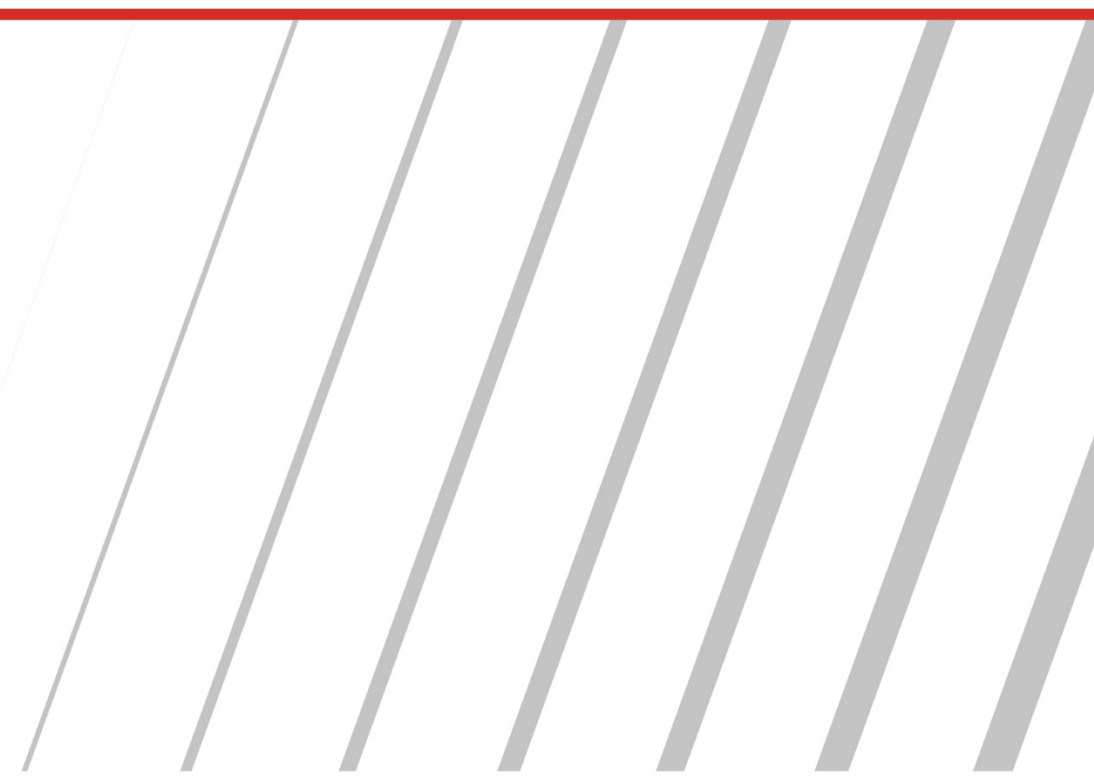




Heidelberg University

Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022



Heidelberg University

June 30, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Heidelberg University
Tiffin, Ohio

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Heidelberg University, as of June 30, 2023 and 2022, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial responsibility supplemental schedule required by the U.S. Department of Education and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 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 GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the 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 November 1, 2023, 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 Heidelberg 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.

FORVIS,LLP

Fort Wayne, Indiana
November 1, 2023

Heidelberg University

Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 6,453,890	\$ 7,388,885
Student accounts receivable, net of allowance of \$1,330,000 and \$1,220,000 in 2023 and 2022, respectively	2,453,089	2,129,998
Contributions receivable, net of allowance of \$744,230 and \$92,300 in 2023 and 2022, respectively	13,388,107	1,598,679
Other receivable	-	4,722,041
Grants receivable	680,522	1,149,765
Inventories	59,578	58,757
Prepaid expenses and other assets	1,186,949	1,031,776
Notes receivable, net of allowance of \$113,676 in 2023 and 2022	824,933	694,325
Investments	79,080,083	74,315,396
Property and equipment	83,573,722	83,527,894
Beneficial interest in perpetual trusts	4,996,299	4,710,337
	\$ 192,697,172	\$ 181,327,853
Liabilities		
Accounts payable	\$ 1,075,367	\$ 1,492,039
Line of credit	1,800,000	-
Accrued liabilities	1,605,194	1,724,515
Deposits and funds held for others	51,577	83,152
Deferred income	3,452,995	3,908,826
Annuities and trusts payable	599,419	1,156,698
Debt and finance lease liabilities	35,574,251	34,226,737
Advances for federal loans	500,308	666,838
Total liabilities	44,659,111	43,258,805
Net Assets		
Without donor restriction	49,305,110	56,158,980
With donor restriction	98,732,951	81,910,068
Total net assets	148,038,061	138,069,048
Total liabilities and net assets	\$ 192,697,172	\$ 181,327,853

Heidelberg University
Statements of Activities
Years Ended June 30, 2023 and 2022

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Revenue, Income, and Other Support			
Net tuition and fees	\$ 12,334,286	\$ -	\$ 12,334,286
Auxiliary enterprises	8,813,649	-	8,813,649
Grants and contracts	1,481,877	-	1,481,877
Private gifts, grants and bequests	1,687,967	16,203,552	17,891,519
Investment return designated for current operations	2,112,192	668,964	2,781,156
Other	1,755,297	516,040	2,271,337
Change in value of split-interest agreements	499,085	-	499,085
	<u>28,684,353</u>	<u>17,388,556</u>	<u>46,072,909</u>
Net assets released from restrictions, operating	3,984,678	(3,984,678)	-
Total revenues, income, and other support	<u>32,669,031</u>	<u>13,403,878</u>	<u>46,072,909</u>
Expenses			
Instruction	8,947,443	-	8,947,443
Research	1,384,834	-	1,384,834
Academic support	2,316,185	-	2,316,185
Student services	8,643,978	-	8,643,978
Auxiliary enterprises	6,519,559	-	6,519,559
Institutional support	10,754,818	-	10,754,818
Fundraising	1,347,192	-	1,347,192
Total expenses	<u>39,914,009</u>	<u>-</u>	<u>39,914,009</u>
Change in Net Assets Before Other Activities	<u>(7,244,978)</u>	<u>13,403,878</u>	<u>6,158,900</u>
Other Activities			
Investment return less amounts designated for current operations	391,108	3,419,005	3,810,113
Net assets released from restriction, capital	-	-	-
	<u>391,108</u>	<u>3,419,005</u>	<u>3,810,113</u>
Change in Net Assets	<u>(6,853,870)</u>	<u>16,822,883</u>	<u>9,969,013</u>
Net Assets, Beginning of Year	<u>56,158,980</u>	<u>81,910,068</u>	<u>138,069,048</u>
Net Assets, End of Year	<u>\$ 49,305,110</u>	<u>\$ 98,732,951</u>	<u>\$ 148,038,061</u>

2022

Without Donor Restriction	With Donor Restriction	Total
\$ 13,319,058	\$ -	\$ 13,319,058
8,587,602	-	8,587,602
9,942,149	-	9,942,149
1,546,852	14,521,905	16,068,757
1,958,356	551,866	2,510,222
880,049	722,522	1,602,571
-	(111,656)	(111,656)
36,234,066	15,684,637	51,918,703
3,290,894	(3,290,894)	-
39,524,960	12,393,743	51,918,703
10,493,635	-	10,493,635
1,157,756	-	1,157,756
1,661,525	-	1,661,525
9,273,219	-	9,273,219
6,215,343	-	6,215,343
6,246,340	-	6,246,340
1,450,819	-	1,450,819
36,498,637	-	36,498,637
3,026,323	12,393,743	15,420,066
(1,002,790)	(10,446,357)	(11,449,147)
250,842	(250,842)	-
(751,948)	(10,697,199)	(11,449,147)
2,274,375	1,696,544	3,970,919
53,884,605	80,213,524	134,098,129
\$ 56,158,980	\$ 81,910,068	\$ 138,069,048

Heidelberg University

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Activities					Support Activities			2023	
	Instruction	Research	Academic	Student	Auxiliary	Total	Institutional	Fundraising	Total	Total
			Support	Services	Enterprises	Program			Support	
Salaries and wages	\$ 4,885,993	\$ 466,414	\$ 954,933	\$ 3,317,677	\$ 680,439	\$ 10,305,456	\$ 2,359,506	\$ 600,177.00	\$ 2,959,683	\$ 13,265,139
Employee benefits	2,038,371	184,154	389,749	1,343,551	205,010	4,160,835	793,672	246,610	1,040,282	5,201,117
Accounting	-	-	-	-	-	-	937,457	-	937,457	937,457
Advertising and promotion	6,044	-	1,726	420,583	-	428,353	73,976	2,548	76,524	504,877
Conferences/conventions/meetings	185,966	4,617	154,596	216,146	653,701	1,215,026	192,636	10,917	203,553	1,418,579
Information technology	2,137	-	84,116	101,842	8,147	196,242	632,667	-	632,667	828,909
Insurance	-	-	-	-	-	-	522,241	-	522,241	522,241
Legal	-	-	-	-	-	-	138,058	-	138,058	138,058
Licenses and fees	20,623	2,298	5,982	88,535	76,197	193,635	35,924	10,369	46,293	239,928
Management	112,069	78,019	119,302	565,586	2,914,803	3,789,779	503,016	73,250	576,266	4,366,045
Membership and subscriptions	16,098	180	43,381	57,260	2,643	119,562	207,261	2,545	209,806	329,368
Occupancy	121,624	53,972	48,117	174,903	543,394	942,010	334,103	17,075	351,178	1,293,188
Office expenses	366,252	329,718	157,256	943,896	337,687	2,134,809	1,332,080	194,486	1,526,566	3,661,375
Travel	138,690	41,188	59,079	377,986	5,263	622,206	26,992	21,385	48,377	670,583
Utilities	326,367	81,638	95,183	349,354	345,530	1,198,072	866,516	51,989	918,505	2,116,577
Interest	177,465	34,808	49,482	98,195	251,608	611,558	521,119	28,269	549,388	1,160,946
Depreciation and amortization	549,744	107,828	153,283	588,464	495,137	1,894,456	1,277,594	87,572	1,365,166	3,259,622
Totals	\$ 8,947,443	\$ 1,384,834	\$ 2,316,185	\$ 8,643,978	\$ 6,519,559	\$ 27,811,999	\$ 10,754,818	\$ 1,347,192	\$ 12,102,010	\$ 39,914,009

Heidelberg University

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Activities						Support Activities			2022
	Instruction	Research	Academic	Student	Auxiliary	Total	Institutional	Total		Total
			Support	Services	Enterprises	Program	Support	Fundraising	Support	Expenses
Salaries and wages	\$ 5,615,326	\$ 401,938	\$ 796,027	\$ 3,205,065	\$ 728,366	\$ 10,746,722	\$ 1,568,812	\$ 726,134	\$ 2,294,946	\$ 13,041,668
Employee benefits	1,811,104	129,637	256,742	1,033,726	234,919	3,466,128	471,516	268,670	740,186	4,206,314
Accounting	-	-	-	-	-	-	150,072	-	150,072	150,072
Emergency relief payments	-	-	-	1,613,597	-	1,613,597	-	-	-	1,613,597
Advertising and promotion	2,163	-	-	163,642	-	165,805	9,833	42,863	52,696	218,501
Conferences/conventions/meetings	173,976	8,959	24,411	236,846	73,592	517,784	64,279	10,189	74,468	592,252
Information technology	2,391	-	65,719	76,741	8,148	152,999	622,815	-	622,815	775,814
Insurance	44	5	7	33	30	119	434,293	-	434,293	434,412
Legal	-	-	-	-	-	-	49,306	-	49,306	49,306
Licenses and fees	19,646	1,645	8,343	58,552	7,776	95,962	91,206	1,184	92,390	188,352
Management	514,118	102,807	40,766	346,600	3,076,874	4,081,165	225,477	164,775	390,252	4,471,417
Membership and subscriptions	21,207	9,907	4,045	42,726	651	78,536	174,860	2,493	177,353	255,889
Occupancy	325,750	65,170	63,107	210,416	635,863	1,300,306	353,854	2,314	356,168	1,656,474
Office expenses	601,293	232,561	171,929	1,001,796	487,580	2,495,159	909,480	156,894	1,066,374	3,561,533
Travel	119,128	35,688	22,065	300,079	11,712	488,672	97,988	12,773	110,761	599,433
Utilities	507,245	77,078	82,091	387,879	412,483	1,466,776	459,781	-	459,781	1,926,557
Interest	2,848	337	461	2,173	1,962	7,781	2,054	228	2,282	10,063
Depreciation and amortization	777,396	92,024	125,812	593,348	535,387	2,123,967	560,714	62,302	623,016	2,746,983
Totals	\$ 10,493,635	\$ 1,157,756	\$ 1,661,525	\$ 9,273,219	\$ 6,215,343	\$ 28,801,478	\$ 6,246,340	\$ 1,450,819	\$ 7,697,159	\$ 36,498,637

Heidelberg University
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ 9,969,013	\$ 3,970,919
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	3,280,251	2,767,614
Contributions restricted for long-term investment	(1,020,179)	(6,580,832)
Contributions restricted for capital asset purchases	(1,005,600)	(5,493,676)
Loss on disposal of property and equipment	897,242	-
Realized and unrealized (gains) losses on investments	(4,355,209)	10,445,813
Provisions for bad debts	651,930	21,009
Changes in		
Grants and student accounts receivable	(505,778)	(292,022)
Contributions receivable, including remainder trusts	(11,789,428)	(397,295)
Other receivable	4,722,041	(4,722,041)
Notes receivable	(130,608)	495,569
Prepaid expenses and other assets	(155,173)	57,611
Inventories	(821)	(14,028)
Beneficial interest in perpetual trusts	(285,962)	911,224
Accounts payable	117,350	(713,863)
Accrued liabilities	(119,321)	(1,103,953)
Deposits and funds held for others	(31,575)	(355,122)
Deferred income	(455,831)	(266,328)
Annuities and trusts payable	(557,279)	(11,019)
Advances for federal loans	(166,530)	(197,506)
Net cash used in operating activities	<u>(941,467)</u>	<u>(1,477,926)</u>
Investing Activities		
Purchase of property and equipment	(4,091,211)	(8,690,163)
Purchase of investments	(29,837,384)	(27,543,635)
Sales and maturities of investments	29,427,906	19,399,430
Net cash used in investing activities	<u>(4,500,689)</u>	<u>(16,834,368)</u>
Financing Activities		
Payments on long-term debt and finance lease liabilities	(647,915)	(791,908)
Proceeds from long-term debt	1,329,297	6,369,981
Gross borrowings under line-of-credit agreement	8,300,000	1,000,000
Gross repayments under line-of-credit agreement	(6,500,000)	(1,000,000)
Proceeds from contributions restricted for capital asset purchase	1,005,600	5,493,676
Proceeds from contributions restricted for long-term investment	1,020,179	6,580,832
Net cash provided by financing activities	<u>4,507,161</u>	<u>17,652,581</u>
Decrease in Cash and Cash Equivalents	(934,995)	(659,713)
Cash and Cash Equivalents, Beginning of Year	<u>7,388,885</u>	<u>8,048,598</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,453,890</u>	<u>\$ 7,388,885</u>
Supplemental Cash Flows Information		
Interest paid	\$ 1,120,953	\$ 9,998
ROU assets obtained in exchange for new finance lease liabilities	645,502	-
Property and equipment purchases in accounts payable	534,022	944,028

Heidelberg University

Notes to Financial Statements

June 30, 2023 and 2022

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Heidelberg University (University) was incorporated as a not-for-profit organization in 1850, under the laws of the state of Ohio. The University is an independent, church-related, liberal arts educational institution offering undergraduate and graduate degrees. The primary sources of revenue are from tuition and auxiliary services.

Use of Estimates

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

Cash and Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. The University's cash equivalents consisted primarily of overnight sweep accounts. At June 30, 2023, the University's cash accounts exceeded federally insured limits by approximately \$5,875,000.

Cash and cash equivalents that are awaiting longer-term investing have been classified as investments.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividend, interest, and other investment income and realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as without donor restrictions or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated annually to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Heidelberg University

Notes to Financial Statements

June 30, 2023 and 2022

Derivative Financial Instruments

The University engages in derivative activities involving equity options. The University writes call and put options on various equity securities. These derivatives are primarily used to generate trading revenue and income and to a lesser extent to hedge against changes in equity prices. These derivative instruments do not qualify for hedge accounting and are accounted for at fair value. The call options are covered due to the University owning the equity securities that the options are written against. The written put options expose the University to a potential commitment to purchase the underlying equity securities at expiration of the option contract. The University's open contract written put commitments are insignificant at June 30, 2023 and 2022.

Inventories

Inventories consist primarily of books and supplies and are stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out (FIFO) method.

Income Taxes

The University is exempt from income taxes under Section 501 of the U.S. Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University files tax returns in the U.S. federal jurisdiction.

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. Assets under finance lease agreements (previously known as capital leases) are depreciated over the shorter of the lease term or their respective estimated useful lives. The University provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives.

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred each year was:

	2023	2022
Interest costs capitalized	\$ 1,346,264	\$ 801,437
Interest costs charged to expense	1,160,945	10,063
Total interest incurred	\$ 2,507,209	\$ 811,500

Heidelberg University

Notes to Financial Statements

June 30, 2023 and 2022

Long-lived Asset Impairment

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2023 and 2022.

Student Accounts and Notes Receivable

Student accounts receivable are stated at the amount of consideration from students, of which the University has an unconditional right to receive, less applied scholarships and loan proceeds. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Tuition is generally due at the beginning of the semester unless the student has signed a payment plan. Accounts that are past due without payments for three consecutive months, and have had no response to the due diligence process are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Notes receivable consist of amounts due under the Federal Perkins Loan Program (Program) and are stated at their outstanding principal amounts, net of an allowance for doubtful notes. The federal government guarantees all or a significant portion of loans issued under the Program. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful notes, which is based upon a review of outstanding loans, historical collection information, and existing conditions. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Loans with a delinquent balance greater than 90 days and still accruing interest amount to approximately \$487,000 and \$571,000 at June 30, 2023 and 2022, respectively.

Net Assets

The University's financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Net assets and related activity are classified as without donor restrictions and with donor restrictions as follows:

- *Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions. The net asset without donor restrictions class included assets and liabilities of the University and may be used at the discretion of management to support the University's purposes and operations.

Heidelberg University

Notes to Financial Statements

June 30, 2023 and 2022

- *Net Assets with Donor Restrictions* – Net assets that are subject to donor-imposed restrictions that will be met either by actions of the University or the passage of time or are to be maintained in perpetuity by the University. Unconditional promises to give that are due in future periods are classified as net assets with donor restrictions. Generally, the donors of assets with donor restrictions permit the University to use all or part of the income earned on related investments for general or specific purposes. Donor-imposed restrictions limiting the use of the assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

Tuition and Auxiliary Services Revenue

Tuition revenue is recognized over the term of the semester as the University provides services to students. Revenue is reported at the amount of consideration which the University expects to be entitled in exchange for providing tuition and auxiliary services. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships and other price concessions provided to students.

Deferred Revenue

Income from prepaid tuition is deferred and recognized over the periods to which the tuition relates.

Contributions

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the University overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

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Notes to Financial Statements

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In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The University records these costs as direct deductions from the related debt. Such costs are being amortized over the term of the respective debt using the effective interest method.

Self-Insurance

The University has elected to self-insure certain costs related to employee health insurance. Costs resulting from noninsured losses are charged to expense when incurred. The University has purchased insurance that limits its exposure for individual claims to \$150,000 each.

Government Grants

Support funded by grants is recognized as the University meets the conditions prescribed by the grant agreement, performs the contracted services, or incurs outlays eligible for reimbursement under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expense by function. Certain costs have been allocated among the program, institutional support, and fund raising categories based on the estimates of time spent by University personnel and other methods.

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Notes to Financial Statements
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Note 2: Contributions Receivable

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 4,539,796	\$ 806,362
Due within one to five years	10,344,800	970,450
Due greater than five years	<u>—</u>	<u>—</u>
	14,884,596	1,776,812
Less		
Allowance for uncollectible contributions	(744,230)	(92,300)
Unamortized discount (4.13% for 2023 and 1.75% for 2022)	<u>(752,259)</u>	<u>(85,833)</u>
	<u>\$ 13,388,107</u>	<u>\$ 1,598,679</u>

Note 3: Investments and Investment Return

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

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 4,796,310	\$ 8,046,411
U.S. Government and agency securities	16,423,959	15,672,012
Corporate bonds	6,074,614	5,796,498
Common stocks and mutual funds		
Consumer discretionary	5,038,681	4,577,344
Consumer staples	3,895,182	3,524,285
Energy	3,391,733	3,026,018
Financials	6,965,501	6,018,621
Health care	7,560,175	6,021,808
Industrials	5,935,762	4,471,336
Information technology	9,916,192	8,619,890
Materials	2,333,036	2,022,494
Real estate	1,886,619	1,849,635
Telecom services	2,947,462	2,951,250
Utilities	1,873,535	1,667,095
Private equity funds	<u>41,322</u>	<u>50,699</u>
Total	<u>\$ 79,080,083</u>	<u>\$ 74,315,396</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 2,236,060	\$ 1,506,888
Net realized and unrealized gains (losses) on investments	<u>4,355,209</u>	<u>(10,445,813)</u>
Total return on investments	6,591,269	(8,938,925)
Investment return designated for current operations	<u>(2,781,156)</u>	<u>(2,510,222)</u>
Investment return (loss) less amounts designated for current operations	<u>\$ 3,810,113</u>	<u>\$ (11,449,147)</u>

Heidelberg University

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Note 4: Property and Equipment

The University's property and equipment are as follows:

	Depreciable Years	2023	2022
Buildings and improvements	10 – 50	\$ 117,663,087	\$ 102,901,824
Furnishings and equipment	5 – 10	<u>17,349,952</u>	<u>21,934,362</u>
		135,013,039	124,836,186
Accumulated depreciation		<u>(57,810,773)</u>	<u>(54,768,422)</u>
		77,202,266	70,067,764
Land		4,600,039	2,344,575
Construction in progress		<u>1,771,417</u>	<u>11,115,555</u>
		<u>\$ 83,573,722</u>	<u>\$ 83,527,894</u>

Note 5: Beneficial Interest in Perpetual Trusts

The University is the beneficiary under various perpetual trusts administered by outside parties. Under the terms of the trusts, the University has the irrevocable right to receive income earned on the trusts' assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$4,996,299 and \$4,710,337, which represents the University's portion of the fair value of the trusts' assets at June 30, 2023 and 2022, respectively. The income from these trusts for 2023 and 2022 was \$2,471 and \$219,721, respectively.

Note 6: Line of Credit

The University has a \$4,000,000 revolving bank line of credit which expires on July 31, 2024. The line of credit carries a variable interest rate, which was 7.25% and 3.75% at June 30, 2023 and 2022, respectively. There were outstanding borrowings of \$1,800,000 at June 30, 2023. There were no borrowings against the line at June 30, 2022.

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Notes to Financial Statements
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Note 7: Debt and Finance Lease Liabilities

Debt consists of the following:

	<u>2023</u>	<u>2022</u>
2020 United States of America acting through the Rural Housing Service of the United States Department of Agriculture, interest rate fixed at 2.75% through January 2060, interest-only payments due annually on January 7, 2021 and 2022, principal and interest payments due monthly beginning February 7, 2022, in the amount of \$129,210. Unamortized debt issuance costs were \$742,695 and \$763,325 at June 30, 2023 and 2022, respectively	\$ 35,671,444	\$ 34,908,476
Capital lease, due September 2022, payable in semi-annual installments of \$80,845, variable interest rate of one month LIBOR plus 2.50%, secured by certain related equipment	—	81,586
Finance lease, due July 2032, payable in annual installments of \$41,422, fixed interest rate of 4.85%, secured by certain related equipment	322,199	—
Finance lease, due October 2032, payable in annual installments of \$44,031, fixed interest rate of 6.05%, secured by certain related equipment	<u>323,303</u>	<u>—</u>
	36,316,946	34,990,062
Less: debt issuance costs	<u>(742,695)</u>	<u>(763,325)</u>
	<u>\$ 35,574,251</u>	<u>\$ 34,226,737</u>

The future maturities of debt and payments on finance lease liabilities are as follows:

	<u>Debt (Excluding Leases)</u>	<u>Finance Lease Liabilities</u>
2024	\$ 1,600,000	\$ 85,453
2025	1,600,000	85,453
2026	1,600,000	85,453
2027	1,600,000	85,453
2028	1,600,000	85,453
Thereafter	<u>27,671,444</u>	<u>427,267</u>
	<u>\$ 35,671,444</u>	854,532
Less amount representing interest		<u>(209,030)</u>
Present value of future minimum lease payments		<u>\$ 645,502</u>

Heidelberg University

Notes to Financial Statements

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Property and equipment include the following under finance leases:

	2023	2022
Buildings and improvements	\$ -	\$ 999,390
Vehicles and equipment	764,351	118,849
	764,351	1,118,239
Accumulated depreciation	(112,343)	(254,982)
	\$ 652,008	\$ 863,257

On January 7, 2020, the University entered into an agreement with the issuer, United States of America, acting through the Rural Housing Service, United States of America. Under the terms of the agreement, the issuer agreed to issue debt, Series 2020, in the aggregate amount of \$36,500,000. The proceeds from the issuance were used to refinance the 2019 Series Revenue bonds. The proceeds from the 2019 Series bonds were being used to fund primarily the restoration and renovation of France Hall and Miller Hall, the construction of a new Student and Community Welcome Center, and other capital projects. The Series 2020 was advanced in series with approximately \$15,000,000 to refinance certain portions of the 2019 series and the remainder representing advances for construction. The remaining portion of the 2019 series bonds was paid off using previously unspent escrowed cash and cash equivalents that were set aside for construction projects in the accompanying statements of financial position.

The loan agreements contain certain covenants. As of June 30, 2023, management is not aware of any violations of these covenants.

Interest expense was \$1,160,945 and \$10,063 in 2023 and 2022, respectively.

Note 8: Annuities and Trusts Payable

The University has been the recipient of several gift annuities and charitable remainder trusts which require future payments to the donors or their named beneficiaries. The assets received from the donor are recorded at fair value. The University has recorded a liability at June 30, 2023 and 2022, of \$599,419 and \$1,156,698, respectively, which represents the present value of the future obligations. The liability has been determined using discount rates between 0.80% and 6.00%.

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Notes to Financial Statements
June 30, 2023 and 2022

Note 9: Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022, are restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
Instruction	\$ 3,062,101	\$ 3,164,967
Academic support	94,816	121,747
Scholarships	1,033,164	875,546
Facilities and other	<u>23,353,716</u>	<u>11,835,463</u>
	<u>27,543,797</u>	<u>15,997,723</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Instruction	1,866,535	1,480,871
Academic support	1,347,277	1,105,982
Scholarships	4,246,024	3,402,630
Facilities	312,205	285,008
General	<u>2,648,619</u>	<u>2,363,432</u>
	<u>10,420,660</u>	<u>8,637,923</u>
Subject to endowment spending policy and appropriation		
Restricted by donors for		
Instruction	8,891,306	8,745,517
Academic support	6,135,835	6,075,611
Scholarships	35,321,741	32,580,439
Facilities	1,988,193	1,988,193
General	5,062,079	5,054,509
Underwater endowments	<u>(2,264,711)</u>	<u>(3,193,322)</u>
	<u>55,134,443</u>	<u>51,250,947</u>
Total endowments	<u>65,555,103</u>	<u>59,888,870</u>
Not subject to spending policy or appropriation		
Instruction	4,996,299	4,710,337
Academic support	325,596	720,471
Scholarships	<u>312,156</u>	<u>592,667</u>
	<u>5,634,051</u>	<u>6,023,475</u>
Total net assets with donor restrictions	<u>\$ 98,732,951</u>	<u>\$ 81,910,068</u>

Heidelberg University

Notes to Financial Statements

June 30, 2023 and 2022

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	2023	2022
Purpose restrictions accomplished		
Instruction	\$ 837,775	\$ 660,964
Academic support	255,908	196,848
Scholarships	9,296	84,142
Other	2,881,699	2,348,940
	<u>\$ 3,984,678</u>	<u>\$ 3,290,894</u>

During 2022, the University released \$250,842 of restricted net assets for capital projects. There were no releases for capital projects during 2023.

Note 10: Employee Benefits

The University has a defined-contribution pension plan administered by the Teachers Insurance and Annuity Association College Retirement Equities Fund. The plan covers substantially all full-time administrative officers, faculty, and certain staff. During 2020, the plan required employer contributions of 6% or 7% of employees' gross wages and individual contributions ranging from 0% to 4%. Employer benefit expense under this plan was \$612,090 and \$642,851 for 2023 and 2022, respectively.

Note 11: Significant Estimates, Concentrations, and Commitments

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

In 2023 and 2022, approximately 67% and 21%, respectively, of contribution revenue was from two donors and one donor, respectively.

Investments

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and those such changes could materially affect the investment amounts reported in the statements of financial position.

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Notes to Financial Statements

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Litigation

The University is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the University. Events could occur that would change this estimate materially in the near term.

Note 12: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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Notes to Financial Statements

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Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2023				
Investments				
Money market funds	\$ 4,796,310	\$ 4,796,310	\$ —	\$ —
U.S. Government and agency securities	16,423,959	—	16,423,959	—
Corporate bonds	6,074,614	—	6,074,614	—
Common stocks and mutual funds				
Consumer				
discretionary	5,038,681	5,038,681	—	—
Consumer staples	3,895,182	3,895,182	—	—
Energy	3,391,733	3,391,733	—	—
Financials	6,965,501	6,965,501	—	—
Health care	7,560,175	7,560,175	—	—
Industrials	5,935,762	5,935,762	—	—
Information				
technology	9,916,192	9,916,192	—	—
Materials	2,333,036	2,333,036	—	—
Real estate	1,886,619	1,886,619	—	—
Telecom services	2,947,462	2,947,462	—	—
Utilities	1,873,535	1,873,535	—	—
Private equity funds measured at net asset value (A)	41,322	—	—	—
Beneficial interest in perpetual trusts	4,996,299	—	—	4,996,299

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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Notes to Financial Statements
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	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022				
Investments				
Money market funds	\$ 8,046,411	\$ 8,046,411	\$ —	\$ —
U.S. Government and agency securities	15,672,012	—	15,672,012	—
Corporate bonds	5,796,498	—	5,796,498	—
Common stocks and mutual funds				
Consumer discretionary	4,577,344	4,577,344	—	—
Consumer staples	3,524,285	3,524,285	—	—
Energy	3,026,018	3,026,018	—	—
Financials	6,018,621	6,018,621	—	—
Health care	6,021,808	6,021,808	—	—
Industrials	4,471,336	4,471,336	—	—
Information technology	8,619,890	8,619,890	—	—
Materials	2,022,494	2,022,494	—	—
Real estate	1,849,635	1,849,635	—	—
Telecom services	2,951,250	2,951,250	—	—
Utilities	1,667,095	1,667,095	—	—
Private equity funds measured at net asset value (A)	50,699	—	—	—
Beneficial interest in perpetual trusts	4,710,337	—	—	4,710,337

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. The University has no liabilities measured at fair value on a recurring basis. Additionally, the University has no assets or liabilities measured at fair value on a nonrecurring basis.

Heidelberg University

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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreements. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at June 30, 2023	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Beneficial interests in perpetual trusts	\$ 4,996,299	Present value of estimated distributed income	Market valuation of underlying assets and distributions	N/A
	Fair Value at June 30, 2022	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Beneficial interests in perpetual trusts	\$ 4,710,337	Present value of estimated distributed income	Market valuation of underlying assets and distributions	N/A

Heidelberg University
Notes to Financial Statements
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Note 13: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Financial assets, at year-end	\$ 107,051,990	\$ 96,015,101
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(14,481,287)	(14,897,466)
Subject to appropriation and satisfaction of donor restrictions	(67,963,558)	(62,691,874)
Contributions receivable	(13,388,107)	(1,598,679)
	<u>\$ 11,219,038</u>	<u>\$ 16,827,082</u>

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.

For purpose 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 service undertaken to support those activities, to be general expenditures.

The board of trustees has authorized a distribution from the endowment to support operations for fiscal year 2023 of approximately \$2,900,000. This amount is netted against restrictions subject to appropriation and satisfaction of donor restrictions in the table above.

Note 14: Endowment

The University's endowment consists of approximately 380 individual funds established for a variety of purposes. The endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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The University's governing body has interpreted the State of Ohio Uniform Prudent Management of Institutional Funds Act (Ohio UPMIFA) as requiring preservation of 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 net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by Ohio UPMIFA. In accordance with Ohio UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

The composition of net assets by type of endowment fund at June 30, 2023 and 2022, was:

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ <u> —</u>	\$ <u>65,555,103</u>	\$ <u>65,555,103</u>
	2022		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ <u> —</u>	\$ <u>59,888,870</u>	\$ <u>59,888,870</u>

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Notes to Financial Statements

June 30, 2023 and 2022

Changes in endowment net assets for the years ended June 30, 2023 and 2022, were:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ —	\$ 59,888,870	\$ 59,888,870
Investment return	—	5,492,504	5,492,504
Contributions	—	2,954,885	2,954,885
Appropriation of endowment assets for expenditure	—	(2,781,156)	(2,781,156)
Endowment net assets, end of year	<u>\$ —</u>	<u>\$ 65,555,103</u>	<u>\$ 65,555,103</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ —	\$ 62,676,929	\$ 62,676,929
Investment return	—	(6,895,690)	(6,895,690)
Contributions	—	6,705,519	6,705,519
Other changes	—	(87,666)	(87,666)
Appropriation of endowment assets for expenditure	—	(2,510,222)	(2,510,222)
Endowment net assets, end of year	<u>\$ —</u>	<u>\$ 59,888,870</u>	<u>\$ 59,888,870</u>

Investment and Spending Policies

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity. Under the University's policies, endowment assets are invested in a manner that is intended to produce results of 6% in excess of inflation while having aversion to unnecessary risk. The University expects its endowment funds to provide an average real rate of return of approximately 9% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has a policy (the spending policy) of appropriating for expenditure each year 5.0% of its endowment fund's average fair value calculated on a quarterly basis using the most recent 12-quarter rolling average. In establishing this policy, the University considered the long-term expected return on its endowment. This is consistent with the University's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

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Notes to Financial Statements

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Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or Ohio UPMIFA. Such endowments are often referred to as “underwater” endowments. The University is not required by donor-imposed restriction or law to use its unrestricted resources to restore the endowments to their historic dollar value.

In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. At June 30, 2023, funds with original gift values of \$19,939,632, fair values of \$17,674,921, and deficiencies of \$2,264,711 were reported in net assets with donor restrictions. At June 30, 2022, funds with original gift values of \$27,733,024, fair values of \$24,539,702, and deficiencies of \$3,193,322 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body at the time of such appropriation. Any future gains that restore the fair value of the assets of the endowment fund to the required level shall be classified as increases in net assets with donor restrictions.

The University has a policy that permits spending from underwater endowment funds depending on the degree to which the funds are underwater, unless otherwise precluded by donor stipulations or laws and regulations. The governing board appropriated for expenditure 5% for the 12 quarter rolling average.

Note 15: Revenue From Contracts With Students and Customers

Tuition, Residential Services, and Meal Plan Services Revenue

Revenue from contracts with students for tuition, residential services, and meal plan services is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and housing, food, and other services. These amounts are due from students, third-party payers, and others and are net of scholarships and institutional aid of \$19,766,819 and \$20,279,466 for the years ended June 30, 2023 and 2022, respectively.

Revenue is recognized as performance obligations are satisfied, which is primarily ratably over the academic term with the exception of certain meal plans that are recognized at a point in time. Generally, the University bills students prior to the beginning of the semester and student accounts receivable are due in full before classes begin unless the student has entered into a monthly payment plan.

If a student withdraws during the academic term, the student is refunded based on a defined refund schedule and what week the student is in the academic term. No refunds are awarded after the end of the ninth week of the academic term. At year-end, there is no refund liability as the academic term is substantially complete.

Tuition, residential services, and meal plan services revenue are considered to be separate contracts with separate performance obligations.

Heidelberg University

Notes to Financial Statements

June 30, 2023 and 2022

Transaction Price and Recognition

The University determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid in accordance with the University's policies for granting certain merit based aid. The University determines its estimates of explicit price concessions based on its discount policies and merit awards.

From time to time the University will incur student credit balances and student deposits which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2023 and 2022, the University has a liability for refunds or deposits from students recorded of \$51,577 and \$83,152, respectively.

For the years ended June 30, 2023 and 2022, the University recognized revenue within the scope of ASC 606 of \$17,072,940 and \$18,000,153, respectively, from goods and services that transfer to the students over time and \$4,074,995 and \$3,906,507, respectively from goods and services that transfer to students and customers at a point in time.

The University has determined that the nature, amount, timing, and uncertainty of revenue, and cash flows are affected by the following factors:

- Payers (for example, students, governmental programs, and others) that have different reimbursement and payment methodologies
- Demographic and enrollment trends
- Institutional aid and federal and state aid programs

Contract Balances

The following table provides information about the University's receivables and contract liabilities:

		2023		2022
Accounts receivable, beginning of the year	\$	2,129,998	\$	2,197,105
Accounts receivable, end of the year		2,453,089		2,129,998
Deferred revenue, beginning of the year	\$	3,908,826	\$	4,175,154
Deferred revenue, end of the year		3,452,995		3,908,826

Heidelberg University

Notes to Financial Statements

June 30, 2023 and 2022

Note 16: COVID-19 Funding

Higher Education Emergency Relief Funds

Federal relief efforts have been created to help offset revenue losses and expense increases that colleges and universities faced because of COVID-19. The CARES Act created a Higher Education Emergency Relief Fund (HEERF) to provide financial relief to students and institutions who were impacted by the COVID-19 pandemic. The *Coronavirus Response and Relief Supplemental Appropriations Act* (CRRSAA) and the American Rescue Plan (ARP) provided additional rounds of HEERF (II and III). The HEERF funds contained two components, an institutional award and a student aid award. The student aid portion must be distributed to students in the form of emergency financial aid grants to generally cover any component of the cost of attendance for the distribution of education or emergency costs that arose due to COVID-19. The institutional portion can be used for multiple items, but largely to cover lost revenue, defray and pay for expenses related to the disruption of campus operations due to COVID-19, and reimburse for costs associated with a transition to distance education environment, among other items.

The following cumulative amounts have been awarded as HEERF as of June 30, 2023 and 2022:

	June 30, 2023			June 30, 2022		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
Awarded						
HEERF I	\$ -	\$ -	\$ -	\$ 595,478	\$ 595,478	\$ 1,190,956
HEERF II	-	-	-	595,478	1,236,299	1,831,777
HEERF III	-	-	-	1,613,597	1,613,162	3,226,759
	\$ -	\$ -	\$ -	\$ 2,804,553	\$ 3,444,939	\$ 6,249,492

The following amounts have been applied to the grant for the year ending June 30, 2023 and 2022:

	June 30, 2023			June 30, 2022		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
Amounts Applied						
HEERF I	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
HEERF II	-	-	-	-	-	-
HEERF III	-	-	-	1,613,597	1,613,162	3,226,759
	\$ -	\$ -	\$ -	\$ 1,613,597	\$ 1,613,162	\$ 3,226,759

All HEERF awards were expended as of June 30, 2022.

Heidelberg University

Notes to Financial Statements

June 30, 2023 and 2022

Employee Retention Credit

The *Coronavirus Aid, Relief, and Economic Security* (CARES) Act and subsequently expanded under the *Consolidated Appropriations Act* (CAA) contains a business relief provision known as the Employee Retention Credit (ERC), a refundable payroll tax credit for “qualified wages” paid to retained full-time employees. Employers qualified either under a gross receipts decline test or a partial suspension of operations based on a government mandate. The University determined it qualified for the credit in the first three quarters of calendar 2021. At June 30, 2022, the University had recorded a receivable of \$4,722,041 for the ERC and is included in other receivable in the accompanying statements of financial position. As of June 30, 2023, the full amount had been received and there is no longer a receivable recorded.

Note 17: U.S. Department of Education Financial Responsibility Ratio Information

The following information is required by the U.S. Department of Education for the year ended June 30, 2023:

	2023
Property, plant, and equipment, net of accumulated depreciation – pre-implementation	\$ 55,778,490
Property, plant, and equipment, net of accumulated depreciation – post-implementation with outstanding debt for original purchase	15,706,623
Property, plant, and equipment, net of accumulated depreciation – post-implementation without outstanding debt for original purchase	10,317,192
Construction in progress	1,771,417
Annuities with donor restrictions	312,156
Unsecured related party pledges receivables	10,620,500
Long-term debt obtained for long-term purposes – pre-implementation	20,610,323
Long-term debt obtained for long-term purposes – post-implementation	15,706,623

Note 18: Related Party Transactions

The University maintains a policy requiring trustees to abstain from voting on matters regarding business operations where potential conflicts of interest exist. Management believes related party transactions are immaterial to the financial statements.

Note 19: Subsequent Events

Subsequent events have been evaluated through November 1, 2023, which is the date the financial statements were available to be issued.

Supplementary Information

Heidelberg University
Financial Responsibility Supplemental Schedule
Required by the U.S. Department of Education
Year Ended June 30, 2023

Ratio Element	Reference to Financial Statements and/or Notes	2023
Primary Reserve Ratio		
Expendable Net Assets		
Net assets without donor restrictions	Statement of Financial Position	\$ 49,305,110
Net assets with donor restrictions	Statement of Financial Position	98,732,951
Net assets with donor restrictions - restricted in perpetuity	Note 9	63,033,205
Annuities with donor restrictions	Note 17	\$ 312,156
Term endowments with donor restrictions	Not applicable to the University	-
Life income funds with donor restrictions	Not applicable to the University	-
Total annuities, term endowments, and life income funds with donor restrictions		<u>\$ 312,156</u>
Unsecured related party pledges receivables	Note 17	\$ 10,620,500
Intangible assets	Not applicable to the University	\$ -
Post-employment and defined benefit pension plan liabilities	Not applicable to the University	-
Property, plant, and equipment, net of accumulated depreciation - pre-implementation	Note 17	\$ 55,778,490
Property, plant, and equipment, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	Note 17	15,706,623
Property, plant, and equipment, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	Note 17	10,317,192
Construction in progress	Note 17	<u>1,771,417</u>
Total property, plant, and equipment, net	Statement of Financial Position	<u>\$ 83,573,722</u>
Long-term debt obtained for long-term purposes - pre-implementation	Note 17	\$ 20,610,323
Long-term debt obtained for long-term purposes - post-implementation	Note 17	15,706,623
Total Expenses and Losses		
Total expenses without donor restrictions	Statement of Activities	\$ 39,914,009
Loss on interest rate swap	Not applicable to the University	-
Equity Ratio		
Modified Net Assets		
Net assets without donor restrictions	Statement of Financial Position	\$ 49,305,110
Net assets with donor restrictions	Statement of Financial Position	98,732,951
Intangible assets	Not applicable to the University	-
Unsecured related party pledges receivables	Note 17	\$ 10,620,500
Secured related party receivables	Not applicable to the University	-
Modified Assets		
Total assets	Statement of Financial Position	\$ 192,697,172
Intangible assets	Not applicable to the University	-
Unsecured related party receivables	Note 17	\$ 10,620,500
Secured related party receivables	Not applicable to the University	-
Net Income Ratio		
Change in net assets without donor restrictions	Statement of Activities	\$ (6,853,870)
Total revenue and gains without donor restrictions	Statement of Activities	33,060,139

Heidelberg University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Total Federal Expenditures
U.S. Department of Education		
Student Financial Assistance Cluster		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 134,323
Federal Work-Study Program	84.033	107,710
Federal Perkins Loan Program	84.038	1,074,390
Teacher Education Assistance for College and Higher Education Grants (Teach Grants)	84.379	11,316
Federal Pell Grant Program	84.063	1,451,741
Federal Direct Student Loans	84.268	7,978,423
Total Student Financial Assistance Cluster		<u>10,757,903</u>
Other Department of Education Direct Programs		
Rural Postsecondary & Economic Development Program Passed through State of Ohio	84.116W	65,408
Governors Emergency Education Relief Fund	84.425C	67,988
Total Higher Education Emergency Relief Fund		<u>133,396</u>
Total Department of Education		<u>10,891,299</u>
Research and Development Cluster		
National Oceanic and Atmospheric Administration Passed through The Ohio State University		
Sea Grant Support	11.417	42,193
Total National Oceanic and Atmospheric Administration		<u>42,193</u>
Environmental Protection Agency Passed through American Farmland Trust		
Great Lakes Program - GLRI - GLC	66.475	28,048
Total Environmental Protection Agency		<u>28,048</u>
U.S. Department of Energy Passed through Battelle Memorial Institute		
COMPASS FME and GLM	81.000	23,757
Total U.S. Department of Energy		<u>23,757</u>
U.S. Department of Agriculture Assessing the Watershed Scale Effects of Implementing Conservation Management Practices	10.001	80,068
Total U.S. Department of Agriculture		<u>80,068</u>
Total Research and Development Cluster		<u>174,066</u>
Community Facilities Loans and Grants Cluster		
Department of Agriculture Direct Programs Community Facilities Loans and Grants	10.766	36,237,773
Total Community Facilities Loans and Grants Cluster		<u>36,237,773</u>
U.S. Department of Justice		
Creating a Center for Survivor-Empowerment and the Reduction of Sexual Violence	16.525	15,589
Total U.S. Department of Justice		<u>15,589</u>
Total Expenditures of Federal Awards		<u>\$ 47,318,727</u>

Heidelberg University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Heidelberg University (University) under programs of the federal government for the year ended June 30, 2023. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
3. The federal loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in the University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2023, consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2023
84.038	Federal Perkins Loan Program	\$ 938,714
10.766	Community Facilities Loans and Grants	\$ 35,671,444

4. There were no subrecipients during the year ended June 30, 2023.

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*

Independent Auditor's Report

Board of Trustees
Heidelberg University
Tiffin, Ohio

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 (*Government Auditing Standards*), the financial statements of Heidelberg University (University), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

Fort Wayne, Indiana
November 1, 2023

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
Heidelberg University
Tiffin, Ohio

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Heidelberg University's (University) 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, 2023. 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, Heidelberg University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002, to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the University’s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor’s report. The University’s corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

FORVIS,LLP

Fort Wayne, Indiana
March 28, 2024

Heidelberg University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

 Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:

 Significant deficiency(ies) identified? Yes None reported

 Material weakness(es) identified? Yes No

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal awards programs:

 Significant deficiency(ies) identified? Yes None reported

 Material weakness(es) identified? Yes No

5. Type of auditor’s report issued on compliance for major federal program(s):

 Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? Yes No

7. Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.379, 84.063, 84.268	Student Financial Assistance Cluster

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

9. Auditee qualified as a low-risk auditee? Yes No

Heidelberg University

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2023-001	<p>Information on the federal program - Student Financial Assistance Cluster; Department of Education; Program Year 2022-2023; ALN No. 84.268, Federal Direct Loans Program; ALN No. 84.063, Federal Pell Grant Program; ALN No. 84.007, Federal Supplemental Educational Opportunity Grants; ALN No. 84.379, Teacher Education Assistance for College and Higher Education Grants.</p> <p>Criteria or specific requirement – Special Tests and Provisions - When a recipient of Title IV grant or loan assistance withdraws from a University during a payment period or period of enrollment in which the recipient began attendance, the University must determine the amount of Title IV aid earned by the student as of the student’s withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the University’s determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment. (34 CFR Sections 668.22(a)(1)-(3)).</p> <p>Condition - The University did not return the proper amount of funds to the Department of Education.</p> <p>Questioned costs - \$1,413.</p> <p>Context – Out of a population of 13 students who had return of funds performed during our examination period, the University failed to return the proper amount of funds to the Department of Education (ED) for all 13 students.</p> <p>Effect - The University did not return the proper amount of funds to the ED and is not in full compliance with 34 CFR 668.22.</p> <p>Cause - The University used an incorrect calendar and the number of days in the semester was incorrect.</p> <p>Recommendation - We recommend the University verify number of days used in calculation for its break is accurate and matches what is published in its academic calendar. We also recommend that a second individual review the number being utilized to verify its accuracy.</p>

Heidelberg University
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Views of responsible officials and planned corrective actions – The academic calendar used for return of funds calculations will be reviewed by a separate individual in the Financial Aid Office. We will review each calculation as it is completed to verify that the number of days in the semester have been reported correctly for each student.

2023-002

Information on the federal program - Student Financial Assistance Cluster; Department of Education; Program Year 2022-2023; ALN No. 84.268, Federal Direct Loans Program; ALN No. 84.063, Federal Pell Grant Program; ALN No. 84.007, Federal Supplemental Educational Opportunity Grants; ALN No. 84.379, Teacher Education Assistance for College and Higher Education Grants; ALN No. 84.033, Federal Work-Study Program

Criteria or specific requirement – Special Tests and Provisions – Institutions are required to verify the information submitted by applicants for student financial assistance if the student is selected by the Central Processing System (CPS) and is eligible for subsidized student financial assistance programs. Selected recipients will be assigned a verification tracking group (“V1” through “V6”) which indicates what information must be verified by the institution. (34 CFR Sections 668.51-61).

Condition - The University verified students using criteria for a verification tracking group other than what was assigned by CPS.

Questioned costs – N/A, nonmonetary finding.

Context – Out of a population of 23 students who were selected for V4 verification during our examination period, the University failed to perform the V4 verification for all 23 students. Instead, the University completed V1 verification on all students.

Effect - The University did not verify the students in full compliance with 34 CFR 668.51-61.

Cause - The University incorrectly verified students as V1 instead of using their CPS assigned values of V4.

Recommendation - We recommend the University review verification tracking groups assigned by CPS prior to starting the verification process to ensure students have the correct information verified..

Views of responsible officials and planned corrective actions – Due to turnover in the financial aid office, verification was performed incorrectly prior to the employment of the current Director of Financial Aid. Since a new Director of Financial Aid has been employed, the verification tracking group of each student selected is reviewed prior to completing the verification process to ensure each student is verified in accordance with the CPS assigned tracking group.

Heidelberg University
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

Reference Number	Summary of Finding	Status
No matters are reportable.		



Findings Required to Be Reported by the Uniform Guidance

Department of Education

Finding: 2023-001

CFDA #: 84.007, 84.063, 84.268, and 84.379

Recommendation: We recommend the University verify number of days used in calculation for its break is accurate and matches what is published in its academic calendar. We also recommend that a second individual review the number being utilized to verify its accuracy.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Corrective Action Planned: The academic calendar used for return of funds calculations will be reviewed by a separate individual in the Financial Aid Office. We will review each calculation as it is completed to verify that the number of days in the semester have been reported correctly for each student.

Name of Contact Responsible for Corrective Action: Cathy Belfiore, Director of Financial Aid, 419-448-2293

Anticipated Completion Date: March 31, 2024

Finding: 2023-002

CFDA #: 84.007, 84.033, 84.063, 84.268, and 84.379

Recommendation: We recommend the University review verification tracking groups assigned by CPS prior to starting the verification process to ensure students have the correct information verified.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Corrective Action Planned: The verification tracking group of each student selected is reviewed prior to completing the verification process to ensure each student is verified in accordance with the CPS assigned tracking group.

Name of Contact Responsible for Corrective Action: Cathy Belfiore, Director of Financial Aid, 419-448-2293

Anticipated Completion Date: March 31, 2024