

MUSKINGUM UNIVERSITY
New Concord, Ohio

Consolidated Financial Statements
For the years ended June 30, 2024 and 2023
And Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Muskingum University
New Concord, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Muskingum University ("University"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
October 31, 2024

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MUSKINGUM UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30	
	2024	2023
ASSETS		
Current assets		
Cash	\$ 3,055,037	\$ 2,045,183
Accounts receivable (less allowance for credit losses of \$2,150,000 and \$1,298,000 in 2024 and 2023, respectively)		
Students	3,179,168	3,424,764
Other	319,212	968,914
Pledges receivable, net	747,119	1,238,574
Prepaid expenses and other assets	280,619	744,737
Total current assets	7,581,155	8,422,172
Investments	95,284,265	94,566,598
Long-term receivables:		
Student loans (less allowance for credit losses of \$1,790,000 and \$1,666,000 in 2024 and 2023, respectively)	3,595,939	3,676,293
Pledges receivable, net	1,136,659	884,520
Total long-term receivables	4,732,598	4,560,813
Assets held in trust by others	3,816,367	3,239,681
Land, buildings and equipment, net	99,135,748	100,534,103
Total assets	\$ 210,550,133	\$ 211,323,367
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of notes payable	\$ 569,644	\$ 559,403
Current portion of annuities payable	118,699	108,692
Current portion of accrued retiree healthcare benefits	214,039	240,396
Accounts payable and agency funds	1,035,680	1,363,157
Accrued salaries, vacation and related items	1,566,961	1,474,603
Student deposits payable and deferred revenue	3,001,753	3,074,065
Total current liabilities	6,506,776	6,820,316
Notes payable less current portion	28,379,576	28,949,220
Long-term annuities payable	506,661	547,901
Accrued retiree healthcare benefits	2,469,315	3,079,296
U.S. Government grants refundable	135,420	214,395
Total liabilities	37,997,748	39,611,128
Net assets		
Without donor restrictions	90,386,776	93,245,163
With donor restrictions	82,165,609	78,467,076
Total net assets	172,552,385	171,712,239
Total liabilities and net assets	\$ 210,550,133	\$ 211,323,367

See notes to consolidated financial statements.

MUSKINGUM UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2024
(with comparative totals for 2023)

	Without donor restrictions	With donor restrictions	Total	
			2024	2023
Operating revenues, gains, and other support				
Gross tuition and fees	\$ 43,615,670	-	\$ 43,615,670	\$ 43,899,405
Student discounts	(22,909,773)	-	(22,909,773)	(23,442,209)
Tuition and fees, net	20,705,897	-	20,705,897	20,457,196
Gifts and grants:				
Private gifts and grants	6,357,570	\$ 1,847,060	8,204,630	6,032,871
Government grants	959,226	83,539	1,042,765	1,298,490
Total gifts and grants	7,316,796	1,930,599	9,247,395	7,331,361
Investment income designated for operations	1,090,754	2,469,659	3,560,413	3,520,020
Other income	2,211,944	80,465	2,292,409	1,459,967
Auxiliary enterprises	10,557,878	-	10,557,878	10,033,091
Net assets released from restrictions	959,955	(959,955)	-	-
Total operating revenues, gains, and other support	42,843,224	3,520,768	46,363,992	42,801,635
Expenses and losses				
Academic and general:				
Instruction and academic services	20,028,828	-	20,028,828	20,539,124
Student services	11,007,807	-	11,007,807	8,898,377
Institutional support	8,935,307	-	8,935,307	8,428,411
Total academic and general	39,971,942	-	39,971,942	37,865,912
Auxiliary enterprises	7,649,661	-	7,649,661	7,185,589
Total expenses and losses	47,621,603	-	47,621,603	45,051,501
Change in net assets from operations	(4,778,379)	3,520,768	(1,257,611)	(2,249,866)
Nonoperating items:				
Investment income (less than) in excess of amounts designated for current operations	(212,938)	532,142	319,204	2,474,542
Change in annuity obligations	-	(138,456)	(138,456)	(368,855)
Postretirement benefit obligation related changes other than periodic costs	505,755	-	505,755	(12,107)
Net assets released from restrictions related to the capitalization of buildings and equipment	215,921	(215,921)	-	-
Total nonoperating items	508,738	177,765	686,503	2,093,580
Change in net assets	(4,269,641)	3,698,533	(571,108)	(156,286)
Net assets at beginning of year	93,245,163	78,467,076	171,712,239	171,868,525
Contributed capital for LLCs (See Note 1)	1,411,254	-	1,411,254	-
Net assets at end of year	<u>\$ 90,386,776</u>	<u>\$ 82,165,609</u>	<u>\$ 172,552,385</u>	<u>\$ 171,712,239</u>

See notes to consolidated financial statements.

MUSKINGUM UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

	Without donor restrictions	With donor restrictions	Total
Operating revenues, gains, and other support			
Gross tuition and fees	\$ 43,899,405	-	\$ 43,899,405
Student discounts	(23,442,209)	-	(23,442,209)
Tuition and fees, net	20,457,196	-	20,457,196
Gifts and grants:			
Private gifts and grants	4,910,594	\$ 1,122,277	6,032,871
Government grants	1,180,990	117,500	1,298,490
Total gifts and grants	6,091,584	1,239,777	7,331,361
Investment income designated for operations	1,121,637	2,398,383	3,520,020
Other income	1,382,578	77,389	1,459,967
Auxiliary enterprises	10,033,091	-	10,033,091
Net assets released from restrictions	4,155,720	(4,155,720)	-
Total operating revenues, gains, and other support	43,241,806	(440,171)	42,801,635
Expenses and losses			
Academic and general:			
Instruction and academic services	20,539,124	-	20,539,124
Student services	8,898,377	-	8,898,377
Institutional support	8,428,411	-	8,428,411
Total academic and general	37,865,912	-	37,865,912
Auxiliary enterprises	7,185,589	-	7,185,589
Total expenses and losses	45,051,501	-	45,051,501
Change in net assets from operations	(1,809,695)	(440,171)	(2,249,866)
Nonoperating items:			
Investment income in excess of amounts designated for current operations	763,362	1,711,180	2,474,542
Change in annuity obligations	-	(368,855)	(368,855)
Postretirement benefit obligation related changes other than periodic costs	(12,107)	-	(12,107)
Net assets released from restrictions related to the capitalization of buildings and equipment	15,344,259	(15,344,259)	-
Total nonoperating items	16,095,514	(14,001,934)	2,093,580
Change in net assets	14,285,819	(14,442,105)	(156,286)
Net assets at beginning of year	78,959,344	92,909,181	171,868,525
Net assets at end of year	\$ 93,245,163	\$ 78,467,076	\$ 171,712,239

See notes to consolidated financial statements.

MUSKINGUM UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ (571,108)	\$ (156,286)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	4,870,144	4,590,310
Provision for credit losses and change in allowance	949,685	1,956,000
Net realized and unrealized gains on long-term investments	(1,994,999)	(4,323,660)
Investment return in excess of amount designated for operations	(319,204)	(2,474,542)
Private gifts restricted for long-term investment	(2,000,979)	(1,636,001)
Pension changes other than periodic pension costs	(505,755)	12,107
Change in operating assets and liabilities:		
Accounts receivable	(85,729)	(1,551,663)
Pledges receivable	270,658	973,404
Accounts payable and agency funds	(327,477)	333,115
Accrued salaries, vacation and related items	92,358	117,890
Student deposits payable and deferred revenue	(72,312)	(244,184)
Accrued retiree healthcare benefits	(130,583)	(1,061,555)
Other	464,118	(153,973)
Net cash provided by (used in) operating activities	<u>638,817</u>	<u>(3,619,038)</u>
Cash flows from investing activities		
Purchase of land, buildings and equipment	(3,471,789)	(16,989,093)
Contributed capital for purchases of land, buildings and equipment	1,411,254	-
Purchase of investments	(5,463,054)	(6,054,435)
Proceeds from sales of investments	6,163,700	7,710,829
Change in student loans receivable	80,354	179,271
Net cash used in investing activities	<u>(1,279,535)</u>	<u>(15,153,428)</u>
Cash flows from financing activities		
Principal payments on notes payable	(559,403)	(376,065)
Proceeds from notes payable	-	27,999,700
Principal payments on line of credit	-	(23,545,489)
Proceeds from line of credit	-	5,399,710
Investment return in excess of amount designated for operations	319,204	2,474,542
Private gifts restricted for long-term investments	2,000,979	1,636,001
Change in annuities payable	(31,233)	(352,549)
Change in U.S. Government grants refundable	(78,975)	(277,927)
Net cash provided by financing activities	<u>1,650,572</u>	<u>12,957,923</u>
Net increase (decrease) in cash	1,009,854	(5,814,543)
Cash at beginning of year	<u>2,045,183</u>	<u>7,859,726</u>
Cash at end of year	<u>\$ 3,055,037</u>	<u>\$ 2,045,183</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 770,000</u>	<u>\$ 314,000</u>

See notes to consolidated financial statements.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Muskingum University ("Muskingum") is a private not-for-profit educational institution located in New Concord, Ohio. Muskingum is an institution of higher education that offers undergraduate and graduate programs designed to meet the needs of the student body. Muskingum's primary source of revenue is from tuition and auxiliary services from students.

Muskingum is the owner of "MU Student Housing Manager" and "MU Quad Center Management LLC" (collectively, "the LLCs"), which are Ohio limited liability companies established in fiscal year 2024 to manage certain properties located on Muskingum's campus. The LLCs themselves have ownership interests in certain other limited liability companies where certain state or federal investors have primary ownership. Muskingum has been determined to be the managing member of these entities and accordingly, these entities are included within the consolidated financial statements. The amounts contributed from outside investors was approximately \$1,411,000. Noncontrolling interests in these entities are not significant to the consolidated financial statements.

The consolidated financial statements include the accounts of Muskingum and the LLCs, collectively referred to as "the University."

Basis of Presentation: The accounting policies of the University conform to accounting principles generally accepted in the United States of America ("GAAP") and reflect practices appropriate for a not-for-profit organization. The consolidated financial statements have been prepared on the accrual basis of accounting.

Principles of Consolidation: The accompanying consolidated financial statements include the financial position, change in net assets, and cash flows of the University. All significant intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB"). Under FASB guidance, the University is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the University and changes therein are classified and reported as follows:

Without donor restrictions: Net assets that are not subject to donor-imposed stipulations or are designated for use by the University's Board of Trustees ("Board").

With donor restrictions: Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions may or will be met either by actions of the University and/or the passage of time. Other donor-imposed restrictions are maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates: The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Cash: Deposits in banks are insured by an agency of the federal government up to \$250,000 at June 30, 2024 and 2023. Deposits in banks periodically exceed the insured limits.

Accounts and Student Loans Receivable and Credit Risk: Accounts receivable primarily consist of tuition and fee charges to students, on which interest is periodically charged. Accounts receivable are recorded net of an allowance for credit losses. The University estimates the allowance for credit losses based on historical collection experience, a review of the current aged status of receivables, current economic factors and judgment. Revisions to the allowance for expected credit losses are based on management's judgment after considerations of facts and circumstances surrounding outstanding accounts and loans receivable. It is reasonably possible that the University's estimate of the allowance for expected credit losses will change.

Pledges Receivable: Unconditional promises to give received by the University, less an appropriate allowance for uncollectible pledges, are recorded at their estimated fair value, using the present value of estimated future cash flows. Gifts with donor-imposed restrictions for capital projects are recorded as nonoperating private gifts and grants in the accompanying consolidated statements of activities and changes in net assets.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, with gains and losses included in the consolidated statements of activities and changes in net assets. Investments received by gift are recorded at fair value on the date of the acquisition. Investments in real estate are reported at cost, which the University believes approximates fair value.

Interest and dividends from investments are included in investment income and are recognized when earned. Realized gains and losses on the sale of securities are recognized using the specific identification method at the time of the sale or redemption.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Alternative investments, for which there is no ready market, are valued at fair value as estimated by management. To estimate fair value, management may rely on valuations reported by the general partners of such investments and/or the University's independent investment advisor. Because of the inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of those investments may differ from the values that would have been used had a ready market existed for such investments or if the investments were realized, the differences could be significant. Such investments are, by their nature, generally considered to be long-term investments and are not intended to be liquidated on a short-term basis.

Land, Buildings and Equipment: Land, buildings and equipment, including equipment under capital leases, are stated at cost or fair value of the properties if acquired by gift. Repairs and maintenance are expensed as incurred, and the University's capitalization policy states that items with costs greater than \$5,000 are capitalized. The University recognizes depreciation on a straight-line basis over the estimated useful life for each major category of assets. These estimated useful lives by major category are summarized as follows:

Land improvements	10 years
Building and building improvements	10 to 40 years
Equipment	3 to 10 years

The carrying value of the University's long-lived assets is reviewed to determine if facts or circumstances suggest that the assets may be impaired or that the remaining useful, depreciable life, may need to be changed. The University considers internal and external factors related to each asset, including the future asset utilization and business climate. If these factors indicate that the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value, if less than book value. As of June 30, 2024 and 2023, management believes that no impairments existed.

Annuities Payable: The University has received annuity gifts whereby the donors have contributed assets to the University in exchange for the right to receive a fixed-dollar annual return during their lifetimes.

The fair value of the annuity gift over the present value of the liability for future payments, determined on an actuarial basis, has been recognized as a restricted contribution at the date of the gift. The liabilities are adjusted during the term of the annuities for changes in the estimated future liabilities. These changes are recognized in the consolidated statements of activities and changes in net assets as the change in annuity obligations.

Student Deposits Payable and Deferred Revenue: Student deposits payable and deferred revenue include amounts received for tuition and fees prior to the end of the fiscal year that relate to the subsequent accounting period.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U.S. Government Grants Refundable: The University administers a federally funded Perkins Loan Program ("Perkins Program") for the benefit of its students. This liability represents the amount that would be returned to the federal government upon termination of the program. The Perkins Program has expired. The University is not required to assign the outstanding loans to the U.S. Department of Education ("ED") or liquidate their Perkins Loan revolving funds due to the wind-down of the Perkins Loan Program; however, the University may choose to liquidate at any time in the future. As of June 30, 2024, the University continues to service the Perkins Program, and has assigned certain loans to ED in accordance with their requirements.

Revenues from Contracts with Customers: Revenues reported on the consolidated statements of activities and changes in net assets that were derived from contracts with customers include net tuition and fees and auxiliary enterprises. Revenues from gifts and grants, investment income and other income are not derived from contracts with customers and, therefore, are outside of the scope of FASB Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("Topic 606").

The University generates revenue from contracts with customers from two primary sources: tuition and fees; and room and board. Other sources of revenue from contracts with customers include bookstore, student center and other income. The provisions of Topic 606 are applied by the University on an individual contract basis. As a practical expedient, the University applies Topic 606 to a portfolio of contracts with similar characteristics for the tuition and fees and room and board revenue streams. The University expects that the effects of applying this guidance to the portfolios would not significantly differ from applying the guidance to the individual contracts within the portfolio.

Tuition and fees revenue is presented separately on the consolidated statements of activities and changes in net assets under its own caption and is derived from delivering academic programs to students. Tuition and fees are recognized over time as the academic programs are delivered to students, because the students simultaneously receive and consume the benefits provided by the University as it satisfies the performance obligation. Institutional scholarships and other student aid reduce the amount of revenue recognized. At the beginning of each academic term, there is a period in which students may adjust their course load or withdraw completely. Refunds issued to students reduce the amount of revenue recognized and are recorded as they occur and become known. Payments for tuition and fees are due approximately four to six weeks prior to the start of the academic term.

Payments for academic programs that extend past June 30, 2024 and 2023, respectively, represent contract liabilities and are recognized over time and are included in student deposits payable and deferred revenue on the consolidated statements of financial position as of June 30, 2024 and 2023. Those amounts as of July 1, 2022 were \$3,318,249.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Room and board revenue is presented on the consolidated statements of activities and changes in net assets as part of auxiliary enterprises, and is derived from providing on-campus lodging and meal plans to students enrolled in academic programs. Room and board is recognized over time as the lodging services and meal plans are delivered to enrolled students, because the students simultaneously receive and consume the benefits provided by the University as it satisfies the performance obligation. Payments for room and board services are due approximately four to six weeks before the living arrangements commence. Payments for room and board that extend past June 30, 2024 and 2023, respectively, are recognized over time and are included in student deposits payable and deferred revenue on the consolidated statements of financial position at June 30, 2024 and 2023.

At June 30, 2024 and 2023, the remaining performance obligations are the delivery of summer academic programs under the tuition and fees revenue stream, and the delivery of lodging and meal plans under the room and board revenue stream. The University applies the practical expedient in FASB ASC 606-10-50-14 and, therefore, does not disclose further information about remaining performance obligations that have original expected durations of one year or less.

The timing and the satisfaction of performance obligations was determined through careful analysis of the timing of when control of goods or services are transferred to customers. Most performance obligations are satisfied over time as customers simultaneously receive and consume the benefits provided by the University's performance as it satisfies performance obligations. The transaction price is determined through Board-approved tuition and room and board rates.

Contributions: Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values.

Federal Income Tax: Muskingum has been determined to be exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 (the "Code"), as an organization described in Sections 501(c)(3) and 170(b)(1)(A)(ii) of the Code.

The LLCs are organized as limited liability companies. Under the provisions of the Code and similar state provisions, the LLCs are considered to be disregarded entities and not taxed. Under the provisions, Muskingum reflects its proportionate share of the taxable income or loss on its tax returns.

Accounting principles generally accepted in the United States of America prescribe recognition thresholds and measurement attributes for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if a tax position is more likely than not to be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management has concluded that it is unaware of any tax benefits or liabilities to be recognized at June 30, 2024 and 2023.

The University would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The University has no amounts accrued for interest or penalties for the years ended June 30, 2024 and 2023. The University does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The University is no longer subject to examination of its tax returns for years prior to 2021.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses: The costs of supporting the various programs and other activities have been summarized on a functional basis and natural classification in Note 13. Certain costs have been allocated among program and support categories based on the proportion of expenses in each category prior to the allocation.

Fair Value of Financial Instruments: Cash, accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments. Student loans receivable are not readily marketable. The University has estimated their fair value to be the carrying value. Pledges receivable approximate fair value because of the present value discount included in the carrying amount. Assets held in trust by others approximate fair value because the receivables are based upon the fair value of the assets carried in the applicable trusts. Investments are carried at fair value based upon quoted market prices. The carrying amount of the annuity liabilities approximates fair value based on life expectancies and the present value discount. The carrying value of accrued liabilities and deferred revenue approximates fair value due to the short-term nature of the obligations. The carrying value of notes payable approximates fair value due the rates the University could obtain in the current market. The carrying values of all of the University's financial instruments approximated their fair values or net asset values at June 30, 2024 and 2023.

Subsequent Events: Subsequent events are defined as events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are issued or are available to be issued. Management has evaluated subsequent events through October 31, 2024, the date that the consolidated financial statements were issued.

Recent Accounting Pronouncements: In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326) ("ASU 2016-13"). This ASU requires organizations to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the University expects to collect over the instrument's contractual life. The University adopted this standard in the current year with no significant impact to its consolidated financial statements and related disclosures.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 2 - FINANCIAL ASSETS AND LIQUIDITY

The following table reflects the University's financial assets and liquidity resources as of June 30, respectively, reduced by amounts not available for general expenditures within one year.

	2024	2023
Financial Assets		
Cash	\$ 3,055,037	\$ 2,045,183
Student loans and accounts receivable	7,094,319	8,069,971
Pledges receivable	1,883,778	2,123,094
Assets held in trust by others	3,816,367	3,239,681
Investments	95,284,265	94,566,598
Financial Assets, at year-end	111,133,766	110,044,527
Less those not available for general expenditures within one year		
Student loans and accounts receivable collectible beyond one year	(3,595,939)	(3,676,293)
Pledges receivable collectible beyond one year	(1,136,659)	(884,520)
Donor-restricted pledges receivable, collectible within one year	(651,567)	(308,672)
Donor-restricted funds	(72,555,373)	(69,992,589)
Board-designated endowment funds	(25,572,667)	(25,593,437)
Add		
Board-approved appropriation from the University's endowment	3,560,413	3,520,020
Financial assets and liquidity resources available to meet cash needs for general expenditures within one year	\$ <u>11,181,974</u>	\$ <u>13,109,036</u>

As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the University invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the University has two lines of credit: an unsecured line of credit in the amount of \$3,000,000 and a committed line of credit secured by endowment assets in the amount of \$7,000,000, which it could draw upon. Additionally, the University has a Board-designated endowment of \$25,572,667 and \$25,593,437 as of June 30, 2024 and 2023 respectively. Although the University does not intend to spend from its Board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its Board-designated endowment could be made available if necessary.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are summarized as follows at June 30:

	<u>2024</u>	<u>2023</u>
Unconditional promises expected to be collected in:		
Less than one year, including past due	\$ 942,390	\$ 1,385,268
One year to five years	1,098,524	802,352
Over five years	<u>248,690</u>	<u>315,863</u>
	2,289,604	2,503,483
Less: Unamortized discount and allowance for doubtful pledges	<u>405,826</u>	<u>380,389</u>
	\$ <u><u>1,883,778</u></u>	\$ <u><u>2,123,094</u></u>

The amounts are recorded at the net present value of future cash flows based on discount rates ranging from 0.3% - 3.9%.

As of June 30, 2024 and 2023, approximately \$704,000 and \$1,099,000, respectively, of pledges receivable are due from members of the University's Board.

Fundraising costs incurred for the years ended June 30, 2024 and 2023 amounted to approximately \$948,000 and \$992,000, respectively.

NOTE 4 - INVESTMENTS

At June 30, the University's investments are composed of the following:

	<u>2024</u>	<u>2023</u>
Mutual funds:		
Short-term	\$ 5,320,699	\$ 3,706,994
Equity	33,486,244	33,210,290
Bond	19,733,239	19,938,032
Hedge funds - funds of funds	4,546,446	7,296,200
Private equity funds	31,225,589	29,443,034
Real estate	<u>972,048</u>	<u>972,048</u>
	\$ <u><u>95,284,265</u></u>	\$ <u><u>94,566,598</u></u>

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 4 - INVESTMENTS (Continued)

Total investment return and its classification in the consolidated statements of activities and changes in net assets for the years ended June 30 are summarized as follows:

	2024	2023
Dividends and interest, net	\$ 1,884,618	\$ 1,670,902
Net realized and unrealized gains	1,994,999	4,323,660
Total return on investments	3,879,617	5,994,562
Investment return designated for operations	(3,560,413)	(3,520,020)
Investment income in excess of amounts designated for current operations	\$ 319,204	\$ 2,474,542

FASB guidance defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the University's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other 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.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). The fair value of the University's short-term investments, which are composed of money market accounts, is estimated to approximate deposit account balances, as no discounts for credit quality or liquidity were applied (market approach) (Level 2 inputs).

For other investments for which there is no active market, generally referred to as "alternative investments," the University uses other methods for valuing these securities. The fair values of the University's hedge fund investments have been estimated using the net asset value ("NAV") per share of the investment, or its equivalent. The University's private equity fund investments were valued using the equivalent of net asset value per share, which includes an ownership interest in partners' capital to which a proportionate share of net assets is attributed for each of these funds. Investments using net asset value per share (or its equivalent) as a fair value expedient have not been classified in the fair value hierarchy. These investments are presented as NAV in the following tables to permit reconciliation of the fair value hierarchy table to the total investments at fair value presented in the consolidated statements of financial position.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 4 - INVESTMENTS (Continued)

Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility. This includes the University's investments in hedge funds of funds and private equity funds.

The hedge funds are invested with managers whose strategies are to generate equity-like returns with substantially reduced volatility over a full market cycle. These funds can be redeemed only quarterly with 90 days' notice provided by the University. The hedge funds in this category have no unfunded commitments.

Private equity funds are invested with nine managers. These funds invest in private equity funds, investment partnerships, stakes in listed companies, and private real estate funds with the strategy to achieve long-term capital appreciation. Funds are invested both inside and outside the United States. Redemption policies of these private equity fund investments do not allow the University to withdraw any portion of its capital accounts prior to the termination of the funds. These funds are expected to terminate from one to 12 years from the University's June 30, 2024 fiscal year-end. The University's participation in the private equity investment partnerships has investment commitment levels of \$52,207,000, with \$17,990,000 remaining as of June 30, 2024.

Real estate is valued by the University based upon the original acquisition cost.

The fair value of beneficial interests in assets held by others is based on quoted prices of the underlying assets that are held by trustees. Due to restrictions on these assets that do not allow the University redemption rights, fair value is deemed to be based on Level 3 inputs.

Assets Measured on a Recurring Basis

Assets measured at fair value on a recurring basis at June 30 are summarized below:

	2024			
	Level 1	Level 2	Level 3	NAV
Mutual funds - short-term	\$ 5,320,699	-	-	-
Mutual funds - equity	33,486,244	-	-	-
Mutual funds - bond	19,733,239	-	-	-
Hedge funds - funds of funds	-	-	-	\$ 4,546,446
Private equity funds	-	-	-	31,225,589
Real estate	-	-	\$ 972,048	-
Beneficial interest in assets held by others	-	-	3,816,367	-

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 4 - INVESTMENTS (Continued)

	2023			
	Level 1	Level 2	Level 3	NAV
Mutual funds - short-term	\$ 3,706,994	-	-	-
Mutual funds - equity	33,210,290	-	-	-
Mutual funds - bond	19,938,032	-	-	-
Hedge funds - funds of funds	-	-	-	\$ 7,296,200
Private equity funds	-	-	-	29,443,034
Real estate	-	-	\$ 972,048	-
Beneficial interest in assets held by others	-	-	3,239,681	-

NOTE 5 - FINANCING RECEIVABLES

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs, other loan programs or institutional resources. At June 30, student loans consisted of the following:

	2024	2023
Federal government program	\$ 281,572	\$ 374,055
Institutional and other	5,104,149	4,968,491
	<u>5,385,721</u>	<u>5,342,546</u>
Less: Allowance for credit losses:		
Beginning of year	(1,666,253)	(1,435,134)
Increases	(132,130)	(242,898)
Write-offs	8,601	11,779
End of year	<u>(1,789,782)</u>	<u>(1,666,253)</u>
Student loans receivable, net	<u>\$ 3,595,939</u>	<u>\$ 3,676,293</u>

The University participates in the Perkins Program, which is a revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of approximately \$135,000 and \$214,000 at June 30, 2024 and 2023, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loans and a decrease in the liability to the government.

Allowances for credit losses are established based on prior collection experience and current economic factors, which, in management's judgment, could influence the ability of loan recipients to repay the amounts per loan terms. Institutional and other loan balances are written off only when they are deemed to be permanently uncollectible.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 6 - ASSETS HELD IN TRUST BY OTHERS

The University has been designated as a beneficiary for certain assets held in trust by others. The fair value of these assets and the net realized and unrealized gains or losses are recorded in the with donor restriction net asset class. The fair value represents the quoted prices of the trust assets held by trustees adjusted for the University's pro-rata share of the trust income. Investment income (loss) received from these trusts, recorded as interest and dividends was \$577,000 and \$(97,000) in 2024 and 2023, respectively.

NOTE 7 - LAND, BUILDINGS AND EQUIPMENT

As of June 30, land, buildings and equipment consisted of the following:

	2024	2023
Land and improvements	\$ 11,262,965	\$ 10,594,677
Buildings and building improvements	145,251,435	138,019,704
Equipment	17,049,121	15,988,508
	<u>173,563,521</u>	<u>164,602,889</u>
Less accumulated depreciation	75,379,565	70,509,420
	<u>98,183,956</u>	<u>94,093,469</u>
Construction in progress	951,792	6,440,634
	<u>\$ 99,135,748</u>	<u>\$ 100,534,103</u>

Depreciation expense totaled approximately \$4,870,000 and \$4,590,000 for 2024 and 2023, respectively. Interest cost during construction is capitalized as part of the cost of capital projects. For the years ended June 30, 2024 and 2023, capitalized interest costs were not significant to the consolidated financial statements.

NOTE 8 - NOTES PAYABLE

The University entered into a loan agreement during 2013 with the proceeds used to refinance an existing note, originally used to fund renovations to a residence facility. Repayment on this note is made in monthly installments of \$10,245 plus interest at the Secured Overnight Financing Rate ("SOFR") plus 1.70%, maturing in 2029. The interest rate at June 30, 2024 and 2023 was 7.04% and 6.76%, and the balance outstanding was approximately \$1,671,000 and \$1,794,000, respectively.

The University entered into a loan agreement with the U.S. Department of Agriculture ("USDA") with the proceeds to be used for the construction of the Henry D. Bullock Health & Wellness Complex ("HBHWC"). Repayment will be made monthly over a term of 40 years at a fixed interest rate of 2.13%. Repayment began in November 2022 at approximately \$90,000 per month. The University has pledged, assigned, conveyed, transferred, granted and ratified to the trustee a first-priority mortgage on the majority of the University's buildings through a Master Indenture. The balance outstanding at June 30, 2024 and 2023 was approximately \$27,278,000 and \$27,715,000, respectively.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 8 - NOTES PAYABLE (Continued)

Required future annual principal and interest payments on the notes as of June 30, 2024, are summarized as follows:

	Principal	Interest	Total
2025	\$ 569,644	\$ 745,904	\$ 1,315,548
2026	580,125	726,787	1,306,912
2027	590,851	707,424	1,298,275
2028	601,830	687,810	1,289,640
2029	613,066	667,938	1,281,004
Thereafter	25,993,704	11,088,606	37,082,310
Total	<u>\$ 28,949,220</u>	<u>\$ 14,624,469</u>	<u>\$ 43,573,689</u>

The University has \$3,000,000 available under a line of credit. There were no outstanding borrowings as of June 30, 2024 or 2023. Borrowings, under the line bear interest at the SOFR plus 1.27%, and are unsecured. The interest rate at June 30, 2024 and 2023 was 6.61% and 6.33%, respectively. The line of credit has no stated expiration and is subject to periodic renewals.

The University entered into an agreement for a \$7,000,000 committed line of credit in November 2020. There were no outstanding borrowings as of June 30, 2024 or 2023. The line of credit is committed through September 2025 and is secured by certain assets of the University's endowment. Borrowings, if any, under the line of credit bear interest at the SOFR plus 1.12%. The interest rate at June 30, 2024 and 2023 was 6.46% and 6.18%, respectively.

The University's long-term debt arrangements include certain covenant provisions with which the University is in compliance.

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTION

Net assets without donor restriction as of June 30 comprise the following:

	2024	2023
Undesignated	\$ 64,814,109	\$ 67,651,726
Designated by the Board for Endowment	25,572,667	25,593,437
	<u>\$ 90,386,776</u>	<u>\$ 93,245,163</u>

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 10 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Scholarships	\$ 1,525,658	\$ 161,816
Academic, student and athletic programs	4,136,291	4,245,787
Land, buildings and equipment	2,460,753	2,631,801
Student loans	1,487,534	1,435,083
	<u>9,610,236</u>	<u>8,474,487</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs	25,288,724	26,284,673
Original value of gift is to be retained in perpetuity:		
Endowment - scholarships and operations	45,170,687	41,909,882
Annuity and life income funds	2,095,962	1,798,034
	<u>72,555,373</u>	<u>69,992,589</u>
Total Net Assets With Donor Restrictions	\$ <u>82,165,609</u>	\$ <u>78,467,076</u>

Net assets were released from restrictions for the following purposes during the years ended June 30:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions		
Additions of land, buildings and equipment	\$ 215,921	\$ 15,344,259
Distributions for scholarships and other program expenses	959,955	4,155,720
	<u>\$ 1,175,876</u>	<u>\$ 19,499,979</u>

NOTE 11 - BENEFIT PLANS

The University contributed \$1,118,000 and \$1,094,000 during the years ended June 30, 2024 and 2023, respectively, to Teachers Insurance and Annuity Association and College Retirement Equities Funds, a recognized retirement plan for educational institutions. The plan covers substantially all academic and nonacademic personnel who meet certain eligibility requirements. The contributions made by the University are based on a percentage of each participant's salary. In addition, some academic and nonacademic personnel also make voluntary contributions to the plan.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 11 - BENEFIT PLANS (Continued)

The University provides certain healthcare benefits for retired employees. For retirees employed prior to September 1, 1995, the University contributes a portion of the cost of these benefits based on employment date, years of service and other criteria. Those whose employment began after September 1, 1995 may participate in the healthcare benefits at the retiree's expense.

The following table sets forth the funded status and amounts recognized in the consolidated statements of financial position at June 30:

	<u>2024</u>	<u>2023</u>
Accumulated benefit obligation		
Accumulated benefit obligation	\$ (2,683,354)	\$ (3,319,692)
Fair value of plan assets	<u>-</u>	<u>-</u>
	<u>\$ (2,683,354)</u>	<u>\$ (3,319,692)</u>

The following table sets forth the activities related to this obligation for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Accrued benefit cost		
Beginning of year balance	\$ (3,319,692)	\$ (4,369,140)
Interest cost	(166,454)	(194,403)
Service cost	(3,135)	(9,946)
Actuarial loss	-	-
Amortization of prior service cost	<u>-</u>	<u>-</u>
Net periodic cost	(169,589)	(204,349)
Employer benefit payments	227,054	256,647
Postretirement benefit obligation related changes other than periodic cost	<u>578,873</u>	<u>997,150</u>
Accrued postretirement liability recognized in the consolidated statement of financial position	<u>\$ (2,683,354)</u>	<u>\$ (3,319,692)</u>

Net periodic pension costs for the year ended June 30, 2025 are expected to be \$25,000. Contributions expected to be made next year are approximately \$214,000. There is not expected to be any amortization of prior service costs for the year ended June 30, 2025. The amount of the net prior-year service cost and the net gain or loss that has been recognized in net assets but not as a component of pension expense is approximately \$1,662,000 and \$1,156,000 at June 30, 2024 and 2023, respectively.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 11 - BENEFIT PLANS (Continued)

Assumptions used to determine the benefit obligations were as follows at June 30:

	<u>2024</u>	<u>2023</u>
Discount rate	5.45%	5.20%
Healthcare cost trend rate:		
Initial	7.50%	7.00%
Ultimate	4.00%	4.00%

Assumptions used to determine the net periodic postretirement benefit cost were as follows at June 30:

	<u>2024</u>	<u>2023</u>
Discount rate	5.20%	4.60%
Healthcare cost trend rate:		
Initial	7.00%	7.50%
Ultimate	4.00%	4.00%

Future net benefit payments are projected as follows:

<u>Year</u>	<u>Amount</u>
2025	\$ 214,039
2026	212,993
2027	222,621
2028	220,376
2029	225,961
2030-2034	1,001,851

NOTE 12 - ENDOWMENT COMPOSITION

The University's endowment consists of mutual funds, held primarily at Park National Bank, as well as hedge and private equity funds held with other investment managers. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 12 - ENDOWMENT COMPOSITION (Continued)

Endowment net asset composition by type of fund as of June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	-	\$ 66,643,044	\$ 66,643,044
Board-designated funds	\$ 25,572,667	-	25,572,667
Assets held in trust by others	-	3,816,367	3,816,367
Total funds	<u>\$ 25,572,667</u>	<u>\$ 70,459,411</u>	<u>\$ 96,032,078</u>

Endowment net asset composition by type of fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	-	\$ 64,954,874	\$ 64,954,874
Board-designated funds	\$ 25,593,437	-	25,593,437
Assets held in trust by others	-	3,239,681	3,239,681
Total funds	<u>\$ 25,593,437</u>	<u>\$ 68,194,555</u>	<u>\$ 93,787,992</u>

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 12 - ENDOWMENT COMPOSITION (Continued)

Changes in endowment net assets for years ended June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, June 30, 2022	\$ 24,966,492	\$ 65,111,343	\$ 90,077,835
Investment return, net	1,743,622	3,845,594	5,589,216
Contributions	4,960	1,636,001	1,640,961
Appropriation of endowment assets for expenditure	<u>(1,121,637)</u>	<u>(2,398,383)</u>	<u>(3,520,020)</u>
Endowment assets, June 30, 2023	25,593,437	68,194,555	93,787,992
Investment return, net	818,784	2,733,536	3,552,320
Contributions	251,200	2,000,979	2,252,179
Appropriation of endowment assets for expenditure	<u>(1,090,754)</u>	<u>(2,469,659)</u>	<u>(3,560,413)</u>
Endowment assets, June 30, 2024	<u>\$ 25,572,667</u>	<u>\$ 70,459,411</u>	<u>\$ 96,032,078</u>

Interpretation of UPMIFA: The Board of the University has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the 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.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 12 - ENDOWMENT COMPOSITION (Continued)

As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Return Objectives and Risk Parameters: The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to achieve a rolling five-year total return that exceeds the combined rate of inflation and the risk-free rate by an ongoing amount ranging from 3% to 5%, which is assumed to be the risk premium. The strategic asset allocation ranges are meant to establish the outer bounds of acceptable investment risk while affording flexibility for the Investment Committee to manage risk on a tactical basis. The long-term goal to achieve a superior total return, on a rolling five-year basis, compared to a blended benchmark comprised of appropriate asset class indices derived from the strategic asset allocation.

Strategies Employed for Achieving Objectives: The purpose of the Endowment Fund is to facilitate donors' desires to make substantial long-term gifts to the University and to develop a significant source of revenue for the University. In so doing, the Endowment Fund will provide a secure, long-term source of funds to: (i) stabilize agency funding during periods of below-normal annual campaigns; (ii) fund special grants; (iii) ensure long-term growth; (iv) enhance the University's ability to meet changing needs in both the short and long-term; and (v) support the administrative expenses of the University as deemed appropriate.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 12 - ENDOWMENT COMPOSITION (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy: The University uses a total return investment management policy to determine endowment spending. The University has adopted a policy that utilizes an amount of up to 4.5% of the prior five-year quarterly average market value of the endowment fund. The actual effective spending rate for fiscal 2024 and 2023 was 4.16% and 3.83%, respectively. This total return concept allows a portion of accumulated unrealized and realized capital gains to be used for current operations.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. The University has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Such deficiencies were not significant as of June 30, 2024 and 2023. These deficiencies resulted from unfavorable market fluctuations.

Endowment fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations. In order to make a principal disbursement, a two-thirds majority vote by the University's Board will be required.

NOTE 13 - FUNCTIONAL EXPENSES

Expenses by functional and natural classification for the years ended June 30 consist of the following:

	2024				
	Instructional And Academic Services	Student Services	Institutional Support	Auxiliary	Total
Salaries	\$ 10,763,841	\$ 4,480,574	\$ 2,637,080	-	\$ 17,881,495
Benefits	2,730,940	1,245,505	1,731,497	-	5,707,942
Depreciation	2,127,279	1,306,660	66,721	\$ 1,369,484	4,870,144
Interest	-	-	-	769,735	769,735
Facilities operation and maintenance	2,119,997	1,003,575	29,716	608,239	3,761,527
Food services	-	-	-	3,307,962	3,307,962
Other	2,286,771	2,971,493	4,470,293	1,594,241	11,322,798
Total	\$ 20,028,828	\$ 11,007,807	\$ 8,935,307	\$ 7,649,661	\$ 47,621,603

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 13 - FUNCTIONAL EXPENSES (Continued)

	2023				
	Instructional And Academic Services	Student Services	Institutional Support	Auxiliary	Total
Salaries	\$ 11,165,721	\$ 3,460,355	\$ 2,869,375	\$ 2,898	\$ 17,498,349
Benefits	3,152,525	938,386	1,683,370	-	5,774,281
Depreciation	2,005,047	1,231,580	62,887	1,290,796	4,590,310
Interest	-	-	-	670,932	670,932
Facilities operation and maintenance	1,515,529	717,429	21,243	434,815	2,689,016
Food services	-	-	-	3,163,538	3,163,538
Other	2,700,302	2,550,627	3,791,536	1,622,610	10,665,075
Total	\$ 20,539,124	\$ 8,898,377	\$ 8,428,411	\$ 7,185,589	\$ 45,051,501

NOTE 14 - GOVERNMENT GRANTS

The University participates in Government Student Financial Assistance Programs ("Title IV") administered by ED for the payment of student tuitions. Substantial portions of the revenue and collection of accounts receivable as of June 30, 2024 and 2023 are dependent upon the University's continued participation in the Title IV programs. Institutions participating in Title IV programs are required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score less than 1.5 are subject to additional monitoring and may be required to submit financial guarantees in order to continue participation in the Title IV programs. As of and for the year ended June 30, 2024 and 2023 the University's composite score was above 1.5.

Government Activity of the Federal Pell Grant Program is not reflected in the University's consolidated statements of activities and changes in net assets. Students received \$3,322,000 and \$3,052,000 from the Federal Pell Grant Program during the years ended June 30, 2024 and 2023, respectively.

The Employee Retention Tax Credit ("ERTC"), a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the C.A.R.E.S. Act and further amended by additional legislation. The ERTC provided qualifying employers up to \$5,000 of credit for each employee based on certain wages paid after March 12, 2020, and before January 1, 2021. Subsequent legislation increased the credit for each employee to \$7,000 per calendar quarter after December 31, 2020, through September 30, 2021. The University has applied for approximately \$4,652,000 of ERTCs. The University believes that the barriers and conditions for recognition of their application will be satisfied in the year subsequent to June 30, 2024, at which point, the governmental assistance will be recorded in the University's consolidated financial statements.

MUSKINGUM UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 15 - OTHER COMMITMENTS AND CONTINGENCIES

Amounts received and expended by the University under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the consolidated financial statements of the University.

The University is involved in other claims and legal actions arising in the course of operations. In the opinion of management, upon consultation with legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the University's consolidated financial statements.

In December 2022, the University entered into a solar power purchase agreement with an initial term of 16 years, under which, the University has committed to purchase all of the electricity generated by the system at a rate of \$0.11 per kilowatt hour ("kWh") for the first year. The rate per kWh will increase by 0.5% each contract year thereafter. The seller of the electricity generated from the system is contractually obligated to operate and maintain the system for the University.

NOTE 16 - RELATED-PARTY TRANSACTIONS

Members of the Board, officers and employees are subject to the University's written conflict-of-interest policy that requires annual disclosures from members of the Board, senior management and other employees of any actual or potential conflicts of interest, including business employment relationships or significant financial interest in businesses with which the University conducts business. Additionally, as described within Note 3, certain pledges to the University are received annually from Board members. All such business activity is conducted in accordance with the University's normal business practices. No other such relationships have been identified that are considered significant to the consolidated financial statements and require disclosure in accordance with GAAP.