

CAPITAL UNIVERSITY

Columbus, Ohio

FINANCIAL STATEMENTS

June 30, 2024 and 2023

CAPITAL UNIVERSITY
Columbus, Ohio
FINANCIAL STATEMENTS
June 30, 2024 and 2023

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES.....	4
STATEMENTS OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS	7



+ 1111 Superior Avenue, Suite 700, Cleveland, Ohio 44114

+ p 216.363.0100 | f 216.363.0500

+ www.maloneynovotny.com

Independent Auditor's Report

To the Board of Trustees
Capital University

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Capital University (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Capital University as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Capital 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 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 Capital University's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but it 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 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 Capital 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 Capital 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.

Meloney + Novotny LLC

Cleveland, Ohio
October 10, 2024

CAPITAL UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 16,983,759	\$ 15,339,879
Accounts receivable		
Students, less allowance of \$703,871 and \$776,070 in 2024 and 2023, respectively	1,502,172	1,483,196
Other	1,843,164	1,788,007
Prepaid expenses and other assets	1,631,532	1,530,784
Pledges receivable	551,402	809,319
Student notes receivable, less allowance of \$35,500 and \$65,500 in 2024 and 2023, respectively	860,060	1,114,661
Contributions receivable from remainder trusts	445,712	463,295
Beneficial interests in perpetual trusts	9,314,601	8,797,833
Investments	153,155,509	142,240,566
Investments held in escrow for capital expenditures	9,784,606	12,540,008
Operating lease right-of-use assets	92,693	234,172
Land, buildings, and equipment, less accumulated depreciation and amortization of \$154,864,075 and \$146,948,152 in 2024 and 2023, respectively	98,784,644	108,068,122
Total assets	\$ 294,949,854	\$ 294,409,842
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 2,183,908	\$ 1,997,723
Accrued salaries and employee benefits	8,151,739	3,929,312
Other accrued liabilities	3,712,516	3,322,456
Deferred tuition revenue and student deposits	1,799,251	2,271,536
Note and bonds payable	37,239,003	37,299,505
Finance lease obligations	553,960	603,118
Operating lease right-of-use liabilities	92,693	234,172
Postretirement benefit obligation	1,591,921	861,249
Advances from government for student loans	1,921,929	2,236,212
Total liabilities	57,246,920	52,755,283
Net assets		
Without donor restrictions	96,487,489	109,689,120
With donor restrictions	141,215,445	131,965,439
Total net assets	237,702,934	241,654,559
Total liabilities and net assets	\$ 294,949,854	\$ 294,409,842

See accompanying notes to financial statements.

CAPITAL UNIVERSITY
STATEMENTS OF ACTIVITIES
Year ended June 30, 2024 with comparative 2023 totals

	Without Donor Restrictions	With Donor Restrictions	Total 2024	Total 2023
Revenue, gains and other support				
Student tuition and fees	\$ 90,591,683	\$ -	\$ 90,591,683	\$ 94,601,167
Unfunded student scholarships	(48,937,032)	-	(48,937,032)	(50,640,961)
Funded student scholarships	(1,875,882)	-	(1,875,882)	(1,996,825)
	39,778,769	-	39,778,769	41,963,381
Private gifts and grants	1,838,600	2,781,129	4,619,729	3,547,169
Government grants and contracts	258,093	683,366	941,459	10,889,675
Investment return appropriated for spending	1,209,249	3,952,517	5,161,766	5,088,511
Other	1,744,576	365,383	2,109,959	1,727,344
Auxiliary enterprises	10,481,051	-	10,481,051	11,619,065
Operating net assets released from restrictions	6,803,909	(6,803,909)	-	-
Total revenue, gains and other support	62,114,247	978,486	63,092,733	74,835,145
Expenses				
Salaries and employee benefits	40,440,322	-	40,440,322	43,754,330
Services, supplies, and other operating expenses	17,463,232	-	17,463,232	16,766,493
Occupancy, utilities, and maintenance	6,914,386	-	6,914,386	7,271,109
Depreciation and amortization	8,026,411	-	8,026,411	8,369,285
Interest expense	2,191,199	-	2,191,199	1,799,927
Total expenses	75,035,550	-	75,035,550	77,961,144
Change in net assets before other activities	(12,921,303)	978,486	(11,942,817)	(3,125,999)
Other activities				
Investment return, net of spending policy	3,084,033	6,632,895	9,716,928	4,299,103
Private gifts restricted for endowment	104,670	1,638,052	1,742,722	2,231,906
Change in value of split-interest agreements	-	573	573	(221,043)
Change in postretirement benefit obligation	(748,401)	-	(748,401)	164,565
Voluntary retirement plan	(4,232,862)	-	(4,232,862)	-
Gain on sale of assets	1,512,232	-	1,512,232	-
Total other activities	(280,328)	8,271,520	7,991,192	6,474,531
Changes in net assets	(13,201,631)	9,250,006	(3,951,625)	3,348,532
Net assets at beginning of year	109,689,120	131,965,439	241,654,559	238,306,027
Net assets at end of year	\$ 96,487,489	\$ 141,215,445	\$ 237,702,934	\$ 241,654,559

See accompanying notes to financial statements.

CAPITAL UNIVERSITY
STATEMENT OF ACTIVITIES
Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total 2023
Revenue, gains and other support			
Student tuition and fees	\$ 94,601,167	\$ -	\$ 94,601,167
Unfunded student scholarships	(50,640,961)	-	(50,640,961)
Funded student scholarships	(1,996,825)	-	(1,996,825)
	41,963,381	-	41,963,381
Private gifts and grants	1,562,359	1,984,810	3,547,169
Government grants and contracts	9,913,955	975,720	10,889,675
Investment return appropriated for spending	1,262,641	3,825,870	5,088,511
Other	1,413,281	314,063	1,727,344
Auxiliary enterprises	11,619,065	-	11,619,065
Operating net assets released from restrictions	5,672,436	(5,672,436)	-
Total revenue, gains and other support	73,407,118	1,428,027	74,835,145
Expenses			
Salaries and employee benefits	43,754,330	-	43,754,330
Services, supplies, and other operating expenses	16,766,493	-	16,766,493
Occupancy, utilities, and maintenance	7,271,109	-	7,271,109
Depreciation and amortization	8,369,285	-	8,369,285
Interest expense	1,799,927	-	1,799,927
Total expenses	77,961,144	-	77,961,144
Change in net assets before other activities	(4,554,026)	1,428,027	(3,125,999)
Other activities			
Investment return, net of spending policy	1,261,363	3,037,740	4,299,103
Private gifts restricted for endowment	-	2,231,906	2,231,906
Change in value of split-interest agreements	-	(221,043)	(221,043)
Change in postretirement benefit obligation	164,565	-	164,565
Total other activities	1,425,928	5,048,603	6,474,531
Changes in net assets	(3,128,098)	6,476,630	3,348,532
Net assets at beginning of year	112,817,218	125,488,809	238,306,027
Net assets at end of year	\$ 109,689,120	\$ 131,965,439	\$ 241,654,559

See accompanying notes to financial statements.

CAPITAL UNIVERSITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Changes in net assets	\$ (3,951,625)	\$ 3,348,532
Adjustments to reconcile changes in net assets to net cash (used for) from operating activities		
Depreciation and amortization	8,026,411	8,369,285
Amortization of operating lease right-of-use assets	141,479	177,308
Amortization of debt issuance cost and bond premium	3,290	61,610
Net realized and unrealized (gains) losses on investments	(14,736,144)	(9,245,802)
Change in value of split-interest agreements	(573)	221,043
Gifts for permanently restricted purposes	(1,742,722)	(2,231,906)
Gain on sale of assets	(1,512,232)	-
Postretirement benefit obligation related changes other than periodic costs	748,401	(164,565)
Changes in operating assets and liabilities		
Accounts receivable	(74,133)	4,076,125
Pledges receivable	257,917	241,916
Prepaid expenses and other assets	(94,484)	(17,689)
Accounts payable, accrued liabilities, and operating lease liabilities	4,498,851	994,204
Deferred tuition revenue and student deposits	(472,285)	(67,111)
Postretirement benefit obligation	(17,729)	(23,471)
Net cash (used for) from operating activities	(8,925,578)	5,739,479
Cash flows from investing activities		
Acquisitions of land, buildings, and equipment	(3,873,853)	(3,857,838)
Net proceeds from sale of assets	7,131,744	-
Student loans issued	(93,130)	(115,400)
Student loans collected or cancelled	347,731	616,496
Purchases of investments	(194,131,640)	(264,033,320)
Proceeds from sales of investments	200,203,367	256,838,684
Net cash from (used for) investing activities	9,584,219	(10,551,378)
Cash flows from financing activities		
Changes in advances from government for student loans	(314,283)	(676,587)
Proceeds from issuance of note and bonds payable	-	37,011,924
Payments on note and bonds payable	(63,792)	(24,093,816)
Payments on finance lease obligations	(379,408)	(216,935)
Gifts for permanently restricted purposes	1,742,722	2,231,906
Net cash from financing activities	985,239	14,256,492
Net change in cash and cash equivalents	1,643,880	9,444,593
Cash and cash equivalents at beginning of year	15,339,879	5,895,286
Cash and cash equivalents at end of year	\$ 16,983,759	\$ 15,339,879
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 2,187,909	\$ 1,055,153
Supplemental disclosure of non-cash investing and financing activities		
Land, buildings, and equipment acquisitions in accounts payable	\$ 957,294	\$ 798,952
Acquisitions under finance leases	330,250	546,904
Right-of-use assets obtained in exchange for operating lease liabilities	-	411,480

See accompanying notes to financial statements.

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Organization: Capital University (the "University"), a private educational institution, derives its income from student tuition and fees, investments, gifts and grants, operation of residence and dining halls, and various related activities. The University, founded in 1830 and with locations in Bexley and Columbus, Ohio, currently enrolls approximately 2,400 students in undergraduate, graduate, and postgraduate programs.

The following is a summary of significant accounting policies followed in the preparation of the accompanying financial statements.

Basis of Presentation: The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Net assets and revenues, expenses, 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:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to explicit donor-imposed stipulations. The governing board ("Board of Trustees") has designated, from net assets without donor restrictions, net assets for general expenditures and board-designated endowment.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. Also included in this category are net assets subject to donor-imposed stipulations that they be 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.

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

Cash and Cash Equivalents: The University considers financial instruments with a maturity of three months or less when purchased to be cash equivalents.

Investments: Investments are carried at fair value and investments received by gifts are recorded at fair value at the date of gift. Realized investment gains and losses are calculated and recorded on a first-in, first-out basis and represent the difference between the proceeds on sales of investments and their cost when acquired or fair value at the date of the gift. Investment return includes interest, dividends, investment expenses, and both realized and unrealized gains and losses.

Accounting principles require that net appreciation (both realized and unrealized) on endowment funds, whose income is unrestricted as to use, be reported as net assets with donor restrictions until deemed appropriated by the University for spending. Accordingly, net realized and unrealized appreciation on endowment funds is classified in the accompanying financial statements as part of net assets with donor restrictions based on restrictions established by donors and state law.

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

The University endowment consists of assets which are separately invested to provide income to support education and related activities, either as a result of donor-imposed restrictions or as a result of designations by the Board of Trustees. Endowment contributions are generally invested on a pooled basis and managed so as to achieve maximum long-term total return. The Board of Trustees appropriates a percentage of the net appreciation on endowment accounts as is prudent considering the University's present and anticipated financial requirements, expected total return on investments, market price trends, and general economic conditions, unless directed by the donor's intent. The endowment spending policy is based on a spending rate established by the Board of Trustees, which was 4.5% for the years ended June 30, 2024 and 2023. This rate represents the expected long-term return on endowment investments less an allowance for the preservation and growth of principal.

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, and the differences could be material. 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.

Trusts Held by Others: Contributions receivable from remainder trusts represent the present value of the estimated amounts to be received in the future by the University for charitable remainder trusts for which the University does not serve as the trustee and are reported at fair value based on the present value of the underlying payments. Beneficial interests in perpetual trusts represent the present value of the estimated income the University will receive in the future from perpetual trusts for which third parties serve as the trustees.

Accounts and Student Notes Receivable: Accounts receivable primarily consist of tuition, room and board, and fee charges to students and are carried at face value, less an allowance for credit losses. Interest is not charged by the University on student accounts receivable. Accounts receivable also include balances due from grants and contracts. Student notes receivable primarily include amounts due under federally-funded loan programs. The University uses the expected credit loss method to estimate uncollectible receivables in these two categories. The allowances are based on historical collection results as well as current and future business and economic conditions.

The University separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance, the University develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future business and economic conditions. There were \$(30,000) of provisions in the allowance for credit losses on student notes receivable for the year ended June 30, 2024. Changes in the allowance for credit losses on students accounts receivable for the year ended June 30, 2024 were as follows:

	2024
Beginning balance	\$ 776,070
Provision	312,671
Write-offs, net of recoveries	(384,870)
Ending balance	\$ 703,871

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings, Equipment, and Depreciation and Amortization: Land, buildings, and equipment, including equipment under capital leases, are stated at cost at date of acquisition. The University typically capitalizes acquisitions that exceed \$5,000 and have a useful life greater than one year. Depreciation and amortization on buildings and equipment is recorded on a straight-line basis beginning in the year following acquisition over the estimated useful life for each major category of assets. These estimated useful lives are summarized in the following table:

Buildings	30 - 70 years
Building improvements	20 years
Equipment	3 - 30 years
Improvements other than buildings	20 years
Library books	20 years

The University's collections of art, which are acquired through purchases and contributions, are not recognized as assets in the financial statements. These collections are protected and preserved for public exhibition, education, and the furtherance of public service. The University's collections policy requires that the proceeds from the sale of collection items be used for the acquisition of new collections and for the direct care of existing collections. Direct care expenses include costs associated with the conservation, preservation, registration, storage, and safeguarding of the University's collection. Purchases of collection items are recorded as decreases in the appropriate net asset classes in the year in which the items are acquired. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The carrying value of the University's long-lived assets is reviewed for impairment whenever events or changes in circumstances suggest that the assets may be impaired or that the remaining useful life may need to be changed. The University considers internal and external factors related to each asset, including 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 no impairments existed.

Investment in Joint Venture to Develop Residential Real Estate: In 2018, the University entered into an agreement for a commercial property Joint Venture with a Developer to develop, finance, and manage a Class-A multi-family apartment building, on a one-acre parcel of land owned by the University at the corner of Grant and Oak Streets in downtown Columbus. In 2020, an Ohio limited liability company, Pizzuti South Grant Apartments LLC (the "Company"), was formed to be the operating entity for the Joint Venture. The University contributed the land, valued at \$1,500,000, as its capital contribution, for a 50% equity interest in the Company. The Developer financed and guaranteed all debt associated with the Joint Venture. Construction on the project began in May 2020 and was completed in April 2022, at which point leasing of the apartments commenced.

The University's financial commitment to the Company was limited to its initial contribution of land. Each partner receives a base preferred return of 6% in proportion to its respective capital contribution. Once the preferred returns are made, each partner receives repayment of its equity contribution in proportion to its respective capital contribution. However, to the extent the Developer's initial equity capital contribution is more than 50% of the project equity, the Developer receives 100% of the distributions (after payment of preferred returns) until its capital account is equal to the University's. Any remaining operating cash flow and proceeds, after preferred returns and equity return, are split equally between the University and the Developer. Due to accumulated net losses incurred by the joint venture, the University reduced the carrying value of the investment to \$0 as of June 30, 2024 and 2023.

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advances from Government for Student Loans: Funds provided by the United States government under the Federal Perkins Loan Program, Nursing Student Loan Program, and Nurse Faculty Loan Program are loaned to qualified students. These funds are ultimately refundable to the government and are recorded as a liability in the accompanying financial statements. The Federal Perkins Loan Program has been terminated by the federal government and is in a wind down period. No additional disbursements to students are allowed and the University must return excess cash balances to the federal government annually, as requested by the federal government.

Contributions and Expiration of Donor-Imposed Restrictions: Contributions received, including unconditional promises to give ("pledges receivable"), are recognized as revenue in the period received and are recorded as without donor restrictions or with donor restrictions depending on the absence or existence of any donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are met. Gifts of assets other than cash are recorded at their estimated fair market value at the time of donation. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed into service. The University reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Other Activities: The University has defined other activities to include non-operating activities, as well as the following:

Investment return, net of spending policy: Endowment income and realized gains (losses) in excess of the spending policy and unrealized gains (losses) on endowments and other investments not available for current operations.

Actuarial adjustment to split-interest agreements: Adjustments to split-interest liabilities on life income agreements resulting from changes in the life expectancy, discount rates, and other assumptions.

Postretirement benefit obligation changes: Actuarial changes to the University's postretirement obligation other than periodic benefit costs.

Private gifts restricted for endowment: Gifts restricted by the donor or the Board of Trustees for purposes of the endowment.

Gain on sale of assets: Represents the difference between the proceeds received from sale of University assets and the assets' carrying value at time of sale.

Voluntary retirement plan: During the year ended June 30, 2024, the University offered a voluntary retirement plan to employees at least 59.5 years old and with at least 5 years of service at the time of retirement. The employee could elect to retire anytime between June 30, 2024 through June 30, 2025. Upon retirement, the employee would be paid one year of their salary, as calculated as their base salary on June 1, 2024. Employees were required to communicate their decision to retire prior to June 21, 2024, which was irrevocable as of June 30, 2024. In addition to one year of salary paid upon retirement, the employee, and their electing spouses, would be eligible to receive retiree medical benefits until age 65 years old, if they elect to do so. The separation payments associated with the voluntary retirement plan, including the related employer taxes, were included as voluntary retirement plan expense in the Statements of Activities.

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The University recognizes revenue from student tuition and fees during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year. In addition, the students have an option to room and board on the premises. The performance obligation of providing access to housing and meals is satisfied ratably over the academic period in which the student chooses to live on campus and purchase a meal plan. Contracts for tuition, room, and board are combined into a single portfolio of similar contracts. Payments are generally required prior to the beginning of the semester. All amounts received prior to the commencement of the school year, including enrollment deposits, are deferred to the applicable period. All prior year deferred revenue was recognized as current year revenue. Scholarships provided to students are recorded as a reduction from the posted tuition and room and board rates at the time revenue is recognized. For the year ended June 30, 2023, the beginning balance of students accounts receivable was \$1,592,189.

The University records contributions, cash, and promises to give, when they are received unconditionally, at their fair value. Conditional contributions are recognized as revenue when the conditions on which they depend have been met. Contracts and grants from various governmental and corporate sources are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. At June 30, 2024 and 2023, grants and contracts of \$1,354,474 and \$593,546, respectively, all of which have been received in advance, have not been recognized in the Statements of Activities because the conditions had not yet been met.

To provide initial funding for capital improvements to the University's dining service facilities, the service provider committed to provide a total of \$2,500,000 as an advance to the University to be amortized over a 10-year period. If the agreement expires or is terminated for any reason prior to June 30, 2028, the University must pay to the service provider the remaining balance in full. As of June 30, 2024 and 2023, the balance of the advance included in other accrued liabilities was \$1,143,277 and \$1,429,096, respectively. The amortization of this liability is recognized as private gifts and grants without donor restrictions in the Statements of Activities.

Insurance Reserves: The University is self-insured for certain losses relating to employee medical benefit claims and has purchased stop-loss insurance coverage to limit financial exposure to such claims. Medical benefit liabilities are estimated based on actual claims filed and estimates of claims incurred but not reported and by considering known trends and projections of future claims. The amounts actually incurred may vary from these estimates.

Federal Income Tax: The Internal Revenue Service ("IRS") has ruled that the University is a tax-exempt educational institution under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

Accounting principles generally accepted in the United States of America prescribe recognition thresholds and measurement attributes for the 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 they are unaware of any tax benefits or liabilities to be recognized at June 30, 2024 and 2023.

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standards: Effective July 1, 2022, the University adopted ASU 2016-02, Leases (Topic 842), and subsequent amendments, which establishes a new accounting model for leases. The amended guidance requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, for all leases with terms longer than 12 months on the Statement of Financial Position. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the Statement of Activities. The guidance also expands the required quantitative and qualitative disclosures surrounding leases.

The University adopted the new lease guidance using the transition method provided by ASU 2018-11, Leases (Topic 842), Targeted Improvements. Under this method, the University has applied the new requirements to leases that existed as of July 1, 2022, rather than at the earliest comparative period presented in the financial statements. Prior periods are presented under legacy ASC 840 lease guidance. The University also elected the package of practical expedients to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any expired or existing leases. The effects of adopting this amendment are included in Note 7. The University also elected the practical expedient permitting the University to not separate lease and non-lease components for all lessee leases within the scope of ASC 842.

Effective July 1, 2023, the University adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), using a modified retrospective approach for all financial assets measured at amortized cost. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) model. The adoption of this standard did not have a material impact on the University’s financial statements.

Subsequent Events: Management has evaluated subsequent events through October 10, 2024, the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments consist of the following:

	2024	2023
Invested cash	\$ 5,763,305	\$ 6,224,774
U.S. government and government agencies bonds	6,387,325	10,594,320
Corporate bonds	62,780	103,653
Equity securities	51,067	-
Mutual funds - equities	11,089,760	254,422
Exchange traded funds	176,942	29,890,136
Common trust funds	127,326,707	96,812,331
Private equity funds	12,082,229	10,900,938
	<u>\$ 162,940,115</u>	<u>\$ 154,780,574</u>

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 – INVESTMENTS (Continued)

The composition of investment return is as follows:

	2024	2023
Investment income (interest and dividends)	\$ 949,748	\$ 996,035
Investment expenses	(807,198)	(854,223)
Net realized and unrealized gains and (losses)	14,736,144	9,245,802
Total investment return	14,878,694	9,387,614
Investment return included in revenue	(5,161,766)	(5,088,511)
Investment return included in other activities	\$ 9,716,928	\$ 4,299,103

The University reports certain assets and liabilities at fair value in the financial statements. Accounting principles define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the fair value hierarchy under accounting guidance for fair value measurements are described as follows:

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 in active markets; quoted prices for identical or similar assets or liabilities 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 asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

The valuation methods described may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. The University believes its valuation methodologies are appropriate; however, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There were no significant transfers in and out of the level 3 assets during the periods ending June 30, 2024 or 2023.

The fair values of equity mutual funds, exchange traded funds, U.S. government and government agency obligations, and most corporate bonds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 – INVESTMENTS (Continued)

For investments for which there is no active market, generally referred to as "alternative investments," the University relies on the funds' reported net asset value as a practical expedient for the fair value. As such, these investments are excluded from the fair value hierarchy. Information such as historical and current performance of the underlying assets, cash flow projections, liquidity and credit premiums required by a market participant (income approach), and financial trend analysis with respect to the individual fund manager, are utilized in determining individual security valuations. 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 private equity funds. Private equity funds include 22 separate funds managed by managers whose strategy is realization of long-term total returns by investing in a diversified group of pooled investment funds. Redemption policies of each of these funds do not allow the University to withdraw any portion of its capital accounts or redeem any shares prior to the termination of the fund without the consent of the fund managers, which is not expected to be granted. The funds are expected to terminate between 1 to 10 years as of June 30, 2024. Currently, and through the funds' terminations, the University expects to receive periodic distributions from the liquidation of the funds' underlying assets. Unfunded commitments related to these investments were \$10,075,608 and \$6,275,589 at June 30, 2024 and 2023, respectively.

Common Trust Funds ("CTFs") provide long-term investment vehicles to manage funds efficiently for their participant. The University is invested in 13 separate funds managed by managers whose strategy is realization of long-term total returns by investing in a diversified group of pooled investment funds. The underlying investments of each CTF are readily marketable. The fair values of the investments in this category have been measured at net asset value per share of the trust as reported by the manager as a practical expedient for fair value. As such, these investments are excluded from the fair value hierarchy.

The fair value of beneficial interests in perpetual trusts 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 and liabilities measured at fair value on a recurring basis at June 30, 2024 are summarized below:

	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 5,763,305	\$ -	\$ -	\$ 5,763,305
U.S. government and government agencies bonds	6,387,325	-	-	6,387,325
Corporate bonds	62,780	-	-	62,780
Equity securities	51,067	-	-	51,067
Mutual funds - equities	11,089,760	-	-	11,089,760
Exchange traded funds	176,942	-	-	176,942
Total assets in the fair value hierarchy	23,531,179	-	-	23,531,179
Funds measured at NAV:				
Common trust funds				127,326,707
Private equity funds				12,082,229
Total investments				162,940,115
 Beneficial interests in perpetual trusts	 -	 -	 9,314,601	 9,314,601

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 – INVESTMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis at June 30, 2023 are summarized below:

	2023			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 6,224,774	\$ -	\$ -	\$ 6,224,774
U.S. government and government agencies	10,594,320	-	-	10,594,320
Corporate bonds	103,653	-	-	103,653
Mutual funds - equities	254,422	-	-	254,422
Exchange traded funds	29,890,136	-	-	29,890,136
Total assets in the fair value hierarchy	47,067,305	-	-	47,067,305
Funds measured at NAV:				
Common trust funds				96,812,331
Private equity funds				10,900,938
Total investments				154,780,574
Beneficial interests in perpetual trusts	-	-	8,797,833	8,797,833

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	2024	2023
Gross:		
Less than one year	\$ 220,000	\$ 322,500
One to five years	344,482	464,482
More than five years	-	50,000
	564,482	836,982
Less: discount for present value	(13,080)	(27,663)
Total	\$ 551,402	\$ 809,319

The amounts are recorded at the present value of future cash flows based on discount rates ranging from 3.0% to 5.0%. Management has determined that no allowance for uncollectible promises is necessary.

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 4 – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consists of the following:

	2024	2023
Land	\$ 14,134,780	\$ 14,134,780
Buildings	119,205,818	119,205,818
Building improvements	48,191,128	46,006,534
Equipment	44,922,999	44,174,710
Improvements other than buildings	13,768,319	12,967,341
Library books	11,215,800	11,183,042
Construction in progress	2,209,875	1,724,537
Assets held for sale	-	5,619,512
	<u>253,648,719</u>	<u>255,016,274</u>
Accumulated depreciation and amortization	<u>(154,864,075)</u>	<u>(146,948,152)</u>
	<u>\$ 98,784,644</u>	<u>\$ 108,068,122</u>

The net book value of assets above includes \$39,720,851 leased from the Ohio Higher Educational Facility Commission. The University may purchase each of the leased assets for a nominal amount at the end of the lease period. Therefore, these assets have been capitalized and are included in the above listing. The corresponding liability is included in note and bonds payable on the Statements of Financial Position.

In June 2022, the University's Board of Trustees approved a resolution relating to the marketing and sale of land and building associated with an apartment and townhouse complex owned by the University. In March, 2024, the assets were sold for a sales price, less closing and other costs, of \$7,131,744.

NOTE 5 – SHORT-TERM BORROWINGS

The University has a \$5,000,000 unsecured line of credit agreement with a bank. Advances bear interest at the Secured Overnight Financing Rate ("SOFR") plus 1.50%. There were no draws during the years ended June 30, 2024 and 2023 and there were no outstanding balances at June 30, 2024 and 2023. The expiration date of the agreement is May 31, 2025.

NOTE 6 – NOTE AND BONDS PAYABLE

The University had the following note and bonds payable at June 30, 2024 and 2023:

	2024	2023
Capital University 2022 Project bond payable	\$ 37,110,000	\$ 37,110,000
Trinity Lutheran Seminary bond payable	174,166	234,999
City of Bexley note payable	47,339	50,298
	<u>37,331,505</u>	<u>37,395,297</u>
Less: unamortized debt issuance cost	(434,110)	(449,551)
Plus: unamortized bond premium	341,608	353,759
	<u>\$ 37,239,003</u>	<u>\$ 37,299,505</u>

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 6 – NOTE AND BONDS PAYABLE (Continued)

On October 1, 2022, the University issued \$37,110,000 in Ohio Higher Educational Facility Revenue Bonds ("Capital University 2022 Project") at par value with a net original issue premium of \$362,191, interest rates ranging from 5.00% to 6.00%, and final maturity on September 1, 2052. The proceeds of the Capital University 2022 Project bonds were used to (i) refund the outstanding principal amounts of the 2013 and 2015 Capital University Projects bonds totaling \$23,970,856, (ii) provide \$13,035,000 to finance the acquisition, construction, furnishing, and equipping of improvements to the University's physical plant, for which funds remaining at June 30, 2024 are included in Investments held in escrow for capital expenditures on the Statements of Financial Position, and (iii) pay costs of issuance of the Capital University 2022 Project bonds. The University has provided a general pledge of its revenues as collateral for the Capital University 2022 Project bonds.

In October 2014, the University entered into a promissory note agreement ("note payable") with the City of Bexley for certain water line renovations on its main campus. The agreement is unsecured and principal is payable in annual installments of approximately \$3,000 over 26 years. There is no interest on the note.

In November 2017, as part of the reunion between the University and Trinity Lutheran Seminary (the "Seminary"), which was completed on January 1, 2018, the University assumed the bond obligation ("bond payable") entered between the Seminary and Columbus-Franklin County Finance Authority in April 2015. The proceeds of the bond arrangement were used by the Seminary to implement an energy program that included a new, independent heating system and internet-based building automation system. Repayment is to be made over a 12-year period from the original loan agreement through November 2026. Interest is fixed at 4.35%. The note is secured by the Seminary property.

At June 30, 2024, the aggregate amounts of future maturities of note and bonds payable consist of the following:

2025	\$ 72,959
2026	73,792
2027	36,292
2028	652,959
2029	682,959
Thereafter	35,812,544
	<u>\$ 37,331,505</u>

The University also has agreed to certain covenants with which the University has complied.

NOTE 7 – LEASES

Operating Leases:

The University has operating leases primarily for campus facilities and equipment.

The University determines whether a contract is a lease at inception. Identified leases are subsequently measured, classified, and recognized at lease commencement. The right-of-use asset and lease liability include the noncancelable portion of the underlying lease along with any reasonably certain lease periods associated with the available renewal periods. The University has elected the short-term lease exception under ASC 842 for all leases and as such, leases with an initial term of 12 months and which do not include a renewal option whose exercise is reasonably certain, are not recorded on the Statements of Financial Position. The University recognizes lease expense for short-term leases on a straight-line basis over the lease term.

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 7 – LEASES (Continued)

The University recognizes right-of-use assets and lease liabilities based on the present value of lease payments over the lease term at commencement date. The rate implicit in the University's leases typically is not readily determinable. As a result, the University uses the 5-year treasury rate, as allowed by ASC 842, Leases, in determining the present value of lease payments for all leases except for a long-term lease of athletic fields, where a 10-year treasury rate is used. The treasury rates are readily available third-party rates determined at the lease commencement date and are applied at the individual contract level. On an annual basis, the University will update the rates used to calculate the present value of lease payments for new leases.

The University currently does not have any operating leases that contain purchase options and does not currently sublease any leased assets.

Variable lease payments generally consist of lease agreements for equipment with payments based on consumption and usage. Variable lease payments are excluded from right-of-use assets and lease liabilities and are recognized as expense in the period in which the obligation is incurred. The associated expense related to variable lease payments was not material during the years ended June 30, 2024 and 2023.

Quantitative information regarding the University's operating leases for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Cash paid for amounts included in the measurement of lease liability	\$ 141,479	\$ 177,308
Weighted average remaining lease term (in years)	3.8	2.8

At June 30, 2024, future maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the operating lease right-of-use liabilities:

2025	\$ 28,979
2026	28,979
2027	22,734
2028	4,000
2029	4,000
Thereafter	10,242
	98,935
Less: discount for present value	(6,242)
Total	\$ 92,693

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 7 – LEASES (Continued)

Finance Leases:

The University has finance leases comprised of buildings, equipment and computer hardware.

Quantitative information regarding the University's finance leases for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Interest expense on finance lease obligations	\$ 17,911	\$ 14,196
Weighted average remaining lease term (in years)	2.0	2.4
Weighted average discount rate	4.5%	4.0%

At June 30, 2024, future maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the finance lease obligations:

2025	\$ 317,851
2026	177,572
2027	39,195
2028	43,204
	<hr/> 577,821
Less: discount for present value	(23,861)
Total	<hr/> \$ 553,960 <hr/>

The cost and accumulated amortization of assets under finance leases are as follows:

	2024	2023
Cost	\$ 1,156,512	\$ 826,261
Accumulated amortization	(333,848)	(93,119)
	<hr/> \$ 822,664	<hr/> \$ 733,142 <hr/>

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 8 – FINANCIAL ASSETS AND LIQUIDITY

The following table reflects the University's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general expenditures within one year:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 16,983,759	\$ 15,339,879
Accounts and notes receivable	4,205,396	4,385,864
Pledges receivable	551,402	809,319
Contributions receivable from remainder trusts	445,712	463,295
Beneficial interest in perpetual trusts	9,314,601	8,797,833
Investments held in escrow for capital expenditures	9,784,606	12,540,008
Investments	<u>153,155,509</u>	<u>142,240,566</u>
 Financial assets, at year-end	 <u>\$ 194,440,985</u>	 <u>\$ 184,576,764</u>
Less those not available for general expenditures within one year:		
Accounts and notes receivable collectible beyond one year	\$ (860,060)	\$ (1,114,661)
Pledges receivable restricted by donor	(549,902)	(754,319)
Donor-restricted endowment funds	(110,068,043)	(101,988,825)
Board-designated endowment funds	(16,815,060)	(15,862,921)
Investments held in trust with purpose restrictions	(9,788,806)	(9,184,347)
Investments held in escrow for capital expenditures	<u>(9,784,606)</u>	<u>(12,540,008)</u>
Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 46,574,508</u>	 <u>\$ 43,131,683</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 an unsecured line of credit in the amount of \$5,000,000, which it could draw upon. Additionally, the University has a board-designated endowment of \$17,560,875 as of June 30, 2024. 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.

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 9 – EXPENSES BY BOTH NATURE AND FUNCTION

Expenses are presented below by functional classification in accordance with the overall mission of the University. Each functional classification displays all expenses related to the underlying operations by natural classification. Certain categories of expenses are attributable to one or more functions of the University. Expenses reported by functional categories include allocations of depreciation, interest, information technology, and facilities operation and maintenance. Depreciation expense is allocated based on square footage occupancy. Interest expense is allocated to the functional categories that have benefited from the proceeds of the related debt. Facilities operation and maintenance represents space related costs which are allocated to the functional categories directly and/or based on the square footage occupancy. Costs of other categories were allocated on the basis of estimates of time and effort.

Functional expenses by natural classification for the year ended June 30, 2024:

	Program Activities	Supporting Activities			
	Academic and Student Services	Administrative Support	Fundraising	Facilities Operation & Maintenance	Total Expense
Salaries and employee benefits	\$33,938,656	\$ 7,045,430	\$1,286,442	\$ 2,402,656	\$44,673,184
Services, supplies, and other operating expenses	10,761,475	5,916,789	694,910	90,058	17,463,232
Occupancy, utilities, and maintenance	534,780	134,297	16,146	6,229,163	6,914,386
Depreciation and amortization	7,665,223	321,056	40,132	-	8,026,411
Interest expense	2,092,595	87,648	10,956	-	2,191,199
	<u>54,992,729</u>	<u>13,505,220</u>	<u>2,048,586</u>	<u>8,721,877</u>	<u>79,268,412</u>
Facilities operation and maintenance	<u>8,329,392</u>	<u>348,875</u>	<u>43,610</u>	<u>(8,721,877)</u>	<u>-</u>
Total expenses	<u>\$63,322,121</u>	<u>\$ 13,854,095</u>	<u>\$2,092,196</u>	<u>\$ -</u>	<u>\$79,268,412</u>

Functional expenses by natural classification for the year ended June 30, 2023:

	Program Activities	Supporting Activities			
	Academic and Student Services	Administrative Support	Fundraising	Facilities Operation & Maintenance	Total Expense
Salaries and employee benefits	\$33,492,707	\$ 5,834,778	\$1,541,241	\$ 2,885,604	\$43,754,330
Services, supplies, and other operating expenses	10,959,679	5,246,423	482,570	77,821	16,766,493
Occupancy, utilities, and maintenance	525,418	199,437	25,232	6,521,022	7,271,109
Depreciation and amortization	7,992,667	334,771	41,847	-	8,369,285
Interest expense	1,718,930	71,997	9,000	-	1,799,927
	<u>54,689,401</u>	<u>11,687,406</u>	<u>2,099,890</u>	<u>9,484,447</u>	<u>77,961,144</u>
Facilities operation and maintenance	<u>9,057,647</u>	<u>379,378</u>	<u>47,422</u>	<u>(9,484,447)</u>	<u>-</u>
Total expenses	<u>\$63,747,048</u>	<u>\$ 12,066,784</u>	<u>\$2,147,312</u>	<u>\$ -</u>	<u>\$77,961,144</u>

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 10 – PENSION PLAN

The University contributed \$980,047 and \$1,820,534 during the years ended June 30, 2024 and 2023, respectively, to a Section 403(b) tax-sheltered annuity retirement plan for eligible employees. The benefits provided are on a defined contribution method based on a percentage of compensation. For eligible employees who have worked at least 1,000 hours per year, the University may elect to make a discretionary contribution to participants' accounts. Such contributions are allocated to eligible participants as a uniform percentage of the participant's compensation. The University's discretionary contribution to all eligible employees who worked between one year and five years was 2.5% and 5.0%, and for employees who worked more than five years was 4.5% and 9.0%, for the years ended June 30, 2024 and 2023, respectively.

NOTE 11 – POSTRETIREMENT BENEFIT OBLIGATION

The University provides certain healthcare benefits to retirees who were fulltime employees and completed 10 years of service and reached age 59½. Employees hired on or after January 1, 2008 are not eligible for this benefit. Eligible retirees and their electing spouses are covered under the University's self-insured medical plan until the retiree reaches age 65. Surviving spouses are not covered. The premiums are assumed to be the actuarial equivalent of claims and administrative expenses and are used as the basis for the liability calculation.

During the year ended June 30, 2024, the University offered a voluntary retirement plan to employees at least 59.5 years old and with at least 5 years of service at the time of retirement. The employee could elect to retire anytime between June 30, 2024 through June 30, 2025. Upon retirement, the employee, and their spouse, would be eligible to receive retiree medical benefits until age 65 years old, if they elect to do so. The actuarial-calculated medical benefit obligation associated with the voluntary retirement plan is included in accrued postretirement liability on the Statements of Financial Position.

Prior to July 1, 2005, retirees were not required to pay towards the cost of single retiree coverage; however, were required to pay 50% of the additional premium for spousal coverage. After July 1, 2005, all existing and future retirees are required to pay the same premium, depending on coverage chosen, as active employees. Employer contributions are consistent with expected benefit payments.

The following table sets forth the funded status:

	2024	2023
Accumulated benefit obligation		
Accumulated benefit obligation	\$ (1,591,921)	\$ (861,249)
Fair value of plan assets	-	-
Funded status at June 30	\$ (1,591,921)	\$ (861,249)

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 11 – POSTRETIREMENT BENEFIT OBLIGATION (Continued)

The following table sets forth the activities related to this obligation:

	2024	2023
Accrued benefit cost		
Beginning of year balance	\$ (861,249)	\$ (1,049,285)
Interest cost	(43,062)	(47,218)
Service cost	(19,003)	(26,373)
Net periodic pension cost	(62,065)	(73,591)
Employer benefit payments	79,794	97,062
Postretirement benefit obligation related changes other than periodic cost	(122,848)	164,565
Voluntary retirement plan prior service cost	(625,553)	-
Accrued postretirement liability recognized in the statements of financial position	\$ (1,591,921)	\$ (861,249)

Net periodic pension expenses for the year ending June 30, 2025 are expected to be \$355,565. Contributions expected to be made next year are approximately \$108,028. The amount of the net gain or (loss) that has been recognized in net assets but not as a component of pension expense is approximately \$457,534 and \$(342,052) at June 30, 2024 and 2023, respectively.

Assumptions used to determine the actuarial present value of the accumulated postretirement benefit obligation and net periodic pension costs were as follows at June 30:

	2024	2023
Discount rate	5.50%	5.00%
Healthcare cost trend rate:		
Current year	9.40%	9.00%
Subsequent year	7.80%	8.00%
Ultimate trend rate	5.00%	5.00%
Year reached	2033	2027

Future benefit payments are projected as follows:

2025	\$ 108,028
2026	450,269
2027	293,775
2028	271,727
2029	214,766
2030-2034	522,848

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 12 – NET ASSETS

Net assets without donor restrictions as of June 30, 2024 and 2023 comprise the following:

	2024	2023
Net Assets Without Donor Restrictions:		
Undesignated	\$ 9,088,716	\$ 11,576,943
Board-designated endowment	17,560,875	16,587,571
Federal loan program funds	204,888	248,194
Net investment in property and equipment	69,633,010	81,276,412
Total net assets without donor restrictions	\$ 96,487,489	\$ 109,689,120

Net assets with donor restrictions are restricted for the following purposes or periods:

	2024	2023
Net Assets With Donor Restrictions:		
Subject to expenditure for specified purpose:		
Scholarships and grants	\$ 3,398,447	\$ 2,136,767
Academic, student programs, and support	10,124,764	11,139,870
Plant and equipment	2,530,730	2,151,155
	16,053,941	15,427,792
Subject to passage of time:		
Contributions receivable from third party trusts	283,323	291,799
Split interest agreements	618,384	609,335
	901,707	901,134
Subject to the University's spending policy and appropriation:		
Accumulated gains and term endowments	28,823,831	22,707,704
Endowment funds restricted in perpetuity	85,018,359	83,065,098
	113,842,190	105,772,802
Not subject to spending policy and appropriation:		
Perpetual trusts held by others	9,314,601	8,797,833
Loan funds	1,103,006	1,065,878
	10,417,607	9,863,711
Total net assets with donor restrictions	\$ 141,215,445	\$ 131,965,439
Total	\$ 237,702,934	\$ 241,654,559

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 13 – ENDOWMENT COMPOSITION

The University's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. In addition, the endowment also includes beneficial interests in perpetual trusts. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund and endowment-related activity as of and for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total Funds
Board-designated funds	\$ 17,560,875	\$ -	\$ 17,560,875
Donor-restricted funds:			
Accumulated gains	-	28,823,831	28,823,831
Original gift	-	94,268,558	94,268,558
	<u>\$ 17,560,875</u>	<u>\$ 123,092,389</u>	<u>\$ 140,653,264</u>
Endowment net assets, beginning of year	\$ 16,587,571	\$ 114,517,568	\$ 131,105,139
Investment return	1,537,891	11,070,011	12,607,902
Contributions	160,063	1,941,926	2,101,989
Appropriation of endowment assets for operating expenditure	<u>(724,650)</u>	<u>(4,437,116)</u>	<u>(5,161,766)</u>
Endowment net assets, end of year	<u>\$ 17,560,875</u>	<u>\$ 123,092,389</u>	<u>\$ 140,653,264</u>

CAPITAL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 13 – ENDOWMENT COMPOSITION (Continued)

Endowment net asset composition by type of fund and endowment-related activity as of and for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total Funds
Board-designated funds	\$ 16,587,571	\$ -	\$ 16,587,571
Donor-restricted funds:			
Accumulated gains	-	22,707,704	22,707,704
Original gift	-	91,809,864	91,809,864
	<u>\$ 16,587,571</u>	<u>\$ 114,517,568</u>	<u>\$ 131,105,139</u>
Endowment net assets, beginning of year	\$ 16,142,833	\$ 109,263,393	\$ 125,406,226
Investment return	1,098,389	7,411,453	8,509,842
Contributions	61,147	2,216,435	2,277,582
Appropriation of endowment assets for operating expenditure	<u>(714,798)</u>	<u>(4,373,713)</u>	<u>(5,088,511)</u>
Endowment net assets, end of year	<u>\$ 16,587,571</u>	<u>\$ 114,517,568</u>	<u>\$ 131,105,139</u>

The University interprets the Ohio Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to require consideration (except as otherwise provided by the donor in a gift instrument) of the following factors, if relevant, in making management and investment decisions for donor- restricted endowment funds:

- (a) General economic conditions
- (b) The possible effect of inflation or deflation
- (c) The expected tax consequence, if any, of investment decisions or strategies
- (d) The role that each investment or course of action plays within the overall investment portfolio of the fund
- (e) The expected total return from income and the appreciation of investments
- (f) Other resources of the institution
- (g) The need of the institution and of the fund to make distributions and preserve capital
- (h) An asset's special relationship or special value, if any, to the charitable purpose of the institution

NOTE 13 – ENDOWMENT COMPOSITION (Continued)

Management and investment decisions about individual assets shall be made not in isolation but rather in the context of the institution's portfolio of investments as a whole and as part of an investment strategy that has risk and return objectives reasonably suited to the fund and to the institution. The institution will diversify investments unless the institution reasonably determines that, because of special circumstances, the purposes of the fund are better served without diversification.

Absent explicit donor stipulation to the contrary, the institution shall classify as net assets with donor restrictions the original value of the gifts donated to the permanent endowment, but such classification does not limit the expenditures from the endowment fund only to income. The portion of the fund's value spendable annually for the donor-designated purpose is to be determined, from time to time, by the Board of Trustees, acting in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, considering, if relevant, the following factors:

- (a) The duration and preservation of the endowment fund
- (b) The purposes of the institution and the endowment fund
- (c) General economic conditions
- (d) The possible effect of inflation or deflation
- (e) The expected total return from income and the appreciation of investments
- (f) Other resources of the institution
- (g) The investment policy of the institution

The appropriation for expenditure in any year of an amount not greater than 5% of the fair market value of an endowment fund, whether or not the total expenditure from it exceeds 5%, calculated on the basis of market values that are determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure was made, creates an irrebuttable presumption of prudence.

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. At June 30, 2024, funds with original gift values of \$3,347,734, fair values of \$3,085,403, and deficiencies of \$262,331 were reported in net assets with donor restrictions. At June 30, 2023, funds with original gift values of \$13,965,632, fair values of \$13,085,976, and deficiencies of \$879,656 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The University receives significant financial assistance from governmental agencies in the form of grants and contracts. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in grant agreements and is subject to audit by grantor agencies and possible disallowance of certain expenditures. The University has not had any disallowance of expenditures in the past and expects such amounts, if any, to be immaterial.

The University from time to time is subject to litigation in the ordinary course of its business. It is the opinion of management that the outcome of these actions is either adequately covered by insurance, or if not insured, will not have a material adverse impact on the University's financial position or results of future operations.

Contractual commitments remaining under ongoing and planned construction projects approximated \$2,389,000 and \$1,352,000 at June 30, 2024 and 2023, respectively.

NOTE 15 – CARES ACT

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was signed into law, which, among other things, created the Employer Retention Credit (ERC) for a refundable payroll tax credit. During the year ended June 30, 2023, the University amended its quarterly payroll tax returns and received an ERC totaling \$9,738,206, which was recognized as grant revenues. Laws and regulations concerning the CARES Act are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the University's claim to the ERC, and it is not possible to determine the impact, if any, this would have on the University.