




Heidelberg University

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023



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Independent Auditor's Report

Board of Trustees
Heidelberg University
Tiffin, Ohio

Opinion

We have audited the financial statements of Heidelberg University (University), which comprise the statements of financial position as of June 30, 2024 and 2023, 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, 2024 and 2023, 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). 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Forvis Mazars, LLP

Fort Wayne, Indiana
November 21, 2024

Heidelberg University
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 4,405,293	\$ 6,453,890
Student accounts receivable, net of allowance of \$1,335,000 and \$1,330,000 in 2024 and 2023, respectively	2,415,156	2,453,089
Contributions receivable, net of allowance of \$647,745 and \$744,230 in 2024 and 2023, respectively	11,683,725	13,388,107
Grants receivable	1,267,092	680,522
Inventories	67,206	59,578
Prepaid expenses and other assets	1,398,024	1,186,949
Notes receivable, net of allowance of \$113,676 in 2024 and 2023	723,416	824,933
Investments	87,381,407	79,080,083
Property and equipment	85,646,696	83,573,722
Beneficial interest in perpetual trusts	5,506,462	4,996,299
	<u>200,494,477</u>	<u>192,697,172</u>
Liabilities		
Accounts payable	\$ 1,366,583	\$ 1,075,367
Line of credit	3,000,000	1,800,000
Accrued liabilities	1,617,109	1,605,194
Deposits and funds held for others	49,449	51,577
Deferred income	3,344,095	3,452,995
Annuities and trusts payable	592,598	599,419
Debt and finance lease liabilities	34,967,860	35,574,251
Advances for federal loans	398,601	500,308
Total liabilities	<u>45,336,295</u>	<u>44,659,111</u>
Net Assets		
Without donor restriction	44,654,404	49,305,110
With donor restriction	110,503,778	98,732,951
Total net assets	<u>155,158,182</u>	<u>148,038,061</u>
	<u>\$ 200,494,477</u>	<u>\$ 192,697,172</u>
Total liabilities and net assets	<u>\$ 200,494,477</u>	<u>\$ 192,697,172</u>

Heidelberg University
Statements of Activities
Years Ended June 30, 2024 and 2023

	2024		
	Without Donor Restriction	With Donor Restriction	Total
Revenue, Income, and Other Support			
Net tuition and fees	\$ 10,632,861	\$ -	\$ 10,632,861
Auxiliary enterprises	9,034,027	-	9,034,027
Grants and contracts	6,369	2,874,872	2,881,241
Private gifts, grants and bequests	2,697,203	6,381,116	9,078,319
Investment return designated for current operations	4,566,765	-	4,566,765
Other	1,267,118	426,211	1,693,329
Change in value of split-interest agreements	-	(101,221)	(101,221)
	<u>28,204,343</u>	<u>9,580,978</u>	<u>37,785,321</u>
Net assets released from restrictions, operating	3,976,356	(3,976,356)	-
Total revenues, income, and other support	<u>32,180,699</u>	<u>5,604,622</u>	<u>37,785,321</u>
Expenses			
Instruction	9,293,083	-	9,293,083
Research	1,198,560	-	1,198,560
Academic support	2,189,700	-	2,189,700
Student services	8,671,931	-	8,671,931
Auxiliary enterprises	6,559,427	-	6,559,427
Institutional support	8,422,818	-	8,422,818
Fundraising	1,134,204	-	1,134,204
Total expenses	<u>37,469,723</u>	<u>-</u>	<u>37,469,723</u>
Change in Net Assets Before Other Activities	<u>(5,289,024)</u>	<u>5,604,622</u>	<u>315,598</u>
Other Activities			
Investment return less amounts designated for current operations	180,014	6,624,509	6,804,523
Net assets released from restriction, capital	458,304	(458,304)	-
	<u>638,318</u>	<u>6,166,205</u>	<u>6,804,523</u>
Change in Net Assets	<u>(4,650,706)</u>	<u>11,770,827</u>	<u>7,120,121</u>
Net Assets, Beginning of Year	<u>49,305,110</u>	<u>98,732,951</u>	<u>148,038,061</u>
Net Assets, End of Year	<u>\$ 44,654,404</u>	<u>\$ 110,503,778</u>	<u>\$ 155,158,182</u>

2023		
Without Donor Restriction	With Donor Restriction	Total
\$ 12,334,286	\$ -	\$ 12,334,286
8,813,649	-	8,813,649
1,481,877	-	1,481,877
1,687,967	16,203,552	17,891,519
2,112,192	668,964	2,781,156
1,755,297	516,040	2,271,337
499,085	-	499,085
28,684,353	17,388,556	46,072,909
3,984,678	(3,984,678)	-
32,669,031	13,403,878	46,072,909
8,947,443	-	8,947,443
1,384,834	-	1,384,834
2,316,185	-	2,316,185
8,643,978	-	8,643,978
6,519,559	-	6,519,559
10,754,818	-	10,754,818
1,347,192	-	1,347,192
39,914,009	-	39,914,009
(7,244,978)	13,403,878	6,158,900
391,108	3,419,005	3,810,113
-	-	-
391,108	3,419,005	3,810,113
(6,853,870)	16,822,883	9,969,013
56,158,980	81,910,068	138,069,048
\$ 49,305,110	\$ 98,732,951	\$ 148,038,061

Heidelberg University
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Activities					Support Activities			2024	
	Instruction	Research	Academic Support	Student Services	Auxiliary Enterprises	Total Program	Institutional Support	Fundraising	Total Support	Total Expenses
Salaries and wages	\$ 5,136,031	\$ 487,466	\$ 801,446	\$ 3,491,950	\$ 740,895	\$ 10,657,788	\$ 2,080,302	\$ 528,616.00	\$ 2,608,918	\$ 13,266,706
Employee benefits	1,663,548	157,889	259,588	1,131,034	239,974	3,452,033	673,805	171,217	845,022	4,297,055
Accounting	-	-	-	-	34	34	66,207	-	66,207	66,241
Advertising and promotion	818	-	8,280	509,461	-	518,559	216,294	-	216,294	734,853
Conferences/conventions/meetings	206,537	3,178	138,886	248,874	685,984	1,283,459	114,790	12,103	126,893	1,410,352
Information technology	150	-	75,960	91,322	15,120	182,552	675,090	177	675,267	857,819
Insurance	-	-	-	-	-	-	613,056	-	613,056	613,056
Legal	-	-	-	-	-	-	103,117	-	103,117	103,117
Licenses and fees	21,203	1,764	5,445	118,192	83,922	230,526	16,090	7,066	23,156	253,682
Management	531,680	106,962	323,627	448,812	3,000,289	4,411,370	637,730	78,167	715,897	5,127,267
Membership and subscriptions	6,221	115	76,731	20,500	2,606	106,173	197,038	1,410	198,448	304,621
Occupancy	128,165	50,801	62,932	162,404	369,966	774,268	289,123	15,816	304,939	1,079,207
Office expenses	34,497	117,121	34,940	602,287	176,737	965,582	1,123,466	122,495	1,245,961	2,211,543
Travel	94,832	53,771	29,690	393,980	1,367	573,640	24,179	11,672	35,851	609,491
Utilities	446,665	79,992	113,444	442,261	395,413	1,477,775	553,779	56,377	610,156	2,087,931
Interest	265,426	36,204	67,147	262,343	219,850	850,970	269,583	33,502	303,085	1,154,055
Depreciation and amortization	757,310	103,297	191,584	748,511	627,270	2,427,972	769,169	95,586	864,755	3,292,727
Totals	\$ 9,293,083	\$ 1,198,560	\$ 2,189,700	\$ 8,671,931	\$ 6,559,427	\$ 27,912,701	\$ 8,422,818	\$ 1,134,204	\$ 9,557,022	\$ 37,469,723

Heidelberg University
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Activities					Support Activities			2023 Total Expenses	
	Instruction	Research	Academic Support	Student Services	Auxiliary Enterprises	Total Program	Institutional Support	Fundraising		Total Support
Salaries and wages	\$ 4,885,993	\$ 466,414	\$ 954,933	\$ 3,317,677	\$ 680,439	\$ 10,305,456	\$ 2,359,506	\$ 600,177	\$ 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
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ 7,120,121	\$ 9,969,013
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	3,313,358	3,280,251
Contributions restricted for long-term investment	(3,652,339)	(1,020,179)
Contributions restricted for capital asset purchases	(6,596,712)	(1,005,600)
Loss on disposal of property and equipment	-	897,242
Realized and unrealized (gains) on investments	(9,126,172)	(4,355,209)
(Credit) provisions for bad debts	(90,066)	651,930
Changes in		
Grants and student accounts receivable	(555,056)	(505,778)
Contributions receivable, including remainder trusts	1,800,867	(11,789,428)
Other receivable	-	4,722,041
Notes receivable	101,517	(130,608)
Prepaid expenses and other assets	(211,075)	(155,173)
Inventories	(7,628)	(821)
Beneficial interest in perpetual trusts	(510,163)	(285,962)
Accounts payable	752,973	117,350
Accrued liabilities	11,915	(119,321)
Deposits and funds held for others	(2,128)	(31,575)
Deferred income	(108,900)	(455,831)
Annuities and trusts payable	(6,821)	(557,279)
Advances for federal loans	(101,707)	(166,530)
Net cash used in operating activities	<u>(7,868,016)</u>	<u>(941,467)</u>
Investing Activities		
Purchase of property and equipment	(5,827,459)	(4,091,211)
Purchase of investments	(36,102,504)	(29,837,384)
Sales and maturities of investments	36,927,352	29,427,906
Net cash used in investing activities	<u>(5,002,611)</u>	<u>(4,500,689)</u>
Financing Activities		
Payments on long-term debt and finance lease liabilities	(627,021)	(647,915)
Proceeds from long-term debt	-	1,329,297
Gross borrowings under line-of-credit agreement	5,000,000	8,300,000
Gross repayments under line-of-credit agreement	(3,800,000)	(6,500,000)
Proceeds from contributions restricted for capital asset purchase	6,596,712	1,005,600
Proceeds from contributions restricted for long-term investment	3,652,339	1,020,179
Net cash provided by financing activities	<u>10,822,030</u>	<u>4,507,161</u>
Decrease in Cash and Cash Equivalents	(2,048,597)	(934,995)
Cash and Cash Equivalents, Beginning of Year	<u>6,453,890</u>	<u>7,388,885</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,405,293</u>	<u>\$ 6,453,890</u>
Supplemental Cash Flows Information		
Interest paid	\$ 1,134,661	\$ 1,120,953
ROU assets obtained in exchange for new finance lease liabilities	-	645,502
Property and equipment purchases in accounts payable	461,757	534,022

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, 2024, the University's cash accounts exceeded federally insured limits by approximately \$4,857,000.

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, 2024 and 2023

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, 2024 and 2023.

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 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:

	<u>2024</u>	<u>2023</u>
Interest costs capitalized	\$ -	\$ 1,346,264
Interest costs charged to expense	<u>1,154,055</u>	<u>1,160,945</u>
Total interest incurred	<u>\$ 1,154,055</u>	<u>\$ 2,507,209</u>

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, 2024 and 2023.

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 \$538,000 and \$487,000 at June 30, 2024 and 2023, 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.

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

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.

Heidelberg University
Notes to Financial Statements
June 30, 2024 and 2023

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.

Note 2. Contributions Receivable

	<u>2024</u>	<u>2023</u>
Due within one year	\$ 4,326,247	\$ 4,539,796
Due within one to five years	8,626,150	10,344,800
Due greater than five years	<u>2,500</u>	<u>—</u>
	12,954,897	14,884,596
Less		
Allowance for uncollectible contributions	(647,745)	(744,230)
Unamortized discount (4.33% for 2024 and 4.13% for 2023)	<u>(623,427)</u>	<u>(752,259)</u>
	<u>\$ 11,683,725</u>	<u>\$ 13,388,107</u>

Note 3. Investments and Investment Return

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

	<u>2024</u>	<u>2023</u>
Money market funds	\$ 12,038,285	\$ 4,796,310
U.S. Government and agency securities	9,605,559	16,423,959
Corporate bonds	3,552,742	6,074,614
Common stocks and mutual funds		
Communication services	4,414,783	2,947,462
Consumer discretionary	6,041,486	5,038,681
Consumer staples	4,247,907	3,895,182
Energy	3,645,562	3,391,733
Financials	7,242,404	6,965,501
Health care	8,224,947	7,560,175
Industrials	6,681,673	5,935,762
Information technology	15,922,533	9,916,192
Materials	2,279,907	2,333,036
Real estate	1,583,826	1,886,619
Utilities	1,899,793	1,873,535
Private equity funds	<u>-</u>	<u>41,322</u>
Total	<u>\$ 87,381,407</u>	<u>\$ 79,080,083</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Dividends and interest	\$ 2,245,116	\$ 2,236,060
Net realized and unrealized gains on investments	<u>9,126,172</u>	<u>4,355,209</u>
Total return on investments	11,371,288	6,591,269
Investment return designated for current operations	<u>(4,566,765)</u>	<u>(2,781,156)</u>
Investment return less amounts designated for current operations	<u>\$ 6,804,523</u>	<u>\$ 3,810,113</u>

Note 4. Property and Equipment

The University's property and equipment are as follows:

	Depreciable Years	2024	2023
Buildings and improvements	10 – 50	\$ 118,562,733	\$ 117,663,087
Furnishings and equipment	5 – 10	<u>17,628,247</u>	<u>17,349,952</u>
		136,190,980	135,013,039
Accumulated depreciation		<u>(61,104,226)</u>	<u>(57,810,773)</u>
		75,086,754	77,202,266
Land		4,600,039	4,600,039
Construction in progress		<u>5,959,903</u>	<u>1,771,417</u>
		<u>\$ 85,646,696</u>	<u>\$ 83,573,722</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 \$5,506,462 and \$4,996,299, which represents the University's portion of the fair value of the trusts' assets at June 30, 2024 and 2023, respectively. The income from these trusts for 2024 and 2023 was \$102,669 and \$2,471, respectively.

Note 6. Line of Credit

The University has a \$4,000,000 revolving bank line of credit which expires on December 31, 2024. The line of credit carries a variable interest rate, which was 7.5% and 7.25% at June 30, 2024 and 2023, respectively. There were outstanding borrowings of \$3,000,000 and \$1,800,000 at June 30, 2024 and 2023, respectively.

Note 7. Debt and Finance Lease Liabilities

Debt consists of the following:

	<u>2024</u>	<u>2023</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 \$722,064 and \$742,695 at June 30, 2024 and 2023, respectively	\$ 35,094,689	\$ 35,671,444
Finance lease, due July 2032, payable in annual installments of \$41,422, fixed interest rate of 4.85%, secured by certain related equipment	296,402	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>298,833</u>	<u>323,303</u>
	35,689,924	36,316,946
Less: debt issuance costs	<u>(722,064)</u>	<u>(742,695)</u>
	<u>\$ 34,967,860</u>	<u>\$ 35,574,251</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>
2025	\$ 1,550,520	\$ 85,453
2026	1,550,520	85,453
2027	1,550,520	85,453
2028	1,550,520	85,453
2029	1,550,520	85,453
Thereafter	<u>27,342,089</u>	<u>341,814</u>
	<u>\$ 35,094,689</u>	769,079
Less amount representing interest		<u>(173,844)</u>
Present value of future minimum lease payments		<u>\$ 595,235</u>

Heidelberg University
Notes to Financial Statements
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Property and equipment include the following under finance leases:

	<u>2024</u>	<u>2023</u>
Vehicles and equipment	\$ 645,502	\$ 764,351
Accumulated depreciation	(69,929)	(112,343)
	<u>\$ 575,573</u>	<u>\$ 652,008</u>

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, 2024, management is not aware of any violations of these covenants.

Interest expense was \$1,154,055 and \$1,160,946 in 2024 and 2023, 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, 2024 and 2023, of \$592,598 and \$599,419 respectively, which represents the present value of the future obligations. The liability has been determined using discount rates between 1.60% and 6.00%.

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2024 and 2023, are restricted for the following purposes:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
Instruction	\$ 2,694,687	\$ 3,062,101
Academic support	503,744	94,816
Scholarships	496,674	1,033,164
Facilities and other	<u>26,248,431</u>	<u>23,353,716</u>
	<u>29,943,536</u>	<u>27,543,797</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Instruction	2,673,659	1,866,535
Academic support	1,832,374	1,347,277
Scholarships	5,877,477	4,246,024
Facilities	351,670	312,205
General	<u>3,104,593</u>	<u>2,648,619</u>
	<u>13,839,773</u>	<u>10,420,660</u>
Subject to endowment spending policy and appropriation		
Restricted by donors for		
Instruction	10,454,148	8,891,306
Academic support	6,927,541	6,135,835
Scholarships	36,576,132	35,321,741
Facilities	1,988,193	1,988,193
General	5,105,479	5,062,079
Underwater endowments	<u>(1,368,460)</u>	<u>(2,264,711)</u>
	<u>59,683,033</u>	<u>55,134,443</u>
Total endowments	<u>73,522,806</u>	<u>65,555,103</u>
Not subject to spending policy or appropriation		
Instruction	5,506,462	4,996,299
Academic support	1,042,880	325,596
Scholarships	<u>488,094</u>	<u>312,156</u>
	<u>7,037,436</u>	<u>5,634,051</u>
Total net assets with donor restrictions	<u>\$ 110,503,778</u>	<u>\$ 98,732,951</u>

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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:

	<u>2024</u>	<u>2023</u>
Purpose restrictions accomplished		
Instruction	\$ 214,635	\$ 837,775
Academic support	587,621	255,908
Scholarships	124,625	9,296
Other	<u>3,049,475</u>	<u>2,881,699</u>
	<u>\$ 3,976,356</u>	<u>\$ 3,984,678</u>

During 2024, the University released \$458,304 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 2024, the plan required employer contributions of 4% of employees' gross wages and individual contributions ranging from 0% to 4%. During 2023, the plan required employer contributions of 6% to 7% of employees' gross wages and individual contributions ranging from 0% to 4%. Employer benefit expense under this plan was \$351,259 and \$612,090 for 2024 and 2023, 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 2024 and 2023, approximately 42% and 67%, respectively, of contribution revenue was from two donors, 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.

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, 2024 and 2023:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2024				
Investments				
Money market funds	\$ 12,038,285	\$ 12,038,285	\$ —	\$ —
U.S. Government and agency securities	9,605,559	—	9,605,559	—
Corporate bonds	3,552,742	—	3,552,742	—
Common stocks and mutual funds				
Communication services	4,414,783	4,414,783	—	—
Consumer discretionary	6,041,486	6,041,486	—	—
Consumer staples	4,247,907	4,247,907	—	—
Energy	3,645,562	3,645,562	—	—
Financials	7,242,404	7,242,404	—	—
Health care	8,224,947	8,224,947	—	—
Industrials	6,681,673	6,681,673	—	—
Information technology	15,922,533	15,922,533	—	—
Materials	2,279,907	2,279,907	—	—
Real estate	1,583,826	1,583,826	—	—
Utilities	1,899,793	1,899,793	—	—
Beneficial interest in perpetual trusts	5,506,462	—	—	5,506,462

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	Fair Value	Fair Value Measurements Using		
		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.

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.

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, 2024	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Beneficial interests in perpetual trusts	\$ 5,506,462	Present value of estimated distributed income	Market valuation of underlying assets and distributions	N/A
	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

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:

	<u>2024</u>	<u>2023</u>
Financial assets, at year-end	\$ 112,659,135	\$ 107,051,990
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(19,310,455)	(14,481,287)
Subject to appropriation and satisfaction of donor restrictions	(74,909,598)	(67,963,558)
Contributions receivable	<u>(11,683,725)</u>	<u>(13,388,107)</u>
	<u>\$ 6,755,357</u>	<u>\$ 11,219,038</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 authorized a distribution from the endowment to support operations for fiscal year 2025 of approximately \$4,600,000. 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 450 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, 2024 and 2023, was:

	2024		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ <u>—</u>	\$ <u>73,522,806</u>	\$ <u>73,522,806</u>

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

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Changes in endowment net assets for the years ended June 30, 2024 and 2023, were:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ —	\$ 65,555,103	\$ 65,555,103
Investment return	—	8,882,129	8,882,129
Contributions	—	3,652,339	3,652,339
Appropriation of endowment assets for expenditure	—	<u>(4,566,765)</u>	<u>(4,566,765)</u>
Endowment net assets, end of year	<u>\$ —</u>	<u>\$ 73,522,806</u>	<u>\$ 73,522,806</u>
	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	—	<u>(2,781,156)</u>	<u>(2,781,156)</u>
Endowment net assets, end of year	<u>\$ —</u>	<u>\$ 65,555,103</u>	<u>\$ 65,555,103</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.

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, 2024, funds with original gift values of \$15,095,471, fair values of \$13,727,011, and deficiencies of \$1,368,460 were 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. 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. The governing board authorized an additional endowment draw of 3% for a total of 8% during the year ended June 30, 2024. No additional draw was taken during the year ended June 30, 2023.

On October 27, 2023, a formal agreement was executed by the governing board to allow the University to borrow \$4,000,000 from the endowment investments to use towards paying down the Old Fort Bank revolving bank line of credit and to provide working capital for operations of the University. The initial term is for one year and the University will pay a fixed rate of 5.0% interest to the endowment on the loan. At the end of the initial term the loan can be extended and the interest rate will be renegotiated. There were outstanding borrowings of \$4,000,000 at June 30, 2024. Interest to be repaid to the endowment as of June 30, 2024 is \$133,333.

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 \$20,321,573 and \$19,766,819 for the years ended June 30, 2024 and 2023, 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.

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

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, 2024 and 2023, the University has a liability for refunds or deposits from students recorded of \$49,449 and \$51,577, respectively.

For the years ended June 30, 2024 and 2023, the University recognized revenue within the scope of ASC 606 of \$15,368,208 and \$17,072,940, respectively, from goods and services that transfer to the students over time and \$4,298,680 and \$4,074,995, 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:

	<u>2024</u>	<u>2023</u>
Accounts receivable, beginning of the year	\$ 2,453,089	\$ 2,129,998
Accounts receivable, end of the year	2,415,156	2,453,089
Deferred revenue, beginning of the year	\$ 3,452,995	\$ 3,908,826
Deferred revenue, end of the year	3,344,095	3,452,995

Note 16. 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, 2024:

	<u>2024</u>
Property, plant, and equipment, net of accumulated depreciation – pre-implementation	\$ 53,199,080
Property, plant, and equipment, net of accumulated depreciation – post-implementation with outstanding debt for original purchase	14,817,605
Property, plant, and equipment, net of accumulated depreciation – post-implementation without outstanding debt for original purchase	11,670,108
Construction in progress	5,959,903
Annuities with donor restrictions	488,094
Unsecured related party pledges receivables	10,650,919
Long-term debt obtained for long-term purposes – pre-implementation	20,872,319
Long-term debt obtained for long-term purposes – post-implementation	14,817,605

Note 17. 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 18. Subsequent Events

Subsequent events have been evaluated through November 21, 2024, which is the date the financial statements were available to be issued.