Wittenberg University

Consolidated Financial Report
June 30, 2023

Contents

RSM

RSM US LLP

Independent Auditor's Report

Board of Directors
Wittenberg University

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, and the changes in their net assets and their 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Note 16 to the financial statements, the University has suffered recurring losses from operations and liquidity challenges. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 16. Our opinion is not modified with respect to this matter.

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 issued or available to be issued.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

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.

RSM US LLP

Dayton, Ohio
December 22, 2023

Wittenberg University

Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	**$ 786,636**	$ 4,257,205
Accounts receivable, net	**5,393,476**	5,384,705
Contributions receivable, net	**4,440,733**	4,358,327
Prepaid expenses and other assets	**547,356**	585,935
Restricted bond proceeds and reserves	**4,301,525**	4,173,220
Student notes receivable, net	**3,106,969**	5,163,751
Investments	**97,897,825**	105,871,877
Cash surrender value of life insurance	**138,635**	129,637
Beneficial interest in trusts	**4,996,277**	4,758,010
Finance right-of-use assets, net	**864,058**	1,593,315
Land, buildings and equipment, net	**89,861,022**	94,209,070
Total assets	**$ 212,334,512**	$ 230,485,052
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 4,515,183**	$ 6,028,992
Line of credit	**5,000,000**	5,000,000
Deferred revenue and deposits	**880,586**	1,444,806
Accounts held on behalf of others	**1,036,229**	710,217
Finance lease liabilities, net	**1,155,549**	748,009
Long-term debt, net	**38,209,272**	39,595,915
Annuities and trusts payable	**2,008,065**	2,012,777
Advances from federal government for student loans	**1,897,744**	1,917,291
Total liabilities	**54,702,628**	57,458,007
Net assets:		
Without donor restrictions:		
Controlling interest	**23,575,872**	28,781,698
Noncontrolling interest	**3,552,025**	7,390,211
	27,127,897	36,171,909
With donor restrictions	**130,503,987**	136,855,136
Total net assets	**157,631,884**	173,027,045
Total liabilities and net assets	**$ 212,334,512**	$ 230,485,052

See notes to consolidated financial statements.

Wittenberg University

Consolidated Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue:			
Tuition and fees (less student aid of $36,220,500)	$ 15,303,215	$ -	$ 15,303,215
Investment return designated for current operations	2,662,120	5,137,308	7,799,428
Grants and contracts	776,163	593,747	1,369,910
Contributions	2,173,380	1,827,384	4,000,764
Bequests	304,610	887,775	1,192,385
Other investment income	182,198	103,724	285,922
Other	5,588,214	7,712	5,595,926
Auxiliary enterprise revenue	10,318,802	-	10,318,802
Net assets released from restrictions	12,085,834	(12,085,834)	-
Total operating revenues	49,394,536	(3,528,184)	45,866,352
Operating expenses:			
Instruction	12,340,785	-	12,340,785
Research	325,286	-	325,286
Academic support	1,964,207	-	1,964,207
Student services	10,710,444	-	10,710,444
Institutional support	12,751,927	-	12,751,927
Operation and maintenance of plant	7,669,932	-	7,669,932
Auxiliary enterprise expense	5,082,858	-	5,082,858
Interest expense	2,457,335	-	2,457,335
Depreciation and amortization	6,288,600	-	6,288,600
Total operating expenses	59,591,374	-	59,591,374
Change in net assets before other changes	(10,196,838)	(3,528,184)	(13,725,022)
Other changes:			
Investment return net of amounts designated for current operations	(493,349)	(1,388,330)	(1,881,679)
Change in value of split-interest agreements	18,184	193,356	211,540
Net asset released from restrictions for capital	1,627,991	(1,627,991)	-
	1,152,826	(2,822,965)	(1,670,139)
Change in net assets	(9,044,012)	(6,351,149)	(15,395,161)
Less change attributable to the noncontrolling interest	3,838,186	-	3,838,186
Change in net assets attributable to Wittenberg	(5,205,826)	(6,351,149)	(11,556,975)
Net assets, beginning of year, excluding noncontrolling interest	28,781,698	136,855,136	165,636,834
Net assets, end of year, excluding noncontrolling interest	$ 23,575,872	$ 130,503,987	$ 154,079,859

See notes to consolidated financial statements.

Wittenberg University

Consolidated Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue:			
Tuition and fees (less student aid of $34,493,326)	$ 16,988,470	$ -	$ 16,988,470
Investment return designated for current operations	2,818,806	4,474,150	7,292,956
Grants and contracts	401,106	4,920,703	5,321,809
Contributions	2,470,345	4,877,469	7,347,814
Bequests	837,662	715,661	1,553,323
Other investment income	94,768	119,165	213,933
Other	2,522,462	30,489	2,552,951
Auxiliary enterprise revenue	9,814,854	-	9,814,854
Net assets released from restrictions	18,501,751	(18,501,751)	-
Total operating revenues	54,450,224	(3,364,114)	51,086,110
Operating expenses:			
Instruction	11,962,892	-	11,962,892
Research	290,979	-	290,979
Academic support	1,770,152	-	1,770,152
Student services	12,198,149	-	12,198,149
Institutional support	10,213,474	-	10,213,474
Operation and maintenance of plant	7,616,964	-	7,616,964
Auxiliary enterprise expense	5,645,372	-	5,645,372
Interest expense	2,464,896	-	2,464,896
Depreciation and amortization	4,623,989	-	4,623,989
Total operating expenses	56,786,867	-	56,786,867
Change in net assets before other changes	(2,336,643)	(3,364,114)	(5,700,757)
Other changes:			
Investment return net of amounts designated for current operations	(1,113,210)	(16,142,988)	(17,256,198)
Change in value of split-interest agreements	43,476	446,561	490,037
Net asset released from restrictions for capital	357,511	(357,511)	-
	(712,223)	(16,053,938)	(16,766,161)
Change in net assets	(3,048,866)	(19,418,052)	(22,466,918)
Less gain attributable to the noncontrolling interest	(19,541)	-	(19,541)
Change in net assets attributable to Wittenberg	(3,068,407)	(19,418,052)	(22,486,459)
Net assets, beginning of year, excluding noncontrolling interest	31,850,105	156,273,188	188,123,293
Net assets, end of year, excluding noncontrolling interest	$ 28,781,698	$ 136,855,136	$ 165,636,834

See notes to consolidated financial statements.

Wittenberg University

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

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (15,395,161)	$ (22,466,918)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	6,288,600	4,623,989
Change in value of split-interest agreements	211,540	490,037
Net realized and unrealized (gain) loss on investments	(2,441,091)	14,705,358
Gain on beneficial interest in trusts	(238,267)	(785,657)
Loss on sale of property	201,060	1,340,865
Gifts for permanently restricted purposes	(1,344,498)	(2,484,516)
Income restricted to long-term investment	(111,436)	(149,654)
Actuarial gain on annuity and trust obligations	(145,993)	(559,165)
Changes in:		
Accounts and grants receivable	(8,771)	(2,401,164)
Contributions receivable	(82,406)	(1,231,519)
Prepaid expenses and other assets	38,579	(200,856)
Accounts payable and accrued expenses	(1,513,809)	(200,014)
Deferred revenue and deposits	(564,220)	(465,331)
Accounts held on behalf of others	326,012	97,485
Net cash used in operating activities	(14,779,861)	(9,687,060)
Cash flows from investing activities:		
Collection of student notes receivable	2,056,782	742,903
Proceeds from sale of investments	94,868,120	22,443,419
Purchase of investments	(84,461,975)	(17,246,831)
Proceeds from sale of land, buildings, and equipment	87,000	-
Purchase of land, buildings and equipment	(796,810)	(1,089,576)
Net cash provided by investing activities	11,753,117	4,849,915
Cash flows from financing activities:		
Decrease in federal advances for student loans	(19,547)	(433,618)
Increase in line of credit	-	5,000,000
Repayment of long-term debt	(1,480,000)	(4,420,000)
Payment of financing lease obligations	(201,648)	(235,670)
Annuity payments	(70,259)	(74,044)
Capital distributions	-	(228,202)
Gifts for permanently restricted purposes	1,344,498	2,484,516
Income restricted to long-term investment	111,436	149,654
Net cash (used in) provided by financing activities	(315,520)	2,242,636
Net decrease in cash, cash equivalents and restricted cash	(3,342,264)	(2,594,509)
Cash, cash equivalents and restricted cash:		
Beginning	8,430,425	11,024,934
Ending	$ 5,088,161	$ 8,430,425
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 2,457,335	$ 2,464,896
Supplemental disclosure of noncash financing activities:		
Right-of-use asset in exchange for new finance lease obligation	$ 609,188	$ -

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Wittenberg University (the University) was founded in 1845 and is a privately endowed educational institution affiliated with the Evangelical Lutheran Church in America (ELCA). The mission of the University is to provide a liberal arts education dedicated to intellectual inquiry and wholeness of a person within a diverse residential community. Reflecting its Lutheran heritage, the University challenges students to become responsible global citizens, to discover their callings, and to lead personal, professional, and civic lives of creativity, service, compassion and integrity. The University's revenues and other support are derived principally from student tuition and fees, investments, gifts and grants, operation of residence and dining halls and various related activities. Its activities are conducted principally in the Springfield, Ohio area.

A summary of the University's significant accounting policies follows:

Principles of consolidation: In addition to the University, the accompanying consolidated financial statements include the following entities, herein referred to collectively as the University:

- West Ward Street Development Corporation—a supporting corporation created to be the managing member of 1929 Managing Member, Inc.
- 1929 Managing Member, Inc.—a real estate holding company formed to hold an investment in 1929 Fieldhouse LLC.
- 1929 Fieldhouse LLC—an entity formed to construct a health, wellness and athletics complex.
- 1929 Fieldhouse Master Tenant LLC—an entity formed to acquire and operate the health, wellness and athletics complex. The entity is owned 1% by 1929 Master Tenant Managing Member Inc. (Managing Member) and 99% by NTCIC HTC Community Fund I, LLC (Investor Member). Profits, losses and tax credits are allocated to the Managing Member and Investor Member as defined in the Operating Agreement.
- 1929 Master Tenant Managing Member Inc.—a real estate holding company formed to hold an investment in 1929 Fieldhouse Master Tenant, LLC.

The affiliated entities noted above entered into a tax credit financing transaction during 2018 to finance the construction of a health, wellness and athletics complex. The consolidated financial statements include the accounts of all controlled affiliates that are required to be consolidated, and all intercompany transactions and balances have been eliminated. The amount of net assets allocated to the noncontrolling members in the above entities are reflected as noncontrolling interests in the consolidated financial statements. No capital contributions were made during 2023 or 2022. No distributions were paid in 2023. Distributions of approximately $228,000 were paid in 2022.Change attributable to noncontrolling interest includes a transfer of membership interest from the noncontrolling interest of approximately $3,7200,000.

Basis of presentation: The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The University is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are net assets that are free of donor-imposed restrictions as well as net assets designated by the Governing Board (Board).

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Net assets with donor restrictions include net assets from grants, contributions, investment income or other inflows where the use is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled by actions of the University.

Also included in net assets with donor restrictions are net assets subject to donor-imposed restrictions to be maintained in perpetuity by the University, which include gifts and contributions receivable for endowment wherein donors stipulate that the corpus of the gift be held in perpetuity and only the income is utilized. Other permanently restricted items in this net asset category include the University's interest in the values of certain perpetual trusts and annuity and life income gifts for which the principal is held in perpetuity and the income may or may not be subject to donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. When a donor restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Use of estimates: The preparation of financial statements in conformity with GAAP 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 revenues, 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. At June 30, 2023 and 2022, the University's cash equivalents consisted of money market funds. The University's cash equivalents exclude uninvested cash that is attributable to the endowment, bond proceeds and reserves held in escrow.

Restricted bond proceeds and reserves: These funds represent assets restricted under the bond indenture. Restricted bond proceeds and reserves consist of cash and cash equivalents.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	2023	2022
Cash and cash equivalents	$ 786,636	$ 4,257,205
Restricted bond proceeds and reserves	4,301,525	4,173,220
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 5,088,161	$ 8,430,425

Accounts receivable: Accounts receivable are stated at the amount billed to students plus any accrued and unpaid interest. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Billing statements are issued to students on a monthly basis. Account balances not resolved by the due date incur a $75 late payment penalty fee. Students that do not resolve their outstanding balances are not permitted to register for subsequent semesters. Delinquent accounts are referred to third-party collection agencies once a student is no longer enrolled at the University. Delinquent accounts are written off based upon a designated period of time in which no payments have been received. The University recorded an allowance for doubtful accounts of $1,149,373 and $129,937 at June 30, 2023 and 2022, respectively. Accounts receivable totaled $5,393,476, $5,384,705 and $2,826,250 as of June 30, 2023, 2022 and 2021, respectively.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions receivable: Contributions receivable are unconditional promises to give. Unconditional contributions receivable are reported at their net realizable value. Unconditional contributions expected to be collected in future years are reported at the present value of estimated future cash flows. The discounts on those amounts are computed at the date of the gift using the risk-free interest rates applicable to the years in which the promises to give are received, if any. There are no unconditional promises to give received during 2023 or 2022. The estimated losses are based on historical collection experience. The University recorded an allowance for doubtful accounts of $302,515 and $469,272, respectively.

Student notes receivable: Student notes receivable are reported at their outstanding principal balances. Some of these loans have been issued to eligible students under the Federal Perkins Loan Program. The repayment period on these federal loans begins after an initial grace period of either six or nine months once the student ceases to be at least a half-time student. Interest income is recorded as monthly payments are received. The University's share of any uncollectible accounts under the Federal Perkins Loan Program would not be material to the financial statements. Defaulted loans are handled in accordance with the guidelines of the Federal Perkins Loan Program. The University recorded an allowance for doubtful accounts of $1,680,236 and $45,000 at June 30, 2023 and 2022, respectively.

Investments and investment return: Investments in equity securities with a readily determinable fair value and all debt securities are carried at fair value. Investment return includes interest, dividends and realized and unrealized gains and losses. Investment return is reflected in the consolidated statements of activities as with or without donor restrictions based upon the existence and nature of any donor-imposed restrictions. Net appreciation/depreciation (realized and unrealized gains and losses) on endowment funds is classified in the accompanying consolidated financial statements as explicitly directed by the donor. In the absence of donor direction, net appreciation/depreciation is classified as revenue with donor restrictions until appropriated for spending by the Board in accordance with the University's interpretation of the State of Ohio Uniform Prudent Management of Institutional Funds Act (Ohio UPMIFA).

The University has significant investments in stocks, bonds and mutual funds and is therefore subject to concentrations of credit risk. Investments are made by investment managers engaged by the University and the investments are monitored for the University by an investment advisor. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the University.

Investments in alternative investments include limited partnerships, private equity, hedge funds and real estate partnerships, which do not have readily determinable fair values, and are carried at the University's proportionate share of the fund's net asset value (NAV) used as a practical expedient. Such fair value estimates are based upon the funds' NAV at the University's year end. At June 30, 2023, approximately $23,400,000 of alternative investments were valued using values provided by the fund manager as of December 31, 2022 or March 31, 2023, adjusted for contributions made and distributions received by the University through June 30, 2023. In management's opinion, the stated values approximate fair value. Due to the inherent uncertainty of valuation, the estimated values may differ from values that would have been used had a readily available market value for the investments existed, and such differences may be material.

Split-interest agreements: The University is party to various split-interest agreements, including perpetual trusts held by third parties and charitable remainder trusts. Assets are invested by the University or by third-party trustees. Payments are made to donors and/or other beneficiaries in accordance with the respective agreements. Contribution revenues for split-interest agreements are recognized at the dates the agreements are established. Revenues are recorded at fair value, net of the present value of the estimated future payments to be made to donors and/or other beneficiaries.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Land, buildings and equipment: Land, buildings and equipment are recorded at cost, at date of acquisition or fair value at date of donation, in the case of gifts. Assets are depreciated on a straight-line basis over the estimated useful life of each asset: buildings (50 years), building systems, renovations and land improvements (five to 30 years) and equipment (five to 10 years). Construction in process is not depreciated until placed in service. When major fixed assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts and the net land, buildings and equipment is reduced accordingly. The related gain or loss is reflected in the consolidated statements of activities. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

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 or 2022.

Asset retirement obligation: Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 410, Asset Retirement and Environmental Obligations, provides guidance on when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered ASC 410, specifically as it relates to its legal obligation to perform asset retirement activities or remediation on its existing properties. Management has determined a 50-year settlement date for the asset retirement obligations relating to asbestos removal from various buildings across campus. The University recognizes the fair value of a liability for legal obligations associated with asset retirement costs in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the retirement obligation is capitalized by increasing the capitalized cost associated with the retirement obligation which is then depreciated over the useful life of the related assets. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statement of activities. The University reviews its estimate annually and adjusts the recorded liability as needed. The related liability was recorded at June 30, 2023 and 2022, in the amount of $880,055, and is included in accounts payable and accrued expenses on the consolidated statements of financial position.

Leases: The University determines whether an arrangement is or contains a lease at the inception of the arrangement based on the unique facts and circumstances present in that arrangement. This determination generally depends on whether the arrangement conveys the right to control the use of an identified asset explicitly or implicitly for a period of time in exchange for consideration. Control of an underlying asset is conveyed if the University obtains the rights to direct the use of, and to obtain substantially all of the economic benefit from, the use of the underlying asset. Lease expense is recorded in operating expenses in the consolidated statements of activities. The University’s lease agreements do not contain any material residual value guarantees or material restrictive covenants. Leases with an initial term of 12 months or less that do not include an option to purchase the underlying asset that the University is reasonably certain to exercise are considered short-term leases and are not recorded on the consolidated statements of financial position. The University had no short-term leases during the years ended June 30, 2023 or 2022.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Right-of-use (ROU) assets and lease liabilities are recognized at each lease's commencement date based on the present value of its lease payments over its respective lease term. When a borrowing rate is not explicitly available for a lease, the University's incremental borrowing rate is used based on information available at the lease's commencement date to determine the present value of its lease payments. Operating lease payments are recognized on a straight-line basis over the lease term.

The University leases certain student apartments classified as finance leases which run through 2028, some of which include renewal options. The University considers these renewal options in determining the lease term used to establish ROU assets and lease liabilities when it is determined that it is reasonably certain that the renewal option will be exercised.

Advances from federal government for student loans: Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students. These funds are ultimately refundable to the government and are recorded as a liability in the accompanying consolidated statements of financial position. The Federal Perkins Loan Program expired September 30, 2017, and the University cannot disburse Perkins loans to any student on or after October 1, 2017, except for subsequent disbursements of loans first disbursed between June 30, 2017 and September 30, 2017. The University will be liquidating its Federal Perkins Revolving Loan Fund at the direction of the Department of Education (DOE).

Measure of operations: The University's change in net assets before other changes includes all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures. The change in net assets before other changes excludes certain activity. Amounts not included in change in net assets before other changes include investment return net of amounts designated for current operations, change in value of split-interest agreements and net assets released from donor restrictions for capital projects.

Revenue recognition: Revenue is recognized as performance obligations are satisfied, which are determined based on the nature of the services and goods provided.

Tuition and fees revenue is reported within the fiscal year in which educational services are provided. Income from tuition and fees is recognized ratably over the semester when classes occur. Tuition and fees relating to summer sessions that begin after June 30 are recorded in the consolidated statements of financial position as deferred revenue and deposits.

Scholarships and fellowships awarded to students for tuition, fees and room and board are based upon need and merit. These awards include amounts funded by the endowment, research funds and gifts, and reduce the published price of tuition for students receiving such aid. As such, institutional aid is referred to as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student.

Gifts of cash, property and marketable securities are recorded as revenue at fair value when received. Unconditional pledges are recognized as revenue based on the estimated present value of the future cash flows, net of allowances, when the commitment is received. The University uses a discount rate commensurate with risk ranging from 3.8% to 4.9% depending on the year the pledge was received. Pledges made and collected in the same reporting period are recorded when received in the appropriate net asset category. Conditional pledges are recorded as revenue only when donor conditions are substantially met.

Future performance obligations will be met within the next fiscal year.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Auxiliary enterprises include residence halls, food services, retail stores, and athletics. Fee charges are directly related to the costs of services rendered and are recognized as revenue when the services or goods are delivered. These services exist to furnish goods or services to students, faculty, staff or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. As noted above, some institutional aid packages are awarded to defray the costs of the residential program, and reduce the amount of revenue recognized.

Performance obligations for housing and dining services are delivered over the respective academic terms. Consequently, revenue from housing and dining services is recognized ratably as services are rendered. Other revenues are directly related to the costs of services rendered and are recognized as revenue when the services or goods are delivered.

Income taxes: The University is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3). The University generates minor amounts of unrelated business income, annually files Form 990T and pays taxes on such income. The University recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the University, the continued tax-exempt status of bonds issued by the University and various positions related to potential sources of unrelated taxable income. The University believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Functional expenses: Expenses have been classified as program services, management and general and fundraising based on the actual direct expenditures and allocation of indirect costs based on square footage assumptions and headcount.

New accounting pronouncements: The following recently issued accounting pronouncement is currently being evaluated, as described below:

FASB Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The University is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

Reclassification: Certain reclassifications have been made to the 2022 consolidated financial statement presentation to conform to the 2023 presentation.

Subsequent events: The University has evaluated subsequent events through December 22, 2023, the date on which the consolidated financial statements were issued.

Note 2. Contributions Receivable, Net

Contributions receivable consisted of the following at June 30:

	2023	2022
Due within one year	$ 1,909,171	$ 1,826,807
Due in one to five years	2,741,795	3,345,145
Due in more than five years	462,458	387,520
	5,113,424	5,559,472
Less discount on pledges	(370,176)	(731,873)
Less allowance for uncollectible pledges	(302,515)	(469,272)
Total contributions receivable, net	$ 4,440,733	$ 4,358,327

Note 3. Investments, Restricted Bond Proceeds and Reserves and Investment Return

The fair value of investments and restricted bond proceeds and reserves at June 30, consisted of the following:

	2023	2022
Money market	$ 2,493,378	$ 3,039,881
Domestic equities	42,155,681	53,318,930
International equities	584,202	11,282,028
Real estate	175,267	6,790,189
Absolute return	-	11,359,507
Private equity	22,542,337	19,033,793
Private debt	5,125,027	1,047,549
Fixed income	10,494,539	-
Equity—domestic	2,115,414	-
Equity—developed EX US	8,157,279	-
Equity—emerging markets	4,054,701	-
Total investments	$ 97,897,825	$ 105,871,877
Restricted bond proceeds and reserves	$ 4,301,525	$ 4,173,220

Note 3. Investments, Restricted Bond Proceeds and Reserves and Investment Return (Continued)

Investment return is comprised of the following as of June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 2,025,013	$ 1,737,567	$ 3,762,580
Net realized and unrealized losses	325,956	2,115,135	2,441,091
Total investment return	2,350,969	3,852,702	6,203,671
Less:			
Investment return designated for current operations	(2,662,120)	(5,137,308)	(7,799,428)
Other investment income	(182,198)	(103,724)	(285,922)
Investment deficit in excess of amounts designated for current operations	$ (493,349)	$ (1,388,330)	$ (1,881,679)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 2,934,856	$ 2,021,193	$ 4,956,049
Net realized and unrealized losses	(1,134,492)	(13,570,866)	(14,705,358)
Total investment return	1,800,364	(11,549,673)	(9,749,309)
Less:			
Investment return designated for current operations	(2,818,806)	(4,474,150)	(7,292,956)
Other investment income	(94,768)	(119,165)	(213,933)
Investment deficit in excess of amounts designated for current operations	$ (1,113,210)	$ (16,142,988)	$ (17,256,198)

Note 4. Beneficial Interest in Trusts

The University is the beneficiary under certain perpetual trusts administered by outside parties. Under the terms of these trusts, the University has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is $773,578 and $763,940, which represents the fair value of the trust assets at June 30, 2023 and 2022, respectively.

The University is also the beneficiary under various charitable remainder trusts for which it is not the trustee. The University’s beneficial interest in these trusts is recorded at fair value, measured by the present value of the estimated expected future benefits to be received when the trust assets are distributed. At June 30, 2023 and 2022, the University’s beneficial interest in remainder trusts administered by outside parties is $4,222,699 and $3,994,070, respectively.

Note 5. Land, Buildings and Equipment, Net

Land, buildings and equipment consists of the following at June 30:

	2023	2022
Land and buildings	$ 179,951,472	$ 179,679,562
Equipment	41,307,568	40,809,262
Construction in progress	-	124,785
	221,259,040	220,613,609
Less accumulated depreciation	(131,398,018)	(126,404,539)
	$ 89,861,022	$ 94,209,070

Note 6. Line of Credit

On February 5, 2020, the University obtained a line of credit of $5,000,000 from a bank to provide for normal working capital requirements. The line of credit bears interest at 4.5%. The line of credit is payable on demand and is collateralized by substantially all assets of the University. The amount outstanding is $5,000,000 as of June 30, 2023 and 2022.

Note 7. ROU Assets and Lease Liabilities

The University leases certain student apartments classified as finance leases which run through 2028.

Information related to the University's financing leases is summarized below at June 30:

	2023	2022
ROU assets—finance leases	$ 864,058	$ 1,593,315
Lease liabilities, current—finance leases	219,604	99,664
Lease liabilities, non-current—finance leases	935,945	648,345
Weighted-average remaining lease term—financing leases	4.3 years	3.5 years
Weighted-average discount rate—finance leases	8.42%	8.00%

Future minimum lease payments under these leasing arrangements are as follows at June 30, 2023:

2024	$ 315,628
2025	315,628
2026	315,628
2027	315,628
2028	162,728
	1,425,240
Less amount representing interest	(269,691)
Present value of future minimum lease payments	$ 1,155,549

Note 8. Long-Term Debt, Net

The University's long-term debt consisted of the following at June 30:

Type of debt	Interest Rate	Original Principal	Outstanding Balance 2023	2022
2016 bonds	Various	44,085,000	$ 39,385,000	$ 40,865,000
Less bond issuance costs			(762,743)	(809,561)
Less bond discount			(412,985)	(459,524)
			$ 38,209,272	$ 39,595,915

On October 25, 2016, the Public Finance Authority, a unit of government and a body corporate politic of the state of Wisconsin, issued $44,085,000 of Revenue Bonds on behalf of the University. The par amount of these bonds was $44,085,000 with a discount amount of $687,268. These bonds mature at varying lengths through December 1, 2039, and bear interest from inception at rates ranging from 4.00% to 5.25%. Interest payments are due in semiannual payments on December 1 and June 1 of each year. Principal payments began on December 1, 2020. The proceeds of the bonds were used to refund outstanding bonds, pay off a line of credit, and establish capital project and debt service reserve funding. The bond is collateralized by substantially all assets of the University.

In connection with the Revenue Bonds, the University is required to maintain certain financial covenants.

In conjunction with the issuance of the Revenue Bonds, the University entered into certain lease agreements that provide the mechanism through which qualifying capital projects are financed, proceeds are advanced and the bonds are repaid. Additionally, the Revenue Bonds are secured by revenues and certain plant assets.

The future maturities of long-term debt for the University are as follows:

2024	$ 1,540,000
2025	1,600,000
2026	1,670,000
2027	1,755,000
2028	1,845,000
Thereafter	30,975,000
	$ 39,385,000

Note 9. Annuities and Trusts Payable

The University has been the recipient of numerous gift annuities, which require future payments to donors or their named beneficiaries. The assets received from the donors are recorded at fair value. The University has recorded liabilities at June 30, 2023 and 2022, of $360,932 and $540,228, respectively, which represents the present value of the future annuity obligations. The liabilities have been determined using the discount rate applicable on the date the trust was established which range from 5% to 11% for 2023 and 2022.

The University also administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the University's use. Assets held in the charitable remainder trusts are recorded at fair value of $4,996,277 and $4,758,010 as of June 30, 2023 and 2022, respectively. The University has recorded a liability at June 30, 2023 and 2022, of $1,647,133 and $1,472,549, respectively, which represents the present value of future obligations to make distributions to the designated beneficiaries.

Note 9. Annuities and Trusts Payable (Continued)

On an annual basis, the University revalues the related liabilities for distributions to the designated beneficiaries based on certain actuarial assumptions. The present value of the estimated future payments is calculated using discount rates ranging from 5% to 11% and applicable mortality tables. The portion of the trust attributable to the future interest of the University is recorded in the consolidated statements of activities as contributions with donor restrictions in the period the trust is established.

Note 10. Pension and Other Postretirement Benefit Plans

Retirement benefits are provided for the University's staff through Teachers Insurance and Annuity Association (TIAA), a national organization used to fund pension benefits for educational institutions. Under this arrangement, the University and plan participants make annual contributions to TIAA to purchase individual annuities equivalent to retirement benefits earned.

The University's share of the cost of these benefits was approximately $885,000 and $810,000 in 2023 and 2022, respectively.

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of the following at June 30:

	2023	2022
Subject to expenditures for a specific purpose:		
General operations/time restricted	$ 726,804	$ 13,871,896
Instruction and academic support	4,893,149	5,526,142
Institutional support	5,979,540	3,377,265
Plant, property and equipment	1,830,901	4,075,709
Student scholarships and awards	4,919,416	5,576,879
Library	66,201	1,167,317
Student services	988,368	2,337,184
Student loans	-	184,956
Unitrusts and pooled income	5,428,381	1,077,635
	24,832,760	37,194,983
Net assets with donor restrictions to invest in perpetuity the income of which is expendable to support the following:		
General operations	18,121,779	12,702,732
Instruction and academic support	15,363,764	16,691,075
Institutional support	7,794,488	7,993,540
Plant operation and maintenance	1,644,396	1,045,125
Student scholarships and awards	49,657,791	48,484,621
Library	4,171,560	3,870,099
Student services	816,801	293,488
Student loans	7,014,972	6,730,892
Annuities, unitrusts and pooled income	1,085,676	1,848,581
	105,671,227	99,660,153
Total net assets with donor restrictions	$ 130,503,987	$ 136,855,136

Note 12. Endowment

The University's endowment consists of 538 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's governing body has interpreted the 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 restrictions to the contrary. As a result of this interpretation, the University classifies net assets as 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 are also 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.

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, is as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 97,241,660	$ 97,241,660
Board-designated endowment funds	5,358,562	-	5,358,562
	$ 5,358,562	$ 97,241,660	$ 102,600,222

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 100,580,893	$ 100,580,893
Board-designated endowment funds	8,248,259	-	8,248,259
	$ 8,248,259	$ 100,580,893	$ 108,829,152

Note 12. Endowment (Continued)

Changes in endowment net assets for the years ended June 30 are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year:	$ 8,248,259	$ 100,580,893	$ 108,829,152
Investment return:			
Investment income	160,894	1,614,058	1,774,952
Net appreciation	325,956	4,599,473	4,925,429
Total investment return	486,850	6,213,531	6,700,381
Contributions and other changes	80,613	1,547,744	1,628,357
Other transfers	3,082,126	(3,489,740)	(407,614)
Appropriation of endowment assets for expenditure	(6,539,286)	(7,610,768)	(14,150,054)
Endowment net assets, end of year	$ 5,358,562	$ 97,241,660	$ 102,600,222

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year:	$ 9,401,054	$ 116,201,118	$ 125,602,172
Investment return:			
Investment income	280,786	3,347,732	3,628,518
Net depreciation	(1,134,492)	(13,570,866)	(14,705,358)
Total investment return	(853,706)	(10,223,134)	(11,076,840)
Contributions and other changes	45,892	1,459,798	1,505,690
Other transfers	(31,798)	(370,023)	(401,821)
Appropriation of endowment assets for expenditure	(313,183)	(6,486,866)	(6,800,049)
Endowment net assets, end of year	$ 8,248,259	$ 100,580,893	$ 108,829,152

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or Ohio UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with accounting standards, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2023 and 2022, funds with an original gift value of $37,398,753 and $36,049,079 were underwater by $5,700,202 and $4,927,106, respectively. Current fair value of underwater endowments is $31,698,551 and $31,121,973 as of June 30, 2023 and 2022, respectively.

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 or for donor-specified periods, as well as those of board-designated endowment funds.

Note 12. Endowment (Continued)

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 7% of its endowment fund's average fair value over the three years up to and including the year in which expenditure is planned. The policy allows for appropriations in excess of 7% based upon approval by the Board which is subject to the requirements of Ohio UPMIFA. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long-term, the University expects the current spending policy to allow its endowment to grow at an acceptable level. 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.

During 2023, the University had additional appropriations of $5.75 million based on approval by the Board to make available any funds within the endowment that are board designated to the extent necessary to meet cash flow needs for operating and debt service.

Note 13. Functional Classification of Expenses

The University's expenses classified by natural classification, for the years ended June 30 is summarized as follows:

	2023									
	Program Services									
	Instruction	Research	Academic Support	Student Services	Auxiliary	Institutional	Total Program	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 9,150,486	$ 136,569	$ 1,088,206	$ 6,111,791	$ 525,985	$ 1,187,522	$ 18,200,559	$ 2,006,502	$ 900,879	$ 21,107,940
Benefits	2,313,894	10,952	208,578	1,291,244	15,359	216,703	4,056,730	366,153	164,395	4,587,278
Auxiliary expense	1,381,992	10,287	234,516	1,218,262	3,676,428	656,006	7,177,491	1,108,425	497,660	8,783,576
Depreciation expense	1,640,067	-	284,874	1,104,907	2,565,120	201,153	5,796,121	339,880	152,599	6,288,600
General expense	943,368	73,138	14,354	619,480	45,602	806,248	2,502,190	1,362,281	611,636	4,476,107
Interest expense	640,873	-	111,317	431,754	1,002,347	78,603	2,264,894	132,811	59,630	2,457,335
Professional fees	151,770	-	137,652	781,179	257	729,571	1,800,429	1,232,722	553,467	3,586,618
Utilities	910,644	-	158,355	613,367	696,054	111,630	2,490,050	188,616	84,685	2,763,351
Travel	145,561	22,530	42,496	1,138,399	-	73,936	1,422,922	124,926	56,089	1,603,937
Academic expenses	170,478	-	549,847	20,230	-	232	740,787	392	176	741,355
Equipment	175,366	71,810	55,030	230,430	103,100	242,780	878,516	410,215	184,178	1,472,909
Insurance	282,647	-	49,150	409,378	-	34,648	775,823	58,543	26,285	860,651
Printing	15,656	-	1,400	341,920	144	30,191	389,311	51,013	22,904	463,228
Telephone	69,626	-	12,107	46,897	2,121	8,890	139,641	15,022	6,744	161,407
Postage	7,901	-	31	163,537	17,809	13,863	203,141	23,424	10,517	237,082
	$ 18,000,329	$ 325,286	$ 2,947,913	$ 14,522,775	$ 8,650,326	$ 4,391,976	$ 48,838,605	$ 7,420,925	$ 3,331,844	$ 59,591,374

Note 13. Functional Classification of Expenses (Continued)

	2022									
	Program Services									
	Instruction	Research	Academic Support	Student Services	Auxiliary	Institutional	Total Program	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 8,873,682	$ 127,852	$ 984,518	$ 5,557,672	$ 444,521	$ 1,126,064	$ 17,114,309	$ 1,902,661	$ 854,256	$ 19,871,226
Benefits	2,104,623	11,452	163,699	1,028,068	13,582	475,269	3,796,693	803,041	360,549	4,960,283
Auxiliary expense	1,169,879	9,434	250,445	1,023,123	4,150,864	566,724	7,170,469	957,570	429,929	8,557,968
Depreciation expense	1,272,399	-	218,676	792,575	1,840,020	147,052	4,270,722	243,804	109,463	4,623,989
General expense	1,294,733	127,615	92,048	1,110,635	25,778	319,240	2,970,049	539,405	242,182	3,751,636
Interest expense	642,845	-	111,660	433,082	1,005,431	78,845	2,271,863	133,220	59,813	2,464,896
Professional fees	187,256	-	24,816	1,042,219	299	538,356	1,792,946	914,299	410,502	3,117,747
Utilities	829,253	-	144,202	558,546	850,142	101,653	2,483,796	171,758	77,116	2,732,670
Travel	81,562	12,436	33,894	818,435	34	44,912	991,273	75,887	34,072	1,101,232
Academic expenses	312,214	-	541,692	2,312,638	-	332	3,166,876	560	252	3,167,688
Equipment	134,261	1,995	63,677	145,951	78,019	120,201	544,104	203,098	91,187	838,389
Insurance	202,307	-	35,180	325,264	-	24,799	587,550	41,903	18,813	648,266
Printing	6,984	195	1,250	343,780	-	25,604	377,813	43,262	19,424	440,499
Telephone	70,768	-	12,306	47,687	71,005	8,837	210,603	14,931	6,704	232,238
Postage	4,491	-	213	177,621	11,127	24,560	218,012	41,497	18,631	278,140
	$ 17,187,257	$ 290,979	$ 2,678,276	$ 15,717,296	$ 8,490,822	$ 3,602,448	$ 47,967,078	$ 6,086,896	$ 2,732,893	$ 56,786,867

Note 14. Fair Value Measurements

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 supported by little or no market activity and are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2023 and 2022.

Investments, restricted bond proceeds and reserves: 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 within Level 2 of the valuation hierarchy. For alternative investments that are redeemable at June 30 or in the near term, fair value is determined using the NAV or its equivalent provided by the fund, as a practical expedient, to determine fair value. For alternative investments that are not redeemable in the near term, the net asset value (or its equivalent) provided by the fund is utilized, as a practical expedient, to determine fair value.

Note 14. Fair Value Measurements (Continued)

Beneficial interest in remainder trusts: Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement.

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 agreement, which approximates the fair value of the underlying assets of the trusts.

The following tables present the fair value measurements of assets recognized in the accompanying consolidated 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			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money market	$ 2,493,378	$ -	$ -	$ 2,493,378
Domestic equities	42,155,681	-	-	42,155,681
International equities	584,202	-	-	584,202
Real estate	175,267	-	-	175,267
Investments reported at fair value based on net asset value:				
Private equity [a]	-	-	-	22,542,337
Private debt [a]	-	-	-	5,125,027
Fixed income [a]	-	-	-	10,494,539
Equity—domestic [a]				2,115,414
Equity—developed EX US [a]				8,157,279
Equity—emerging markets [a]	-	-	-	4,054,701
Total investments	$ 45,408,528	$ -	$ -	$ 97,897,825
Restricted bond proceeds and reserves:				
U.S. government bonds - cash equivalents	$ -	$ 4,301,525	$ -	$ 4,301,525
Beneficial interest in trusts	$ -	$ -	$ 4,996,277	$ 4,996,277
Liabilities:				
Annuities and trusts payable	$ -	$ 2,008,065	$ -	$ 2,008,065

Note 14. Fair Value Measurements (Continued)

	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money market	$ 3,039,881	$ -	$ -	$ 3,039,881
Domestic equities	53,318,930	-	-	53,318,930
International equities	11,282,028	-	-	11,282,028
Real estate	3,841,360	-	-	3,841,360
Investments reported at fair value based on net asset value:				
Absolute return [a]	-	-	-	11,359,507
Private equity [a]	-	-	-	19,033,793
Private debt [a]	-	-	-	1,047,549
Real estate [a]	-	-	-	2,948,829
Total investments	$ 71,482,199	$ -	$ -	$ 105,871,877
Restricted bond proceeds and reserves:				
U.S. government bonds - cash equivalents	$ -	$ 4,173,220	$ -	$ 4,173,220
Beneficial interest in trusts	$ -	$ -	$ 4,758,010	$ 4,758,010
Liabilities:				
Annuities and trusts payable	$ -	$ 2,012,777	$ -	$ 2,012,777

(a) In accordance with Subtopic 820-10, 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 presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

There were no assets or liabilities measured at fair value on a nonrecurring basis.

Note 14. Fair Value Measurements (Continued)

The following tables present information regarding funds with fair values that are determined using the net asset value (or its equivalent) provided by the fund.

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity funds [b]	$ 22,542,337	$ 9,339,270	Not eligible	N/A
Private debt funds [c]	5,125,027	1,439,750	Most not eligible, certain available with notice	Not specificed
Fixed income [e]	10,494,539	-	Any date once eligible	30-60 days
Equity—domestic [f]	2,115,414	-	Weekly	3 days
Equity—developed EX US [f]	8,157,279	-	Various, certain available with notice	5 days
Equity—emerging markets [f]	4,054,701	-	Daily or monthly	Various, up to 45 days
	$ 52,489,297	$ 10,779,020		

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Absolute return [a]	$ 11,359,507	$ -	Eligible on an annual basis	100-120 days
Private equity funds [b]	19,033,793	9,132,206	Not eligible	N/A
Private debt funds [c]	1,047,549	569,130	Not eligible	N/A
Real estate funds [d]	2,948,829	2,134,763	Most not eligible, certain available with notice	60 days
	$ 34,389,678	$ 11,836,099		

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated statements of financial position at amounts other than fair value.

(a) This category includes investments in hedge funds that take both long and short positions and hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes investments in U.S. common stocks, global real asset projects and arbitrage investments. Management of the funds has the ability to shift investments among differing investment strategies. Certain investments have commenced an orderly liquidation under the direction of the fund manager. The remaining investments in this category have annual liquidity with a 100-day notice period.

(b) This category includes several private equity funds that invest primarily in distressed opportunities, buyouts and venture capital. These investments can never be redeemed. Instead, the nature of the investments in this category is that distributions are received through the liquidation of underlying assets of the fund. The underlying assets of the fund will be sold at the discretion of the respective fund managers. The underlying assets of the funds are estimated to be liquidated over the next six to 12 years.

Note 14. Fair Value Measurements (Continued)

(c) This category includes a private debt fund that was formed to originate and make loans to, and make debt and equity investments in, United States middle market companies. These investments can never be redeemed. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. The underlying assets of the fund will be sold at the discretion of the fund managers.

(d) This category includes several real estate funds that invest primarily in commercial real estate, energy and natural resources. These investments can never be redeemed. Distributions from each fund will be made as the underlying investments of the funds are liquidated. The underlying assets of the funds are estimated to be liquidated over the next six to 12 years.

(e) This category includes fixed income funds that invest in various debt investments. These investments may be able to be redeemed if certain criteria are met. Distributions from each fund will be made as the underlying investments of the funds are liquidated. The underlying assets of the fund will be sold at the discretion of the respective fund managers.

(f) This category includes several equity funds that invest in various U.S. and international companies. These investments may be able to be redeemed if certain criteria are met. Distributions from each fund will be made as the underlying investments of the funds are liquidated. The underlying assets of the fund will be sold at the discretion of the respective fund managers.

Note 15. Commitments, Contingencies and Concentrations

Contributions: Approximately 30% and 25% of all contributions and bequests were received from five donors in 2023 and 2022, respectively.

A significant decline in contribution revenue could have an adverse impact on the University’s future operating results. In addition, during volatile economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values, allowances for contributions receivable and other assets or liabilities that could negatively impact the University’s ability to meet debt covenants or maintain sufficient liquidity.

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.

The University has been named as a potentially responsible party by the United States Environmental Protection Agency (EPA). Federal law provides for joint and general liability among responsible parties for remediation costs. The University has had no contact with the EPA regarding this matter since 2004 and, accordingly, has not accrued for this potential liability as management believes the University does not have any responsibility.

Self-insurance: The University has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The University has purchased insurance that limits its exposure for individual claims to $125,000 (up to a maximum of $5,000,000). Aggregate stop loss coverage will reimburse up to $1,000,000 once claims have exceeded 125% of expected claims in a plan year.

Note 15. Commitments, Contingencies and Concentrations (Continued)

U.S federal grants: The University receives grants from various agencies of the U.S. government. Such grants are subject to audit under the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for the Federal Awards.* The ultimate determination of amounts received under the U.S. government grants is based upon the allowance of costs reported to and accepted by the U.S. government as a result of the audits. Until such audits have been accepted by the U.S. government, there exists a potential contingency to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Note 16. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023 and 2022, comprise the following:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 786,636	$ 4,257,205
Accounts receivable, net	5,393,476	5,384,705
Grants receivable	-	-
Contributions receivable, net	4,440,733	4,358,327
Restricted bond proceeds and reserves	4,301,525	4,173,220
Student notes receivable, net	3,106,969	5,163,751
Investments	97,897,825	105,871,877
Cash surrender value of life insurance	138,635	129,637
Beneficial interest in trusts	4,996,277	4,758,010
Total financial assets	121,062,076	134,096,732
Less amounts not available to be used within one year:		
Assets subject to board designations	(5,358,562)	(8,248,259)
Assets subject to donor restrictions to be held in perpetuity	(87,152,847)	(79,794,420)
Assets subject to donor purpose restrictions	(24,832,760)	(37,194,983)
Accumulated gains on endowment	(18,518,380)	(19,865,733)
Assets not available due to contractual restrictions—Perkins notes receivable	(1,720,538)	(1,919,167)
Assets not available due to contractual restrictions—bond proceeds and reserves	(4,301,525)	(4,173,220)
Financial assets not available to be used within one year	(141,884,612)	(151,195,782)
Financial assets available to meet general expenditures within one year	(20,822,536)	(17,099,050)
Liquidity resources:		
Budgeted appropriation of endowment funds	7,289,650	7,465,000
Line of credit (Note 6)	-	-
Total financial assets and liquidity resources available within one year	$ (13,532,886)	$ (9,634,050)

Note 16. Liquidity and Availability (Continued)

The University regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The University has various sources of liquidity at its disposal, including cash and cash equivalents and line of credit. See Note 6 for information about the University's line of credit.

Management's Plan to Address Going Concern: The University's consolidated financial statements have been prepared assuming the University will continue as a going concern. As discussed below, the University has suffered declines in student enrollment that impact its operations and available resources, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described below. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The University has sold or has plans to sell certain IP addresses and real estate assets and use cash proceeds to meet operational cash flow needs. The University also intends to increase the appropriation of board designated endowment funds and other funds subject to the requirements of UPMIFA that have fund provisions allowing board action as to use. This will reduce available funds to meet future needs and may negatively impact the University's activities long-term.

Note 17. Financial Responsibility

In 2019, the DOE revised certain provisions of the 34 Code of Federal Regulations Section 668.172 which applies to the University. As a result of the revision, the University is disclosing certain information to facilitate compliance with the provisions of Section 668.172 provided as follows:

Property, plant and equipment, net: The DOE has defined pre-implementation property, plant and equipment as assets acquired as of June 30, 2019, less any assets resulting from capital leases entered into between December 15, 2018 and June 30, 2019. All subsequently acquired assets are deemed post-implementation property, plant and equipment. As of June 30, 2023, the University has pre-implementation property, plant and equipment net of depreciation totaling $86,829,546. The post-implementation property, plant and equipment net of depreciation paid for without outstanding debt as of June 30, 2023, totaled $3,031,476.

Note 18. Related-Party Transactions

Members of Wittenberg University's Board of Directors and senior management may, from time to time, be associated, either directly or indirectly, with organizations doing business with the University. The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Directors may participate in any decision in which they have a material financial interest. All Board of Directors and senior management are required to certify compliance with the conflict of interest policy on an annual basis as well as disclose any potential related party transactions to the audit committee. When such a relationship exists, the University requires that such transactions be conducted at arms' length, with terms that are fair and reasonable to and for the benefit of the University. For senior management, the University requires annual disclosure of significant financial interests in, or governance of employment or consulting relationships with, entities doing business with the University. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interest of the University. For the year ended June 30, 2023, the University certifies to the best of its knowledge and belief, that the organization had no related-party transactions to disclose.

Note 19. Noncontrolling Interests

The consolidated financial statements include the accounts of entities in which the University has a controlling interest. Below is activity related to activities of noncontrolling interests:

	Controlling Interest			Noncontrolling Interests	
	Without Donor Restrictions	With Donor Restrictions	Total Controlling Interest	Without Donor Restrictions	Total
Net assets, June 30, 2021	$ 31,850,105	$ 156,273,188	$ 188,123,293	$ 7,598,866	$ 195,722,159
Change in net assets before noncontrolling interest activity	(3,068,407)	(19,418,052)	(22,486,459)	-	(22,486,459)
Noncontrolling interests in consolidated subsidiaries	-	-	-	19,541	19,541
Change in net assets	(3,068,407)	(19,418,052)	(22,486,459)	19,541	(22,466,918)
Distributions	-	-	-	(228,196)	(228,196)
Net assets, June 30, 2022	28,781,698	136,855,136	165,636,834	7,390,211	173,027,045
Change in net assets before noncontrolling interest activity	(8,928,790)	(6,351,149)	(15,279,939)	-	(15,279,939)
Noncontrolling interests in consolidated subsidiaries	-	-	-	(115,222)	(115,222)
Change in net assets	(8,928,790)	(6,351,149)	(15,279,939)	(115,222)	(15,395,161)
Transfer of interest (Note 1)	3,722,964	-	3,722,964	(3,722,964)	-
Net assets, June 30, 2023	**$ 23,575,872**	**$ 130,503,987**	**$ 154,079,859**	**$ 3,552,025**	**$ 157,631,884**

Note 20. Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas and forced closures of certain types of public places and businesses. COVID-19 and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the University operates. It is unknown how long the adverse conditions associated with COVID-19 will last and what the complete financial impact will be to the University.

On March 27, 2020, the CARES (Coronavirus Aid, Relief, and Economic Security) Act was signed into law. The CARES Act legislation is intended to provide relief for small businesses that have been negatively impacted by the COVID-19 pandemic. During the year ended June 30, 2022, the University was awarded approximately $4,514,765 from the DOE/Higher Education Emergency Relief Fund (HEERF). These funds were awarded to provide economic relief to support the costs of remote learning, grants to students, technology and other purposes related to the disruption of campus operations due to the COVID-19 pandemic. As of June 30, 2022, the University recognized $4,514,765 of HEERF funds. The funding is reflected in grants and contracts, in the accompanying consolidated statements of activities. No awards were received during the year ended June 30, 2023.

The CARES Act provides an employee retention credit (CARES Employee Retention Credit), which is a refundable tax credit against certain employment taxes of up to $7,000 per employee for eligible employers. The tax credit is equal to 70% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through September 30, 2021. The University qualified for the tax credit under the CARES Act for the first three quarters of 2021. For the year ended June 30, 2023 and 2022, the University recorded $4,852,744 and $2,364,962, respectively, related to the CARES Employee Retention Credit in other operating revenue on the University’s consolidated statements of activities. As of June 30, 2023 and 2022, the University has a receivable balance of $2,634,219 and $2,364,962, respectively, from the United States government related to the CARES Act, which is recorded in accounts receivable, net on the University’s consolidated statements of financial position.