementary Information

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

BALDWIN WALLACE UNIVERSITY

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BALDWIN WALLACE UNIVERSITY

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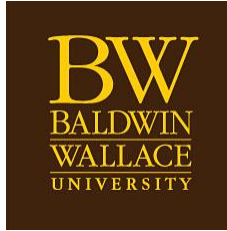
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**Review of Operations
As of June 30, 2023
(unaudited)**

Founded in 1845 as Baldwin Institute, Baldwin Wallace University (BW) was one of the first colleges and universities in Ohio to admit students without regard to race or gender. Today, BW continues as an independent, coeducational institution, accredited by the Higher Learning Commission. The academic program is rooted in the liberal arts but includes a wide range of majors, minors, and other programs containing abundant opportunities for career exploration and application.

Undergraduate degrees offered are the Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Science, Bachelor of Science in Education, Bachelor of Music, Bachelor of Music Education, and Bachelor of Science in Nursing.

BW offers graduate programs leading to the degrees of Master of Accountancy, Master of Arts in Education, Master of Business Administration, Master of Medical Science (Physician Assistant), Master of Public Health, and Master of Science (Speech Language Pathology and Exercise Physiology). BW also has certificate programs in a variety of specialties.

Baldwin Wallace University does not discriminate because of race, creed, age, disabilities, national origin, gender, gender orientation, or sexual orientation in admissions, programs, or administration.

The campus is in Berea, Ohio, a suburb southwest of Cleveland.

Enrollment and student revenue

The 2022-2023 academic year opened with a total fall semester enrollment of 3,230. This total included 2,636 full-time undergraduate students, 112 part-time undergraduates, and 482 graduate students. The full-time-equivalent enrollment was 2,996, down 73 from the previous fall.

Billed tuition revenue totaled \$103,795,652. Offsetting this were financial aid grants awarded by Baldwin Wallace of \$54,960,926. Students also received direct federal and state grants amounting to \$6,298,212. BW administers these government grants. The combined grants were 59 percent of tuition billed. Additional forms of financial aid included Federal Direct Student Loans administered by the University and wages paid to students for campus jobs.

Tuition revenue net of the University aid grants was \$48,834,726. This amount was approximately \$2.7 million more than in the previous year. Billed tuition was up \$1.2 million and University financial aid grants were down \$1.4 million. In the previous year, however, the University received \$5.8 million in government COVID relief grants partly restricted for supplemental financial aid. There were no such grants in the current fiscal year.

Auxiliary enterprise revenue was \$18,769,761, up about \$1.3 million. The auxiliary enterprises are the residence and dining halls, bookstore, rental houses, and vending. Almost all of this revenue is from students.

Contributions

Contribution revenue for the year was \$10,255,211. New contributions and pledge payments for investment in endowment and plant were \$5,563,523. The amount for current program and financial aid was \$5,903,458. Total contribution revenue in the previous year was \$12,210,685.

Endowment and Similar Assets

The fair value of endowment and similar assets at June 30, 2023 was \$176,429,719. The change from June 30, 2022 was a decrease of \$5,444,887. Contributions totaled \$2,796,841. Investment income and gains were \$13,454,491. The distribution for use under the University's spending policy was \$7,917,581 and expenses to the endowment were \$538,574. Transfers and internal lending were \$3,278,948.

The asset balances consist mainly of funds restricted by donors for investment. These funds include endowments, gift annuities and remainder trusts, and beneficial interests in perpetual trusts. Also included are some amounts designated by the University as funds functioning as endowment. Investments earnings on most endowment funds are donor restricted as to use.

The University's spending policy is to withdraw each year an amount of income and accumulated gains not exceeding 5% of the average of the June 30 endowment values for the preceding three years.

Plant

Plant spending totaled \$12.0 million. This included renovations and improvements to existing buildings and purchases of equipment and furnishings.

Before the beginning of the fall semester, BW completed a makeover that began the previous October of North Hall, a residence hall. The refurbished building features the addition of an elevator to improve accessibility, individually controlled air conditioning, a large gathering space with a new kitchen on the first floor, a new multi-purpose room, and bathrooms.

The University reserves a cluster of rooms in North Hall as a living-learning center for students majoring in mathematics, computer science, engineering, or physics. North Hall is adjacent to the recently completed Austin E. Knowlton Center, which houses those programs. Students in any academic program can apply for the remaining rooms.

North Hall is located in a section of the campus designated as a historic district. For this renovation, the University formed limited liability companies (LLCs) with a for-profit company, through which the for-profit company would provide capital of \$2,644,064 in exchange for the historic tax credits of the historic renovated property.

During the fiscal year, BW began a complete renovation of the Townhouse Apartments. This is a two-building complex adjacent to the campus that serves as housing for graduate students and non-traditional students. To finance this work, the University sold bonds through a trust agreement with the Ohio Higher Educational Facility Commission and US Bank. The bond interest is exempt from income tax. The par value of the bonds is \$9,970,000. The interest rates are 5.75-6%. The bonds sold at a discount. The deposit to project trust funds was \$9,900,700. Renovation withdrawals before year end totaled \$2,000,000. Trust fund short term investment earnings partially offset bond issuance costs. The balance of the project trust funds at June 30, 2023 was \$7,841,610.

Expenses

Expenses increased 9 percent, to \$112,815,500. Compensation comprises almost two-thirds of the total amount.



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Independent Auditors' Report

The Board of Trustees
Baldwin Wallace University:

Opinion

We have audited the consolidated financial statements of Baldwin Wallace University and its subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information included in Schedule I for the years ended June 30, 2023 and 2022 is presented for purposes of additional analysis 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 records used to prepare the financial statements. The supplementary information included in Schedule I related to the University's 2023 and 2022 financial statements, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the University's 2023 and 2022 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 supplementary information included in Schedule I related to the University's 2023 and 2022 financial statements, except for that portion marked "unaudited" on which we express no opinion, is fairly stated, in all material respects, in relation to the University's 2023 and 2022 financial statements as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial position of the University as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended (none of which is presented herein), and we expressed unmodified opinions on those financial statements. The supplementary information included in Schedule I for the years ended June 30, 2021 and 2020 is presented for purposes of additional analysis 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 records used to prepare the respective financial statements. The supplementary information included in Schedule I related to the University's 2021 and 2020 financial statements, except for that portion marked "unaudited," on which we express no opinion, has



been subjected to auditing procedures applied in the audits of the University's 2021 and 2020 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those 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 included in Schedule I related to the University's 2021 and 2020 financial statements, except for that portion marked "unaudited" on which we express no opinion, is fairly stated, in all material respects, in relation to the University's 2021 and 2020 financial statements as a whole.

KPMG LLP

Cleveland, Ohio
March 13, 2024

BALDWIN WALLACE UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2023 and 2022

Assets	2023	2022
Operating assets:		
Cash and cash equivalents	\$ 508,636	1,399,754
Short term investments	222,210	221,380
Student accounts receivable, less allowances for doubtful receivables of \$164,000 and \$139,000, respectively	2,811,700	2,733,563
Receivables from the federal and state governments	128,134	514,594
Other receivables, less allowances for doubtful receivables of \$34,000	1,079,274	479,049
Inventory	1,791,279	1,663,121
Prepaid expenses	1,167,102	1,340,618
Operating leases at present value	2,340,178	2,552,206
Pledges receivable at present value, less allowances for doubtful pledges of \$240,000 and \$200,000, respectively	3,464,410	4,676,180
Student loan notes receivable, less allowances for doubtful loans of \$374,000	1,224,023	2,148,418
Total operating assets	14,736,946	17,728,883
Endowment and similar assets:		
Cash equivalents	3,945,247	3,452,646
Investments at fair value	154,346,626	160,962,603
Beneficial interest in perpetual trusts	18,137,846	17,459,357
Total endowment and similar assets	176,429,719	181,874,606
Property and equipment:		
Grounds	18,764,965	18,358,811
Educational and general buildings	196,794,673	191,725,924
Residence halls	77,759,705	67,768,328
Residences	2,990,427	2,908,285
Furniture and equipment	32,701,101	33,590,427
Construction in progress	395,279	5,900,749
	329,406,150	320,252,524
Accumulated depreciation	(163,188,485)	(154,254,144)
Net property and equipment	166,217,665	165,998,380
Other assets:		
Facility bonds project trust funds	7,841,610	—
Total other assets	7,841,610	—
Total assets	\$ 365,225,940	365,601,869

BALDWIN WALLACE UNIVERSITY
Consolidated Statements of Financial Position
June 30, 2023 and 2022

Liabilities and Net Assets	2023	2022
Liabilities:		
Accounts payable	\$ 3,800,616	3,139,488
Accrued expenses	3,202,698	4,183,310
Short-term bank loan	15,000,000	10,000,000
Deferred revenue and student deposits	1,746,780	2,217,288
Lease obligations	2,340,178	2,552,206
Other liabilities	1,686,389	2,323,905
Annuity obligations	2,456,117	3,337,392
U.S. Government advances for Perkins Loans to students	216,253	1,219,764
Long-term debt	27,656,947	19,436,027
Total liabilities	58,105,978	48,409,380
Net assets:		
Without donor restrictions:		
Functioning as endowment	2,917,546	3,699,705
Invested in plant and other operations	95,579,260	108,865,419
Total without donor restrictions – controlling interest	98,496,806	112,565,124
Invested in plant and equipment	1,331,797	—
Total without donor restrictions – non controlling interest	1,331,797	—
Total without donor restrictions	99,828,603	112,565,124
With donor restrictions:		
Expendable for-		
Program	3,720,426	4,682,089
Student financial aid grants	5,301,134	5,170,641
Plant	2,859,624	4,769,994
Future support	3,464,410	4,676,180
Student loans	1,515,436	1,544,549
Annuities and remainder trusts	7,418,835	6,749,295
Perpetual trusts	18,137,846	17,459,357
Functioning as endowment	1,245,466	3,196,217
Endowment	163,628,182	156,379,043
Total with donor restrictions	207,291,359	204,627,365
Total net assets	307,119,962	317,192,489
Total liabilities and net assets	\$ 365,225,940	365,601,869

See accompanying notes to consolidated financial statements.

BALDWIN WALLACE UNIVERSITY
Consolidated Statements of Activities
Years ended June 30, 2023 and 2022

	2023	2022
Changes in net assets without donor restrictions:		
Revenue:		
Tuition and fees	\$ 48,834,726	46,182,431
Contributions	2,942,003	1,745,628
Investment income and gains distribution	1,619,319	1,638,469
Auxiliary enterprises	18,769,761	17,499,097
Tax credit proceeds	2,644,064	—
Other	1,297,486	1,115,999
Total revenue	76,107,359	68,181,624
Net assets released from restrictions:		
Program	12,319,777	9,607,917
Student financial aid grants	7,651,377	10,160,045
Plant	2,484,111	6,242,263
Total net assets released from restrictions	22,455,265	26,010,225
Total revenue and restrictions released	98,562,624	94,191,849
Expenses	(112,815,500)	(103,606,772)
Investment gains (losses) after distribution	184,558	(777,967)
Change in net assets without donor restrictions	(14,068,318)	(10,192,890)
Changes in net assets with donor restrictions:		
Revenue:		
Contributions	7,313,208	10,465,057
Investment income and gains distribution	6,677,406	7,200,925
Government grants, program and student financial aid	1,868,422	1,531,010
Government grants, COVID relief	—	5,783,241
Other	2,006,850	1,479,037
Total revenue	17,865,886	26,459,270
Net assets released from restrictions	(22,455,265)	(26,010,225)
Investment gains (losses) after distribution	7,253,373	(29,869,227)
Change in net assets with donor restrictions	2,663,994	(29,420,182)
Change in net assets	\$ (11,404,324)	(39,613,072)

See accompanying notes to consolidated financial statements.

Baldwin Wallace University

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2023 and 2022

	Without donor restrictions controlling interest	Without donor restrictions noncontrolling interest	Without donor restrictions total net assets	With donor restrictions total net assets	Total
Net assets as of June 30, 2021	\$ 122,758,014	—	122,758,014	234,047,547	356,805,561
Change in net assets from activities	(10,192,890)	—	(10,192,890)	(29,420,182)	(39,613,072)
Partner contributions	—	—	—	—	—
Net assets as of June 30, 2022	112,565,124	—	112,565,124	204,627,365	317,192,489
Change in net assets from activities	(14,068,318)	—	(14,068,318)	2,663,994	(11,404,324)
Partner contributions	—	1,331,797	1,331,797	—	1,331,797
Partner distributions	—	—	—	—	—
Net assets as of June 30, 2023	\$ <u>98,496,806</u>	<u>1,331,797</u>	<u>99,828,603</u>	<u>207,291,359</u>	<u>307,119,962</u>

See accompanying notes to the consolidated financial statements.

BALDWIN WALLACE UNIVERSITY

Consolidated Statements of Functional Expenses

Years ended June 30, 2023 and 2022

	Compensation	Operation and maintenance	Depreciation	Other	Total
Year ended June 30, 2023:					
Instruction	\$ 36,918,585	6,908,148	5,338,952	1,805,247	50,970,932
Academic support	4,712,428	311,547	240,779	2,136,137	7,400,891
Library	574,995	524,766	405,564	471,396	1,976,721
Student services	6,680,042	580,108	448,336	2,434,086	10,142,572
Student activities	4,450,753	1,561,155	1,393,379	1,977,070	9,382,357
Institutional support	8,795,932	636,367	491,816	7,968,771	17,892,886
Auxiliary enterprises	4,894,860	3,002,059	2,891,743	4,260,479	15,049,141
Totals	<u>\$ 67,027,595</u>	<u>13,524,150</u>	<u>11,210,569</u>	<u>21,053,186</u>	<u>112,815,500</u>
Salaries and wages	\$ 50,380,474	2,786,058	—	—	53,166,532
Benefits	16,647,121	990,464	—	—	17,637,585
Year ended June 30, 2022:					
Instruction	\$ 33,807,134	5,459,732	5,444,060	1,625,082	46,336,008
Academic support	4,585,932	224,373	223,728	2,171,589	7,205,622
Library	554,757	448,745	447,457	420,883	1,871,842
Student services	5,793,949	448,745	447,457	2,019,660	8,709,811
Student activities	3,913,016	1,452,377	1,375,024	1,752,979	8,493,396
Institutional support	9,183,657	523,535	522,033	7,190,593	17,419,818
Auxiliary enterprises	4,585,009	2,777,689	2,550,963	3,656,614	13,570,275
Totals	<u>\$ 62,423,454</u>	<u>11,335,196</u>	<u>11,010,722</u>	<u>18,837,400</u>	<u>103,606,772</u>
Salaries and wages	\$ 47,088,244	2,677,760	—	—	49,766,004
Benefits	15,335,210	1,060,436	—	—	16,395,646

See accompanying notes to consolidated financial statements.

BALDWIN WALLACE UNIVERSITY
Consolidated Statements of Cash Flows
Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (11,404,324)	(39,613,072)
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation	11,210,569	11,010,722
(Gains) losses on sales of investments	(15,147,767)	21,807,800
Change in student, government, and other receivables	(291,902)	2,415,441
Change in inventory and prepaid expenses	351,908	(903,117)
Change in accounts payable and accrued expenses	202,480	1,609,928
Change in deferred revenue, annuity obligations, government advances, and other liabilities	(2,992,810)	(814,027)
Equipment contributions and property (gains) losses	—	(102,459)
Contributions restricted for long-term investment	(4,351,753)	(9,849,616)
Other income restricted for long-term investment	(2,000,539)	(1,792,417)
	<u>(24,424,138)</u>	<u>(16,230,817)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Improvements and purchases of property and equipment	(11,951,818)	(13,975,556)
Sale of property	—	148,445
Facility bonds project trust fund deposits	(9,841,610)	—
Facility bonds project trust fund withdrawals	2,000,000	—
Purchases of endowment and similar investments	(48,000,011)	(32,240,539)
Sales of endowment and similar investments	68,592,665	43,580,474
Purchases of short term investments	(830)	(129)
Sales of short term investments	—	500,035
Repayment of student loans	924,395	359,957
	<u>1,722,791</u>	<u>(1,627,313)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Contributions restricted for long-term investment	5,563,523	12,650,584
Other income restricted for long-term investment	2,000,539	1,792,417
Proceeds from short-term bank loan	5,000,000	5,000,000
Higher Educational Facility Revenue Bonds, net of discount	9,900,700	—
Bond issuance costs	(237,250)	—
Long-term debt principal payments	(1,749,080)	(1,699,080)
Partner contributions	1,331,797	—
	<u>21,810,229</u>	<u>17,743,921</u>
Net cash provided by financing activities		
Net change in cash and cash equivalents	(891,118)	(114,209)
Cash and cash equivalents at beginning of period	1,399,754	1,513,963
Cash and cash equivalents at end of period	<u>\$ 508,636</u>	<u>1,399,754</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,826,372	908,219
Construction in progress in accounts payable	1,362,860	1,884,824

See accompanying notes to consolidated financial statements.

BALDWIN WALLACE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(1) Nature of Organization

Baldwin Wallace University (the University), founded in 1845, is an independent, coeducational university in the liberal arts tradition, accredited by the Higher Learning Commission. Undergraduate degrees granted are the Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Science, Bachelor of Science in Education, Bachelor of Music, Bachelor of Music Education, and Bachelor of Science in Nursing. Graduate degrees granted are Master of Accountancy, Master of Arts in Education, Master of Business Administration, Master of Medical Science, Master of Public Health, and Master of Science. The University also has certificate programs in a variety of specialties.

(2) Summary of Significant Accounting Policies

(a) *Going Concern*

These consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) assuming the University will continue as a going concern. For the years ended June 30, 2023, and 2022, the University incurred expenses in excess of its revenues by approximately \$18,800,000 and \$9,000,000, respectively, and used cash for operating activities of approximately \$24,400,000 and \$16,200,000, respectively. As described in note 10 to these consolidated financial statements, the university has a \$15,000,000 line of credit that matures in June 2024. The University's ability to continue as a going concern is dependent on reducing its expenditures and drawing on loans from the endowment to finance the University's operations.

The University engaged an external firm to assist in identifying cost reduction opportunities that could be implemented while prioritizing student's success and wellbeing. On January 25, 2024, at a special meeting of the Board of Trustees of the University, the Board reviewed and unanimously approved a restructuring plan (the "Plan"). Under the Plan, the University formed a task force representing key functional areas of campus, including University faculty, staff and administration to validate the recommendations of the external firm and to develop detailed steps for successful implementation and options to provide resources for liquidity needs. The Plan, designed to alleviate present financial challenges, includes cost reduction measures as well as forecasted increases in tuition revenue.

The cost reduction measures include a number of initiatives, some of which have already been implemented, including headcount reductions, centralization of certain core functions and significant reductions in discretionary expenditures. As a result of these restructuring measures, there will be a consolidation and elimination of certain programs and majors, a significant reduction in the number of courses offered in the core curriculum and adjustments to the student to faculty ratios to be more in line with peer universities. As a result, certain positions will be eliminated, certain term and adjunct faculty contracts will not be renewed, and certain positions vacated by retirements and resignations will not be replaced.

Also on January 25, 2024, the Board of Trustees of the University approved that certain advances from the endowment used for operations be converted into a loan to the University from the endowment in the total amount of \$20,000,000. Pursuant to the Plan, additional loans from the endowment of up to \$45,000,000 were approved to be used to finance the University's ongoing operations. These loans will be recorded as an asset of the endowment and bear interest at 5%. Under the terms of the loans, principal is to be repaid at the earlier of (i) November 1, 2028, and (ii) the day the University receives funds from certain financing transactions. Interest is to be paid from excess cash flow from operations,

BALDWIN WALLACE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

with all accrued and unpaid interest due at maturity. Payments are to be applied to interest first. Additional principal payments can be made at any time.

The University is also exploring potential additional sources of funding, which includes renegotiation of the existing line of credit, sale and leaseback transactions and the sale of certain non-strategic and underutilized properties.

As a result of the cost saving initiatives and the ability to borrow funds from the endowment, the University projects that there will be adequate liquidity to enable the continuation of its operations for at least one year from the date these consolidated financial statements are made available for issuance.

(b) Method of Accounting

The University has prepared the accompanying consolidated financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

The University prepares its consolidated financial statements to focus on the organization as a whole and to present balances and transactions classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as either without donor restrictions or with donor restrictions.

Revenue is reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by donor stipulation. The University has primarily reported gains or losses on investments as net assets with donor restrictions as a result of such donor stipulations or law. Expirations of donor restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases to net assets without donor restrictions.

Contributions, including private gifts, grants and pledges (unconditional promises to give), are recognized as revenue in the period received. Contributions of long-lived assets, or of cash or other assets to be used to acquire them, with donor stipulations concerning the use of such long-lived assets, are reported as revenue of net assets with donor restrictions. When the donor restriction expires, that is, when a stipulated time restriction or purpose restriction is met, net assets with donor restrictions are transferred to net assets without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value at the date of gift, except that contributions of works of art, historical treasures, and similar assets held as part of collections are not recognized or capitalized. Allowance is made for doubtful collection of contributions receivable based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

(c) Investments

Investments are reported at fair value. With respect to investment funds such as the University's investments managed by The Common Fund for Nonprofit Organizations (Commonfund), the

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estimated fair values are provided by external investment managers. Commonfund is an institutional investment manager serving higher education, health care, foundations, and other nonprofit institutions. These estimated fair values are reviewed and evaluated by the University management. Due to the inherent uncertainties of these estimates, these estimated fair values may differ from the values that would have been used had a ready market existed for such investments. Alternative investments are valued at fair value for marketable securities and net asset value (NAV) of the University's ownership interest in the partners' capital as a practical expedient for non-marketable securities.

Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of the specific identification of securities sold. Investment custodial fees are classified as a reduction in investment income for financial reporting purposes.

(d) Inventory

Inventories, which consist of bookstore and other supplies, are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

(e) Annuities and Perpetual Trusts

The University's split-interest agreements with donors consist of irrevocable charitable remainder trusts, charitable gift annuities, and life income contracts for which the University is either the remainder beneficiary or both the trustee and remainder beneficiary.

Assets held in trust for which the University serves as trustee are included in investments on the consolidated statements of financial position. The fair value of these investments was \$11,255,817 at June 30, 2023 and \$11,132,681 at June 30, 2022. In addition, the present value of the estimated future payments to be made to the donors and/or other beneficiaries is included as annuity obligations on the consolidated statements of financial position. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future amounts payable. Significant assumptions used in the calculation of the liability include:

- Assumed mortality rates based upon the 2012 Individual Annuity Reserving Mortality Table
- Assumed valuation interest rates range between 2.00% and 2.75%
- Assumed annuity payments made annually at the beginning of the year.

Assets held in trust for which the University does not serve as trustee (i.e., perpetual trusts) are also included as assets on the consolidated statements of financial position. The investment balances of \$18,137,846 and \$17,459,357 at June 30, 2023 and 2022, respectively, are recorded at fair value. Changes in the value of the University's beneficial interest in these perpetual trusts are reflected within the consolidated statements of activities as a component of donor restricted endowment and similar investment income.

(f) Government Advances for Student Loans

The University receives government advances to fund student loans. These advances are recorded as a liability within the consolidated statements of financial position. Interest earned through loan repayments is reinvested into the program to fund additional loans.

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(g) Student Loans Receivable

Student loans receivable are reported net of reserves for doubtful loans of \$374,000 as of June 30, 2023 and 2022. The reserve is intended to provide for loans, both in repayment status and not yet in repayment status (borrowers still in school or in the grace period following graduation), that may not be collected.

(h) Deferred Revenue and Student Deposits

Revenue and expenses related to academic terms conducted over two fiscal years, such as the summer session, are recognized over the two fiscal years. Amounts prepaid for future academic terms are included in deferred revenue and student deposits within the consolidated statements of financial position.

(i) Property and Equipment

Property and equipment are stated at historical cost. Amounts capitalized are depreciated over the estimated useful life of each class of depreciable asset. Depreciation is computed on the straight-line method. Estimated useful lives are as follows:

Buildings	50 years
Building additions and renovations	25 years
Computers, telephones, copiers, and vehicles	5 years
Other equipment and furniture	10 years
Pianos and other musical instruments	35 years

(j) Leases

The University determines if an arrangement is or contains a lease at contract inception. The University recognizes a right-of-use (ROU) asset and a lease obligation at the lease commencement date.

For operating leases, the lease obligation is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. The discount rate utilized for the fiscal years ended June 30, 2023 and 2022 was 2.76 percent. The ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease obligation, plus (minus) any prepaid (accrued) lease payments. Lease expenses for lease payments are recognized on a straight-line basis over the lease term.

For finance leases, the lease obligation is initially measured in the same manner as operating leases and is subsequently measured at amortized cost using the effective-interest method. The ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or lease term, unless the lease transfers ownership to the University or the University is reasonably certain to exercise an option to purchase the underlying asset.

(k) Impairment of Long-Lived Assets

The University evaluates the recoverability of long-lived assets and the related estimated remaining lives at each fiscal year end. The University records an impairment or change in useful life whenever

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events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or the useful life should be modified. No such impairment or change in estimated useful life was recorded in the fiscal years ended June 30, 2023 and 2022.

(l) Asset Retirement Obligations

The University has recorded a liability for conditional asset retirement obligations in other liabilities on the consolidated statements of financial position of approximately \$1,045,000 and \$1,700,000 at June 30, 2023 and 2022, respectively. Related discount amortization and depreciation in the fiscal years ended June 30, 2023 and 2022 were approximately \$59,000 and \$49,000, respectively.

(m) Prepaid Expenses

Prepaid expenses consist of prepaid insurance, maintenance, and other costs associated with future periods.

(n) Income Taxes

The University has received a determination letter from the Internal Revenue Service indicating it is a tax-exempt organization as provided for in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes except for taxes pertaining to unrelated business income. No liability provision has been made for income taxes in the accompanying consolidated financial statements. Institutional support expense includes minor amounts representing estimated and final payments of the unrelated business income tax.

The University uses a more-likely than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Tax provisions are evaluated for recognition, derecognition, and measurement using consistent criteria about the uncertainty in income tax assets and liabilities. Based on the University's evaluation, no provision for uncertain tax positions is required as of June 30, 2023 and 2022.

(o) Cash and Cash Equivalents and Short-Term Investments

Cash equivalents consist of short-term highly liquid instruments purchased with an original maturity date of three months or less, except for cash equivalents of endowment and similar funds, which are treated as long term investments.

Short-term investments are reported at fair value and represent the University's operating cash and endowment and similar cash that has been invested in short-term investment funds, which have underlying investments that are not considered cash equivalents and are reported at fair value based on quoted market prices.

(p) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the disclosure of contingent assets and liabilities and the reported amounts of revenue, expenses, gains, and losses during the reporting period. Actual results could differ from those estimates.

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(q) Auxiliary Enterprises

The University recognizes revenue and expenses related to residence and dining halls, bookstores (outsourced), vending, and rental houses as auxiliary enterprises on the Statements of Activities.

(r) Student Financial Aid Grants

Tuition and fees are reported net of student financial aid grants. A student financial aid grant represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student.

(s) Functional Classification of Expense

Expenses are presented by functional classification in accordance with the overall service mission of the University. Each functional classification displays all expenses related to the underlying operations by natural classification. The University allocates a portion of property and equipment operation and maintenance and depreciation expenses to functional areas based on square foot occupancy. Student activities include athletics, the student union, and the recreation and health centers.

(t) Revenue from Contracts with Customers

Under Accounting Standards Codification (ASC) Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

Revenue from student education, residence, and dining services is reflected after reductions from institutional student aid and is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Aid in excess of a student's tuition and fees is reflected as a reduction of residence and dining charges. Disbursements made directly to students for living or other costs are reported as an expense. Payments for student services are generally received prior to the commencement of each academic term and are reported as student deposits to the extent services will be rendered in the following fiscal year.

The composition of revenue from academic programs was as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Undergraduate	\$ 93,731,072	94,224,021
Postgraduate and other	10,064,580	8,337,349
Total	103,795,652	102,561,370
Less:		
Financial aid grants provided to students	<u>(54,960,926)</u>	<u>(56,378,939)</u>
Net	<u>\$ 48,834,726</u>	<u>46,182,431</u>

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Auxiliary enterprises revenue consists of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Residence and dining services	\$ 18,464,923	17,243,964
Other auxiliary expenses	<u>304,838</u>	<u>255,133</u>
Total	<u>\$ 18,769,761</u>	<u>17,499,097</u>

(u) Recently Issued Accounting Standards

Accounting Standards Update (ASU) 2016-13 Financial Instruments – Credit Loss: Measurement of Credit Losses on Financial Instruments, as amended, was issued by the Financial Accounting Standards Board (FASB) in June 2016 and is effective for the University in fiscal 2024. The ASU requires credit losses to be recognized on most financial assets carried at amortized cost (such as student accounts receivable, student loans receivables and certain other instruments). Under the ASU, credit losses are estimated over the entire contractual term of the instruments (adjusted for prepayment) from the date of initial recognition. The ASU removes the requirement that a credit loss be probable of occurring for it to be recognized and requires entities to use historical experience, current economic conditions and reasonable and supportable forecasts to estimate their future expected credit losses. The ASU is to be applied using the modified retrospective basis with a cumulative effect adjustment to net assets at the beginning of the fiscal year that it is adopted. The University is currently evaluating the expected impact of this ASU on its fiscal 2024 consolidated financial statements.

(v) Tax Credits

Much of the campus is designated as a historic site. In fiscal year 2023, the University formed three limited liability companies (LLCs) to renovate a residence hall in order to obtain historic tax credits. To obtain benefit from the tax credits, the University formed the LLCs with a corporate investor. The corporate investor received federal income tax credits for the renovation of a historic property. It remitted to the University a share of those credits amounting to \$2,644,064. The University's capital contribution to the venture was \$8,336,860. The minority investment was \$1,331,797. The consolidated financial statements include the tax credit payment in revenue without donor restrictions for the year ended June 30, 2023, and the capital contribution in net assets as of June 30, 2023.

(3) Long-Term Debt

The University had the following outstanding principal balances as of June 30:

	<u>2023</u>	<u>2022</u>
Ohio Higher Educational Facility Revenue Bonds	\$ 16,560,000	7,785,000
Bank loan	<u>11,096,947</u>	<u>11,651,027</u>
Long-term debt	<u>\$ 27,656,947</u>	<u>19,436,027</u>

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(a) Ohio Higher Education Facility Bonds

On November 29, 2012, the University issued State of Ohio Higher Educational Facility Revenue Bonds with a par value of \$16,025,000. The University issued the bonds pursuant to a trust agreement between the Ohio Higher Educational Facility Commission and US Bank as trustee. The bonds are dated December 1, 2012, and they mature through 2042. Interest is payable semi-annually on each December 1 and June 1, at variable rates ranging from 0.6% to 4.0%

On November 16, 2022, the University issued additional bonds with a par value of \$9,970,000 through a similar trust agreement. These bonds mature through December 1, 2053. The interest rates range from 5.75% to 6%. The University is using the proceeds of these bonds to renovate a two-building apartment complex that provides housing for graduate students and non-traditional students. This work was in progress at June 30, 2023. Project trust fund balances on that date were \$7,841,610. The consolidated financial statements include the trust funds in other assets.

Prepaid expenses at June 30, 2023 and 2022 include debt issuance costs, net of amortization, of \$354,370 and \$64,915, respectively. The University is amortizing the issuance costs over the life of the bonds using the effective interest method.

The annual principal payments required on the two bond issues for 2024 and thereafter are as follows:

Fiscal year ending June 30:	
2024	\$ 1,240,000
2025	1,280,000
2026	310,000
2027	325,000
2028	340,000
Thereafter	<u>13,065,000</u>
	<u>\$ 16,560,000</u>

The University was in compliance with its covenants as of June 30, 2023 and 2022.

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(b) Bank Loan

During the year ended June 30, 2018, the University substantially financed the construction of a new residence hall with a variable rate bank loan. At completion in August 2018, the balance of the variable rate loan was \$13,775,000. The parties converted it to a fixed rate loan immediately after completion. The loan matures through 2043 and has an interest rate of 2.76%.

Fiscal year ending June 30:	
2024	\$ 554,080
2025	554,080
2026	554,080
2027	554,080
2028	554,080
Thereafter	<u>8,326,547</u>
	<u>\$ 11,096,947</u>

(4) Endowment and Similar Assets Investments

Endowment and similar assets include endowment funds, funds functioning as endowment, charitable gift annuities, charitable remainder trusts, and beneficial interests in perpetual trusts. At June 30, 2023 and 2022, these assets comprised the following:

	2023	2022
Cash equivalents	\$ 3,945,247	3,452,646
Commonfund:		
Equity funds	81,556,022	86,126,816
Fixed income funds	34,425,292	35,889,979
Alternative funds, marketable	1,453,028	1,842,288
Alternative funds, nonmarketable	<u>25,153,065</u>	<u>25,902,631</u>
Commonfund subtotal	142,587,407	149,761,714
Equities	6,287,350	6,928,184
Fixed income	2,129,210	968,450
Balanced and other mutual funds	3,302,817	3,284,695
Other	39,842	19,560
Beneficial interest in perpetual trusts	<u>18,137,846</u>	<u>17,459,357</u>
	<u>\$ 176,429,719</u>	<u>181,874,606</u>

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(5) Fair Value Measurements

The University has adopted the recognition and disclosure provisions prescribed in ASC 820, *Fair Value Measurement and Disclosures*, for financial assets. ASC 820 establishes a framework in generally accepted accounting principles for measuring fair value and expands disclosures about fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset.

ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820 requires that assets carried at fair value be disclosed according to the following three levels:

Level 1 – Unadjusted quoted prices in active markets for identical assets. Level 1 yields the highest priority to unadjusted quoted prices in active markets for identical assets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2 – Observable inputs other than quoted prices in Level 1. Inputs such as quoted prices for similar assets in active markets, quoted prices for identical or similar liabilities that are not active, or other inputs that are observable or can be corroborated by observable market data. Level 2 financial instruments include student accounts receivable, pledges receivable, student loan notes receivable and annuity obligations.

Level 3 – Unobservable inputs that are significant to the valuation of assets and are supported by little or no market data. This includes discounted cash flow methodologies, pricing models, and similar techniques that use significant unobservable inputs. Level 3 financial instruments include asset retirement obligations.

Level 1 investments include cash and cash equivalents, short term investments and Commonfund equity funds, fixed income funds and marketable alternative funds. These valuations are based on quoted prices from active stock exchanges for identical assets. Level 2 investments include fixed income securities, limited partnerships and other miscellaneous securities. The valuations of these securities are based on quoted prices from active stock exchanges for similar assets, quoted prices in inactive markets, or other observable market data such as matrix pricing and yield curves.

The University holds interests in various funds that are illiquid and do not allow for short-term redemption. Nonmarketable alternative funds are valued at their net asset value (NAV) as a practical expedient in determining fair value. These funds utilize a multi-manager approach, allocating assets to investment Sub-Advisors or investment funds managed by Sub-Advisors (Third Party Investment Funds). The strategies employed by the funds are primarily long-term or full market cycle approaches.

Level 3 investments include the University's portion of beneficial interests in several perpetual trusts held and administered by others in which the University is an income beneficiary. The primary input utilized in calculating the perpetual trusts' fair value is its net assets, which represents fair market valuation of certain equity, debt, and other instruments held by the perpetual trusts. In this manner, the perpetual trusts' valuation approximates fair market value. As the investments cannot be redeemed at the fair value, the University has classified these investments as Level 3 within the fair value hierarchy table.

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The University has various alternative investments that have minimum capital commitments. As of June 30, 2023, the University has committed to make a total investment of \$27,100,000, of which \$17,416,504 has been invested, leaving \$9,683,496 of outstanding commitments. As of June 30, 2022, the University had committed to make a total investment of \$27,100,000, of which \$14,421,424 had been invested, leaving \$12,678,576 of outstanding commitments.

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2023:

	Balance at June 30, 2023	Level 1	Level 2	Level 3
Investments by fair value level:				
Cash and cash equivalents	\$ 508,636	508,636	—	—
Short-term investments	222,210	222,210	—	—
Cash equivalents, endowment and similar	3,945,247	3,945,247	—	—
Commonfund:				
Equity funds	81,556,022	81,556,022	—	—
Fixed income funds	34,425,292	34,425,292	—	—
Alternative funds, marketable	1,453,028	1,453,028	—	—
Equities	6,287,350	6,287,350	—	—
Fixed income	2,129,210	—	2,129,210	—
Balanced and other mutual funds	3,302,817	3,302,817	—	—
Other	39,842	—	39,842	—
Beneficial interest in perpetual trusts	18,137,846	—	—	18,137,846
Total assets by fair value level	<u>152,007,500</u>	<u>\$ 131,700,602</u>	<u>2,169,052</u>	<u>18,137,846</u>
Investments measured at the net asset value (NAV):				
Alternative funds, nonmarketable	<u>25,153,065</u>			
Total assets at fair value	<u>\$ 177,160,565</u>			

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The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2022:

	Balance at June 30, 2022	Level 1	Level 2	Level 3
Investments by fair value level:				
Cash and cash equivalents	\$ 1,399,754	1,399,754	—	—
Short-term investments	221,380	221,380	—	—
Cash equivalents, endowment and similar	3,452,646	3,452,646	—	—
Commonfund:				
Equity funds	86,126,816	86,126,816	—	—
Fixed income funds	35,889,979	35,889,979	—	—
Alternative funds, marketable	1,842,288	1,842,288	—	—
Equities	6,928,184	6,928,184	—	—
Fixed income	968,450	—	968,450	—
Balanced and other mutual funds	3,284,695	3,284,695	—	—
Other	19,560	—	19,560	—
Beneficial interest in perpetual trusts	17,459,357	—	—	17,459,357
Total assets by fair value level	<u>157,593,109</u>	<u>\$ 139,145,742</u>	<u>988,010</u>	<u>17,459,357</u>
Investments measured at the net asset value (NAV):				
Alternative funds, nonmarketable	<u>25,902,631</u>			
Total assets at fair value	<u>\$ 183,495,740</u>			

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There were no transfers between Level 1 and 2, or 3 investments for the fiscal years ended June 30, 2023 and 2022. Perpetual trusts utilize significant unobservable inputs determined by the external trustees in estimating fair value. The following table presents activity for assets classified as Level 3:

	Fair value measurements using unobservable inputs (Level 3)	Beneficial interest in perpetual trusts
Balance at June 30, 2021	\$	20,197,036
Additions		—
Distributions		—
Income and realized gains		1,097,095
Payments		(849,344)
Unrealized losses		(2,985,430)
Balance at June 30, 2022		17,459,357
Additions		107,348
Distributions		—
Income and realized gains		3,955,733
Payments		(965,246)
Unrealized losses		(2,419,346)
Balance at June 30, 2023	\$	18,137,846

(6) Endowment

The University's endowment consists of approximately 500 individual funds. The donors of these funds have restricted the principal for investment. Some of those donors have also restricted the use of the income as to purpose. The University has designated other funds, usually resulting from major bequests or gifts, as funds functioning as endowment. Both net assets with and without donor restrictions include funds functioning as endowment.

The University's current spending policy is to withdraw each year an amount not exceeding 5% of the average of the June 30 market values for the preceding three years. The consolidated statements of activities for each of the net asset classes show these withdrawals as investment income and gains distribution. As described within note 2 to these consolidated financial statements, the Board of Trustees approved that certain advances from the endowment in excess of this 5% threshold and used for operations be converted into a loan to the University from the endowment, in the total amount of \$20.0 million.

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or legislation requires the University to maintain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature would be

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reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2023 and 2022.

The following table presents the changes in endowment net assets held by the University for the years ended June 30, 2023 and 2022:

	Donor restricted endowment	Functioning as endowment		Total
		With donor restrictions	Without donor restrictions	
Balances June 30, 2021	\$ 176,398,153	4,208,278	5,077,672	185,684,103
Investment income and gains (losses)	(14,759,613)	(450,683)	(551,451)	(15,761,747)
Contributions	2,472,011	11,633	—	2,483,644
Transfers and other	125,494	(41,301)	—	84,193
Distributions and expenses	(7,857,002)	(531,710)	(826,516)	(9,215,228)
Balances June 30, 2022	156,379,043	3,196,217	3,699,705	163,274,965
Investment income and gains	12,395,648	677,810	381,033	13,454,491
Contributions	2,784,141	12,700	—	2,796,841
Transfers and other	(2,896)	(2,309,335)	(966,717)	(3,278,948)
Distributions and expenses	(7,927,754)	(331,926)	(196,475)	(8,456,155)
Balances June 30, 2023	\$ <u>163,628,182</u>	<u>1,245,466</u>	<u>2,917,546</u>	<u>167,791,194</u>

Members of the University Investment Committee develop the investment policy, which is subject to approval by the Board of Trustees. They design the policy to be flexible and subject to revisions as the needs of the University may change. While the endowment is under the responsibility of the Board of Trustees, the Board has delegated authority for investment activities – including appointment, oversight, and evaluation of the Investment Manager – to the Investment Committee, whose members are appointed and serve at the pleasure of the Chairperson of the Board of Trustees. The members of the Investment Committee are all Trustees who volunteer their services on a pro bono basis.

The University's objective is to invest the endowment to seek an average total annual return that exceeds the spending rate plus inflation. The intent is to preserve over time the principal value of the assets as measured in inflation-adjusted terms. The relative objective is to seek competitive investment performance versus appropriate capital market measures. The comparative performance objective is to achieve a total rate of return that is above the median performance of a universe of similarly managed funds.

The assets are managed on a total return basis.

The University believes that its policies and procedures comply with the provisions of the Uniform Prudent Management of Institutional Funds Act.

(7) Retirement Plan

The University participates in the Teachers Insurance and Annuity Association's defined contribution retirement plan. It covers substantially all regular full-time employees. The University's contribution was 3% of the covered employees' regular salary after September 1, 2020. It was increased to 5% effective

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January 1, 2022 and to 7% effective January 1, 2023. During the years ended June 30, 2023 and 2022, the University's contributions were approximately \$2,200,000 and \$1,394,000, respectively.

(8) Commitments and Contingencies

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as to their allowability in connection with the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. University management believes disallowances, if any, will not be material to the University's consolidated financial statements.

(9) Pledges Receivable

Pledges receivable totaling \$3,746,945 and \$4,977,093 at June 30, 2023 and 2022, respectively, represent gross unconditional promises to give. All gift pledges are restricted as to use for various purposes, primarily for property and equipment or endowment. These promises are reported at the present value of estimated future cash flows.

Pledges to be received were discounted at a rate of 3%.

Gift pledges are expected to be realized as follows for June 30:

	2023	2022
In one year or less	\$ 3,175,059	4,475,378
Between one and five years	566,886	492,587
More than five years	5,000	9,128
	3,746,945	4,977,093
Less:		
Allowance for uncollectible pledges	(240,000)	(200,000)
Discount on pledges	(42,535)	(100,913)
Net pledges receivable	\$ 3,464,410	4,676,180

Conditional promises to give totaled approximately \$39,600,000 as of June 30, 2023 and \$42,200,000 as of June 30, 2022. These amounts consist of commitments contained in wills and insurance policies.

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June 30, 2023 and 2022

(10) Liquidity and Line of Credit

Operating assets available within one year of the financial position date for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital constructions costs not financed with debt, were as follows:

Operating assets at June 30, 2023	\$ 14,736,946
Less those unavailable for general expenditure within one year:	
Student loans receivable (revolving funds)	(1,224,023)
Inventory	(1,791,279)
Prepaid expenses	(1,167,102)
Leases of property and equipment	(2,340,178)
Pledges due beyond one year	<u>(571,886)</u>
Operating assets available to meet cash needs for general expenditure within one year	\$ <u><u>7,642,478</u></u>

To manage liquidity, the University has a \$15,000,000 line of credit for operating funds that bears interest at BSBY plus 1.25 percent. Borrowings outstanding were \$15,000,000 as of June 30, 2023 and \$10,000,000 as of June 30, 2022. The line of credit matures in June 2024.

(11) Related Parties

There are no significant related parties for the years ended June 30, 2023 and 2022.

(12) Subsequent Events

The University evaluated subsequent events applicable to the year ended June 30, 2023 through March 13, 2024, the date the consolidated financial statements are available to be issued. There were no subsequent event matters identified for disclosure in the consolidated financial statements except for note 2(a) disclosure regarding the 2024 board meeting and the resolutions described in note 2(a).

BALDWIN WALLACE UNIVERSITY

Supplementary Information

Years ended June 30, 2023, 2022, 2021, and 2020

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Enrollment, fall semester (unaudited):				
Full-time undergraduate	\$ 2,636	2,684	2,712	2,820
Part-time undergraduate	112	152	149	174
Graduate	482	496	539	540
Total	<u>\$ 3,230</u>	<u>3,332</u>	<u>3,400</u>	<u>3,534</u>
Full-time-equivalent enrollment (unaudited)	\$ 2,996	3,069	3,137	3,233
Residence hall occupancy, fall (unaudited)	1,327	1,376	1,330	1,471
New day students, fall semester (unaudited):				
Applied	4,436	4,446	4,070	4,252
Accepted	3,417	3,518	2,870	3,005
Admitted	737	827	766	765
Fees charged per full-time student (unaudited):				
Tuition	\$ 36,250	35,366	34,504	33,530
Residence hall room (double)	6,258	6,076	5,842	5,678
Campus card (dining halls, bookstore)	6,538	6,348	6,104	5,932
	<u>\$ 49,046</u>	<u>47,790</u>	<u>46,450</u>	<u>45,140</u>
In millions				
Tuition and fee revenue billed	\$ 103.8	102.6	101.7	103.8
Student financial aid grants:				
Funds without donor restrictions	47.3	46.2	42.7	40.4
Funds with donor restrictions	7.7	10.2	9.4	7.7
Total university grant aid	<u>55.0</u>	<u>56.4</u>	<u>52.1</u>	<u>48.1</u>
Government aid grants to students administered by the University:				
Pell and other federal	4.1	4.2	4.3	4.7
Ohio Opportunity and other state	2.2	2.1	2.2	2.2
Total grant aid administered	<u>6.3</u>	<u>6.3</u>	<u>6.5</u>	<u>6.9</u>
Total grant aid	<u>\$ 61.3</u>	<u>62.7</u>	<u>58.6</u>	<u>55.0</u>
Grant aid percentage of tuition and fees billed	59 %	61 %	58 %	53 %

BALDWIN WALLACE UNIVERSITY

Supplementary Information

Years ended June 30, 2023, 2022, 2021, and 2020

In millions	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Activities summary:				
Tuition and fees	\$ 103.8	102.6	101.7	103.8
Less student financial aid grants	<u>55.0</u>	<u>56.4</u>	<u>52.1</u>	<u>48.0</u>
Net tuition and fees	48.8	46.2	49.6	55.8
Contributions:				
Available for current operations (unaudited)	5.9	5.2	5.2	4.9
For investment in plant and endowment (unaudited)	5.6	9.8	7.9	8.9
Change in pledges	(1.2)	(2.8)	(2.2)	5.7
Government grants:				
Program and student financial aid	1.9	1.5	1.4	1.6
COVID relief	—	5.8	12.2	2.3
Endowment and similar investments:				
Income and gains distribution	8.3	8.8	7.7	7.5
Auxiliary enterprises:				
Residence and dining halls, bookstore, rental houses, vending	18.8	17.5	17.2	16.1
Other income	<u>5.9</u>	<u>2.6</u>	<u>0.7</u>	<u>1.0</u>
Totals	94.0	94.6	99.7	103.8
Expenses	<u>112.8</u>	<u>103.6</u>	<u>96.3</u>	<u>105.6</u>
Net revenue	(18.8)	(9.0)	3.4	(1.8)
Endowment and similar investment gains (losses) after distribution	7.4	(30.6)	39.0	(2.0)
Voluntary employee separation incentives	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3.3)</u>
Increase (decrease) in net assets	(11.4)	(39.6)	42.4	(7.1)
Net assets at the beginning of the year	<u>317.2</u>	<u>356.8</u>	<u>314.4</u>	<u>321.5</u>
Net assets at the end of the year	<u>\$ 305.8</u>	<u>317.2</u>	<u>356.8</u>	<u>314.4</u>

See accompanying independent auditors' report.