



BALDWIN WALLACE UNIVERSITY

Consolidated Financial Statements and Supplementary Information

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

BALDWIN WALLACE UNIVERSITY

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BALDWIN WALLACE UNIVERSITY

As of June 30, 2024

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Gregory M. Cingle
Michelle Moscarino

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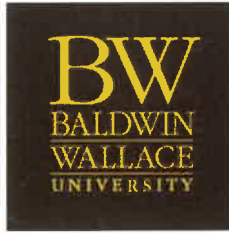
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President (Retired July 1, 2024)
Acting President (effective July 1, 2024) and Interim Provost
Vice President for Student Affairs
Vice President for Philanthropy & Alumni Engagement
Vice President for Operations
Vice President for Enrollment Management
Chief Financial Officer



**Review of Operations
As of June 30, 2024
(unaudited)**

Founded in 1845 as Baldwin Institute, Baldwin Wallace University (BW) was one of the first colleges and universities in Ohio to admit students without regard to race or gender. Today, BW continues as an independent, coeducational institution, accredited by the Higher Learning Commission. The academic program is rooted in the liberal arts but includes a wide range of majors, minors, and other programs containing abundant opportunities for career exploration and application.

Undergraduate degrees offered are the Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Science, Bachelor of Science in Education, Bachelor of Music, Bachelor of Music Education, and Bachelor of Science in Nursing.

BW offers graduate programs leading to the degrees of Master of Accountancy, Master of Arts in Education, Master of Business Administration, Master of Medical Science (Physician Assistant), Master of Public Health, and Master of Science (Speech Language Pathology and Exercise Physiology). BW also has certificate programs in a variety of specialties.

Baldwin Wallace University does not discriminate based on race, creed, age, disabilities, national origin, gender, gender orientation, or sexual orientation in admissions, programs, or administration.

The campus is in Berea, Ohio, a suburb southwest of Cleveland.

Financial overview

The balance of net assets at June 30, 2024 was \$300,015,478. The change from the previous year was a decrease of \$7,104,484. Revenue totaled \$95,964,065 and expenses totaled \$117,958,845. Undistributed investment gains on endowment and similar assets were \$14,890,296. The revenue total includes \$7,265,364 restricted by donors for investment in plant, endowment, and student loans. Employee compensation is 61 percent of total expenses, depreciation 9 percent, and all other 30 percent.

Enrollment and student revenue

The 2023-2024 academic year opened with a total fall semester enrollment of 3,327. This total included 2,724 full-time undergraduate students, 100 part-time undergraduates, and 503 graduate students. The full-time-equivalent enrollment was 3,091, up 95 from the previous fall primarily from an increase in the first year class of 88 students compared to the year ended June 30, 2023.

Billed tuition revenue totaled \$111,499,871 and \$103,795,652 for the years ended June 30, 2024 and 2023, respectively. Offsetting this were financial aid grants awarded by Baldwin Wallace of \$57,345,880 and \$54,960,929 for the years ended June 30, 2024 and 2023, respectively. Students also received direct federal and state grants amounting to \$7,888,457 and \$6,298,212 for the years ended June 30, 2024 and 2023, respectively. BW administers these government grants. The combined grants were 59 percent of tuition billed. Additional forms of financial aid included Federal Direct Student Loans administered by the University and wages paid to students for campus jobs.

Tuition revenue net of the University aid grants was \$54,153,991. This amount was \$5,319,265 more than in the previous year. The increase resulted from both the higher enrollment and a higher fee.

Auxiliary enterprise revenue was \$17,852,672 down \$917,089 from the previous year. The auxiliary enterprises are the residence and dining halls, bookstore, rental houses, and vending. Substantially all of this revenue is from students.

Contributions

Contribution revenue for the year was \$10,212,542, nearly unchanged from the previous year. In addition, net pledge payments were \$1,578,551.

Endowment and Similar

Endowment and similar net assets, \$208,387,068 at June 30, 2024, consist primarily of funds restricted by donors for investment. These include endowments, gift annuities, remainder trusts, and beneficial interests in perpetual trusts. Also included are some amounts designated by the University as funds functioning as endowment. Investment earnings on many endowments are restricted as to use.

Related assets are cash equivalents, investments, and beneficial interests, along with receivables. The fair value was \$166,639,090 as of June 30, 2024, down \$9,790,629 from the previous year. Purchases of investment securities totaled \$142,718,573. Sales proceeds were \$175,033,075. Gains totaled \$22,523,873.

The University's spending policy is to withdraw each year an amount of income and accumulated gains not to exceed 5% of the average of the June 30 endowment fair values for the preceding three years. The distribution amount included in current year revenue is \$7,843,266. Expenses charged directly to funds functioning as endowment were \$36,400.

In January 2024, the Board of Trustees authorized withdrawals from the endowment of \$65,000,000 to be used to fund operations and debt payments. Through June 30, 2024, cumulative withdrawals amounting to \$35,500,000 were made from the Board authorized amount, primarily to cover recent deficits and capital spending. Subsequent to year-end, the University drew an additional \$20,000,000 to fully repay a bank credit line loan of \$15,000,000 and an additional \$5,000,000 to fund operations.

On October 25, 2024, the Board of Trustees authorized additional withdrawals from the endowment of up to \$20,000,000, if needed, to fund operations and debt payments.

Accrued interest at June 30, 2024 was \$1,495,560. Advances from funds functioning as endowment totaled \$3,710,105. An endowment construction loan dating from the year 2000 had a remaining balance of \$295,195 due February 2025.

In August 2024 the University drew another \$15,000,000 of the authorized endowment loan amount to pay in full a bank line of credit loan.

The Board approved an additional \$20,000,000 at the October 25, 2024 Board of Trustees Meeting.

Plant

Plant spending totaled approximately \$11.9 million. This included renovations and improvements to existing buildings and purchases of equipment and furnishings.

The University continued the renovation of the Townhouse Apartments that began in the previous year. This is a two-building complex adjacent to the campus that serves as housing for graduate students and non-traditional students. It will house two or three students in one- and two-bedroom apartments. The renovation includes new furniture, flooring, and air conditioning. Kitchens get new countertops, cabinets, and

appliances. Bathroom improvements include new showers, toilets, and cabinetry. The work was near completion at June 30, 2024. The apartments will house students during the 2024-25 academic year.

To finance this work, in November 2022, the University sold bonds through a trust agreement with the Ohio Higher Educational Facility Commission and US Bank. The bond interest is exempt from income tax. The face value of the bonds is \$9,970,000. The interest rates are 5.75-9%. The bonds sold at a discount of \$69,300. The deposit to project trust funds was \$9,900,700. Issuance costs were \$237,249. Renovation withdrawals to date total \$8,704,133. Short term investment earnings have been \$483,938. The balance of the project trust funds at June 30, 2024 was \$1,443,256.

Joint venture

During the summer of 2022, the University completed a makeover of North Hall, a residence hall. The refurbished building features the addition of an elevator, individually controlled air conditioning, a large gathering space with a new kitchen on the first floor, a new multi-purpose room, and new bathrooms. North Hall is located in a section of the campus designated as a historic district. The University and a for-profit corporate partner formed jointly owned companies to do the renovation. This enabled the partner to obtain a historic renovation tax credit. The consolidated financial statements include these companies. The University's capital contribution was \$8,336,850 and the partner's contribution was \$2,644,064.



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Independent Auditors' Report

The Board of Trustees
Baldwin Wallace University:

Opinion

We have audited the consolidated financial statements of Baldwin Wallace University and its subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 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 U.S. generally accepted accounting principles, 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 for one year after the date that the consolidated financial statements are issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information included in Schedule I for the years ended June 30, 2024 and 2023 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information included in Schedule I related to the University's 2024 and 2023 consolidated financial statements, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the University's 2024 and 2023 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedule I related to the University's 2024 and 2023 consolidated financial statements, except for that portion marked "unaudited" on which we express no opinion, is fairly stated in all material respects in relation to the University's 2024 and 2023 consolidated financial statements as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial position of the University as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended (none of which is presented herein), and we expressed unmodified opinions on those financial statements. The supplementary information included in Schedule I for the years ended June 30, 2022 and 2021 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the respective financial statements. The supplementary information included in Schedule I related to the University's 2022 and 2021 financial statements, except for that portion marked "unaudited" on which we express no opinion, has



been subjected to auditing procedures applied in the audits of the University's 2022 and 2021 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedule I related to the University's 2022 and 2021 financial statements, except for that portion marked "unaudited" on which we express no opinion, is fairly stated, in all material respects, in relation to the University's 2022 and 2021 financial statements as a whole.

KPMG LLP

Cleveland, Ohio
December 13, 2024

BALDWIN WALLACE UNIVERSITY
Consolidated Statements of Financial Position
June 30, 2024 and 2023

Assets	2024	2023
Operating assets:		
Cash and cash equivalents	\$ 4,299,019	508,636
Short term investments	222,874	222,210
Student accounts receivable, less allowances for doubtful receivables of \$111,000 and \$164,000, respectively	3,773,790	2,811,700
Receivables from the federal and state governments	202,357	128,134
Other receivables, less allowances for doubtful receivables of \$34,000	956,625	1,079,274
Inventories	1,745,210	1,791,279
Prepaid expenses	1,480,712	1,167,102
Operating leases at present value	2,058,992	2,340,178
Pledges receivable at present value, less allowances for doubtful pledges of \$152,000 and \$240,000, respectively	1,885,859	3,464,410
Student loan notes receivable, less allowances for doubtful loans of \$374,000	925,346	1,224,023
Total operating assets	17,550,784	14,736,946
Endowment and similar assets:		
Cash equivalents	20,041,174	3,945,247
Investments at fair value	125,824,062	154,346,626
Beneficial interests in perpetual trusts	20,773,854	18,137,846
Total endowment and similar assets	166,639,090	176,429,719
Property and equipment:		
Grounds	18,941,823	18,764,965
Educational and general buildings	198,787,909	196,794,673
Residence halls	78,223,922	77,759,705
Residences	2,865,760	2,990,427
Furniture and equipment	26,781,768	32,701,101
Construction in progress	8,257,543	395,279
	333,858,725	329,406,150
Accumulated depreciation	(167,378,448)	(163,188,485)
Net property and equipment	166,480,277	166,217,665
Other assets:		
Cash in escrow	2,984,913	—
Facility bonds project trust funds	1,443,256	7,841,610
Total other assets	4,428,169	7,841,610
Total assets	\$ 355,098,320	365,225,940

BALDWIN WALLACE UNIVERSITY
Consolidated Statements of Financial Position
June 30, 2024 and 2023

Liabilities and Net Assets	2024	2023
Liabilities:		
Accounts payable	\$ 1,521,569	3,800,616
Accrued expenses	4,458,730	3,202,698
Short-term bank loan	15,000,000	15,000,000
Deferred revenue and student deposits	1,688,601	1,746,780
Lease obligations	2,058,992	2,340,178
Other liabilities	1,823,917	1,686,389
Annuity obligations	2,551,040	2,456,117
U.S. Government advances for Perkins Loans to students	117,126	216,253
Debt	25,862,867	27,656,947
Total liabilities	55,082,842	58,105,978
Net assets:		
Without donor restrictions:		
Functioning as endowment	2,072,135	2,917,546
Invested in plant and other operations	70,823,746	95,579,260
Total without donor restrictions – controlling interest	72,895,881	98,496,806
Invested in plant and equipment	985,641	1,331,797
Total without donor restrictions – non-controlling interest	985,641	1,331,797
Total without donor restrictions	73,881,522	99,828,603
With donor restrictions:		
Expendable for-		
Program	5,339,040	3,720,426
Student financial aid grants	6,254,079	5,301,134
Plant	4,865,981	2,859,624
Future support	1,885,859	3,464,410
Student loans	1,474,064	1,515,436
Annuities and remainder trusts	7,745,602	7,418,835
Perpetual trusts	20,773,854	18,137,846
Functioning as endowment	3,161,018	1,245,466
Endowment	174,634,459	163,628,182
Total with donor restrictions	226,133,956	207,291,359
Total net assets	300,015,478	307,119,962
Total liabilities and net assets	\$ 355,098,320	365,225,940

See accompanying notes to consolidated financial statements.

BALDWIN WALLACE UNIVERSITY

Consolidated Statements of Activities

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Changes in net assets without donor restrictions:		
Revenue:		
Tuition and fees	\$ 54,153,991	48,834,726
Contributions	2,947,178	2,942,003
Investment income and gains distribution	1,573,005	1,619,319
Auxiliary enterprises	17,852,672	18,769,761
Tax credit proceeds	—	2,644,064
Other	562,302	1,297,486
Total revenue	<u>77,089,148</u>	<u>76,107,359</u>
Net assets released from restrictions	<u>14,712,927</u>	<u>22,455,265</u>
Total revenue and restrictions released	91,802,075	98,562,624
Expenses	(117,958,845)	(112,815,500)
Investment gains after distribution	<u>209,689</u>	<u>184,558</u>
Change in net assets without donor restrictions	<u>(25,947,081)</u>	<u>(14,068,318)</u>
Changes in net assets with donor restrictions:		
Revenue:		
Contributions	7,265,364	7,313,208
Investment income and gains distribution	7,152,464	6,677,406
Government grants	3,016,489	1,868,422
Other	1,440,600	2,006,850
Total revenue	<u>18,874,917</u>	<u>17,865,886</u>
Net assets released from restrictions	<u>(14,712,927)</u>	<u>(22,455,265)</u>
Investment gains after distribution	<u>14,680,607</u>	<u>7,253,373</u>
Change in net assets with donor restrictions	<u>18,842,597</u>	<u>2,663,994</u>
Change in net assets	<u>\$ (7,104,484)</u>	<u>(11,404,324)</u>

See accompanying notes to consolidated financial statements.

Baldwin Wallace University

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2024 and 2023

	Without donor restrictions controlling interest	Without donor restrictions noncontrolling interest	Without donor restrictions total net assets	With donor restrictions total net assets	Total
Net assets as of June 30, 2022	\$ 112,565,124	—	112,565,124	204,627,365	317,192,489
Change in net assets from activities	(14,068,318)	—	(14,068,318)	2,663,994	(11,404,324)
Partner contributions	—	1,331,797	1,331,797	—	1,331,797
Net assets as of June 30, 2023	98,496,806	1,331,797	99,828,603	207,291,359	307,119,962
Change in net assets from activities	(25,600,925)	(346,156)	(25,947,081)	18,842,597	(7,104,484)
Net assets as of June 30, 2024	\$ 72,895,881	985,641	73,881,522	226,133,956	300,015,478

See accompanying notes to consolidated financial statements.

BALDWIN WALLACE UNIVERSITY

Consolidated Statements of Functional Expenses

Years ended June 30, 2024 and 2023

	<u>Compensation</u>	<u>Operation and maintenance</u>	<u>Depreciation</u>	<u>Other</u>	<u>Total</u>
Year ended June 30, 2024:					
Instruction	\$ 36,701,017	5,449,348	5,205,969	2,951,463	50,307,797
Academic support	5,641,500	245,757	234,781	3,030,602	9,152,640
Library	558,480	413,950	395,462	465,585	1,833,477
Student services	6,751,552	457,606	437,169	2,357,149	10,003,476
Student activities	4,045,697	1,363,405	1,390,487	1,981,801	8,781,390
Institutional support	11,312,593	501,986	479,566	10,511,129	22,805,274
Auxiliary enterprises	4,716,379	2,744,617	2,844,626	4,769,169	15,074,791
Totals	\$ <u>69,727,218</u>	<u>11,176,669</u>	<u>10,988,060</u>	<u>26,066,898</u>	<u>117,958,845</u>
Salaries and wages	\$ 52,839,157	2,694,437	—	—	55,533,594
Benefits	16,888,061	969,770	—	—	17,857,831
Year ended June 30, 2023:					
Instruction	\$ 36,918,585	6,908,148	5,338,952	1,805,247	50,970,932
Academic support	4,712,428	311,547	240,779	2,136,137	7,400,891
Library	574,995	524,766	405,564	471,396	1,976,721
Student services	6,680,042	580,108	448,336	2,434,086	10,142,572
Student activities	4,450,753	1,561,155	1,393,379	1,977,070	9,382,357
Institutional support	8,795,932	636,367	491,816	7,968,771	17,892,886
Auxiliary enterprises	4,894,860	3,002,059	2,891,743	4,260,479	15,049,141
Totals	\$ <u>67,027,595</u>	<u>13,524,150</u>	<u>11,210,569</u>	<u>21,053,186</u>	<u>112,815,500</u>
Salaries and wages	\$ 50,380,474	2,786,058	—	—	53,166,532
Benefits	16,647,121	990,464	—	—	17,637,585

See accompanying notes to consolidated financial statements.

BALDWIN WALLACE UNIVERSITY
Consolidated Statements of Cash Flows
Years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (7,104,484)	(11,404,324)
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation	10,988,060	11,210,569
(Gains) losses on sales of investments	(22,523,873)	(15,147,767)
Escrow deposit	(2,984,913)	—
Change in student, government, and other receivables	(913,664)	(291,902)
Change in inventory and prepaid expenses	(267,541)	351,908
Change in accounts payable and accrued expenses	(368,024)	202,480
Change in deferred revenue, annuity obligations, government advances, and other liabilities	75,145	(2,992,810)
Equipment contributions and property (gains) losses	(150,471)	—
Contributions restricted for long-term investment	(4,786,229)	(4,351,753)
Other income restricted for long-term investment	(660,123)	(2,000,539)
Net cash used in operating activities	(28,696,117)	(24,424,138)
Cash flows from investing activities:		
Improvements and purchases of property and equipment	(11,901,120)	(11,951,818)
Sale of property	145,928	—
Facility bonds project trust fund deposits	(312,972)	(9,841,610)
Facility bonds project trust fund withdrawals	6,711,326	2,000,000
Purchases of endowment and similar investments	(142,718,573)	(48,000,011)
Sales of endowment and similar investments	175,033,075	68,592,665
Purchases of short term investments	(664)	(830)
Repayment of student loans	298,677	924,395
Net cash provided by investing activities	27,255,677	1,722,791
Cash flows from financing activities:		
Contributions restricted for long-term investment	6,364,780	5,563,523
Other income restricted for long-term investment	660,123	2,000,539
Proceeds from short-term bank loan	—	5,000,000
Higher Educational Facility Revenue Bonds, net of discount	—	9,900,700
Bond issuance costs	—	(237,250)
Debt principal payments	(1,794,080)	(1,749,080)
Partner contributions	—	1,331,797
Net cash provided by financing activities	5,230,823	21,810,229
Net change in cash and cash equivalents	3,790,383	(891,118)
Cash and cash equivalents at beginning of period	508,636	1,399,754
Cash and cash equivalents at end of period	\$ 4,299,019	508,636
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 2,120,503	1,826,372
Construction in progress in accounts payable	707,869	1,362,860

See accompanying notes to consolidated financial statements.

BALDWIN WALLACE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

(1) Nature of Organization

Baldwin Wallace University (the University), founded in 1845, is an independent, coeducational university in the liberal arts tradition, accredited by the Higher Learning Commission. Undergraduate degrees granted are the Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Science, Bachelor of Science in Education, Bachelor of Music, Bachelor of Music Education, and Bachelor of Science in Nursing. Graduate degrees granted are Master of Accountancy, Master of Arts in Education, Master of Business Administration, Master of Medical Science, Master of Public Health, and Master of Science. The University also has certificate programs in a variety of specialties.

(2) Summary of Significant Accounting Policies

(a) Going Concern

These consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) assuming the University will continue as a going concern. For the years ended June 30, 2024, and 2023, the University incurred expenses in excess of its revenues by approximately \$22,000,000 and \$18,800,000, respectively, and used cash for operating activities of approximately \$28,700,000 and \$24,400,000, respectively. The University's ability to continue as a going concern is dependent on reducing its expenditures, increasing enrollment, and drawing on loans from the endowment to finance the University's operations.

The University engaged an external firm to assist in identifying cost-reduction opportunities that could be implemented while prioritizing students' success and well-being. On January 25, 2024, at a special meeting of the Board of Trustees of the University, the Board reviewed and unanimously approved a restructuring plan (the "Plan"). Under the Plan, the University formed a task force representing key functional areas of campus, including University faculty, staff, and administration to validate the recommendations of the external firm and to develop detailed steps for successful implementation and options to provide resources for liquidity needs. The Plan, designed to alleviate current financial challenges, includes cost-reduction measures as well as projected increases in tuition revenue.

The cost-reduction measures include a number of initiatives, some of which have already been implemented as of the date of the issuance of these financial statements and will impact fiscal year 2025 and beyond, including headcount reductions, centralization of certain core functions, and reductions in discretionary expenditures. As a result of these restructuring measures, there was a consolidation and elimination of certain programs and majors, a reduction in the number of courses offered in the core curriculum, and adjustments to the student-to-faculty ratios to be more in line with peer universities. As a result, certain positions were eliminated, certain term and adjunct faculty contracts were not renewed, and certain positions vacated by retirements and resignations were not replaced.

At the Board of Trustees meetings in January and October 2024, the Board of Trustees authorized aggregate withdrawals from the endowment of \$85,000,000 to be used to fund operations and for debt payments. Through June 30, 2024, cumulative withdrawals amounting to \$35,500,000 were made from the authorized amount above, primarily to address recent deficits and capital expenditures. Subsequent to June 30, 2024, the University drew an additional \$20,000,000 to fully repay a bank credit line loan of \$15,000,000 as disclosed in Note 10 and to fund operations. Such withdrawals are to be repaid to the endowment at the earlier of (i) November 1, 2028, or (ii) the day the University receives funds from

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certain financing transactions. Interest on the withdrawals is to be paid from excess cash flows from operations, with all accrued and unpaid interest due at maturity. Payments are to be applied to interest first.

The University is also exploring potential additional sources of funding, which includes sale and leaseback transactions and the sale of certain non-strategic and underutilized properties.

As a result of the cost saving initiatives and the ability to borrow funds from the endowment, the University projects that there will be adequate liquidity to enable the continuation of its operations for at least one year from the date these consolidated financial statements are made available for issuance.

(b) Method of Accounting

The University has prepared the accompanying consolidated financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

The University prepares its consolidated financial statements to focus on the organization as a whole and to present balances and transactions classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as either without donor restrictions or with donor restrictions.

Revenue is 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 donor stipulation. The University has primarily reported gains or losses on investments as net assets with donor restrictions as a result of such donor stipulations or law. Expirations of donor restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases to net assets without donor restrictions.

Contributions, including private gifts, grants and pledges (unconditional promises to give), are recognized as revenue in the period received. Contributions of long-lived assets, or of cash or other assets to be used to acquire them, with donor stipulations concerning the use of such long-lived assets, are reported as revenue of net assets with donor restrictions. When the donor restriction expires, that is, when a stipulated time restriction or purpose restriction is met, net assets with donor restrictions are transferred to net assets without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value at the date of gift, except that contributions of works of art, historical treasures, and similar assets held as part of collections are not recognized or capitalized. Allowance is made for doubtful collection of contributions receivable based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

(c) Investments

Investments are reported at fair value. With respect to investment funds such as the University's investments managed by The Common Fund for Nonprofit Organizations (Commonfund), the

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estimated fair values are provided by external investment managers. Commonfund is an institutional investment manager serving higher education, health care, foundations, and other nonprofit institutions. These estimated fair values are reviewed and evaluated by the University management. Due to the inherent uncertainties of these estimates, these estimated fair values may differ from the values that would have been used had a ready market existed for such investments. Alternative investments are valued at fair value for marketable securities and net asset value (NAV) of the University's ownership interest in the partners' capital as a practical expedient for non-marketable securities.

Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of the specific identification of securities sold. Investment custodial fees are classified as a reduction in investment income for financial reporting purposes.

(d) Inventory

Inventories, which consist of bookstore and other supplies, are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

(e) Annuities and Perpetual Trusts

The University's split-interest agreements with donors consist of irrevocable charitable remainder trusts, charitable gift annuities, and life income contracts for which the University is either the remainder beneficiary or both the trustee and remainder beneficiary.

Assets held in trust for which the University serves as trustee are included in investments on the consolidated statements of financial position. The fair value of these investments was \$7,687,320 at June 30, 2024 and \$11,255,817 at June 30, 2023. In addition, the present value of the estimated future payments to be made to the donors and/or other beneficiaries is included as annuity obligations on the consolidated statements of financial position. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future amounts payable. Significant assumptions used in the calculation of the liability include:

- Assumed mortality rates based upon the 2012 Individual Annuity Reserving Mortality Table
- Assumed valuation interest rates range between 2.00% and 2.75%
- Assumed annuity payments made annually at the beginning of the year

Assets held in trust for which the University does not serve as trustee (i.e., perpetual trusts) are also included as assets on the consolidated statements of financial position. The investment balances of \$20,773,854 and \$18,137,846 at June 30, 2024 and 2023, respectively, are recorded at fair value. Changes in the value of the University's beneficial interest in these perpetual trusts are reflected within the consolidated statements of activities as a component of donor restricted endowment and similar investment income.

(f) Government Advances for Student Loans

The University receives government advances to fund student loans. These advances are recorded as a liability within the consolidated statements of financial position. Interest earned through loan repayments is reinvested into the program to fund additional loans.

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(g) Student Loans Receivable

Student loans receivable is reported net of reserves for doubtful loans of \$374,000 at June 30, 2024 and 2023. The reserve is intended to provide for loans, both in repayment status and not yet in repayment status (borrowers still in school or in the grace period following graduation), that may not be collected.

(h) Deferred Revenue and Student Deposits

Revenue and expenses related to academic terms conducted over two fiscal years, such as the summer session, are recognized over the two fiscal years. Amounts prepaid for future academic terms are included in deferred revenue and student deposits within the consolidated statements of financial position.

(i) Property and Equipment

Property and equipment are stated at historical cost. Amounts capitalized are depreciated over the estimated useful life of each class of depreciable asset. Depreciation is computed on the straight-line method. Estimated useful lives are as follows:

Buildings	50 years
Building additions and renovations	25 years
Computers, telephones, copiers, and vehicles	5 years
Other equipment and furniture	10 years
Pianos and other musical instruments	35 years

(j) Leases

The University determines if an arrangement is or contains a lease at contract inception. The University recognizes a right-of-use (ROU) asset and a lease obligation at the lease commencement date.

For operating leases, the lease obligation is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. The discount rate utilized for the fiscal years ended June 30, 2024 and 2023 was 2.76 percent. The ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease obligation, plus (minus) any prepaid (accrued) lease payments. Lease expenses for lease payments are recognized on a straight-line basis over the lease term.

For finance leases, the lease obligation is initially measured in the same manner as operating leases and is subsequently measured at amortized cost using the effective-interest method. The ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or lease term, unless the lease transfers ownership to the University or the University is reasonably certain to exercise an option to purchase the underlying asset.

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(k) Impairment of Long-Lived Assets

The University evaluates the recoverability of long-lived assets and the related estimated remaining lives at each fiscal year end. The University records an impairment or change in useful life whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or the useful life should be modified. No such impairment or change in estimated useful life was recorded in the fiscal years ended June 30, 2024 and 2023.

(l) Asset Retirement Obligations

The University has recorded a liability for conditional asset retirement obligations in other liabilities on the consolidated statements of financial position of approximately \$1,022,000 and \$1,045,000 at June 30, 2024 and 2023, respectively. Related discount amortization and depreciation in the fiscal years ended June 30, 2024 and 2023 were approximately \$57,000 and \$59,000 at June 30, 2024 and 2023, respectively.

(m) Prepaid Expenses

Prepaid expenses consist of prepaid insurance, maintenance, and other costs associated with future periods.

(n) Income Taxes

The University has received a determination letter from the Internal Revenue Service indicating it is a tax-exempt organization as provided for in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes except for taxes pertaining to unrelated business income. No liability provision has been made for income taxes in the accompanying consolidated financial statements. Institutional support expense includes minor amounts representing estimated and final payments of the unrelated business income tax.

The University uses a more likely than not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Tax provisions are evaluated for recognition, derecognition, and measurement using consistent criteria about the uncertainty in income tax assets and liabilities. Based on the University's evaluation, no provision for uncertain tax positions is required as of June 30, 2024 and 2023.

(o) Cash and Cash Equivalents and Short-Term Investments

Cash equivalents consist of short-term highly liquid instruments purchased with an original maturity date of three months or less, except for cash equivalents of endowment and similar funds, which are treated as long term investments.

Short-term investments are reported at fair value and represent the University's operating cash and endowment and similar cash that has been invested in short-term investment funds, which have underlying investments that are not considered cash equivalents and are reported at fair value based on quoted market prices.

(p) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts

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of assets and liabilities at the date of the consolidated financial statements and the disclosure of contingent assets and liabilities and the reported amounts of revenue, expenses, gains, and losses during the reporting period. Actual results could differ from those estimates.

(q) Auxiliary Enterprises

The University recognizes revenue and expenses related to residence and dining halls, bookstores (outsourced), vending, and rental houses as auxiliary enterprises on the Consolidated Statement of Activities.

(r) Student Financial Aid Grants

Tuition and fees are reported net of student financial aid grants. A student financial aid grant represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student.

(s) Functional Classification of Expense

Expenses are presented by functional classification in accordance with the overall service mission of the University. Each functional classification displays all expenses related to the underlying operations by natural classification. The University allocates a portion of property and equipment operation and maintenance and depreciation expenses to functional areas based on square foot occupancy. Student activities include athletics, the student union, and the recreation and health centers.

(t) Revenue from Contracts with Customers

Under Accounting Standards Codification (ASC) Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

Revenue from student education, residence, and dining services is reflected after reductions from institutional student aid and is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Aid in excess of a student's tuition and fees is reflected as a reduction of residence and dining charges. Disbursements made directly to students for living or other costs are reported as an expense. Payments for student services are generally received prior to the commencement of each academic term and are reported as student deposits to the extent services will be rendered in the following fiscal year. Student accounts receivables are presented net of allowance for doubtful receivables of \$111,000 and \$164,000 as of and for the years ended June 30, 2024, and 2023, respectively. Student accounts receivable include amounts owed to the University from the Department of Education for direct loan reimbursements of \$1,372,164 and \$282,125 as of and for the years ended June 30, 2024 and 2023.

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The composition of revenue from academic programs was as follows for the years ended June 30:

	2024	2023
Tuition	\$ 110,552,257	103,404,563
Seminars and other	947,614	391,089
Total	111,499,871	103,795,652
Less:		
Financial aid grants provided to students	(57,345,880)	(54,960,926)
Net	\$ 54,153,991	48,834,726

Auxiliary enterprises revenue consists of the following for the years ended June 30:

	2024	2023
Residence and dining services	\$ 17,637,524	18,464,923
Other auxiliary expenses	215,148	304,838
Total	\$ 17,852,672	18,769,761

(u) Recently Issued Accounting Standards

Accounting Standards Update (ASU) 2016-13 Financial Instruments – Credit Loss: Measurement of Credit Losses on Financial Instruments, as amended, was issued by the Financial Accounting Standards Board (FASB) in June 2016 and is effective for the University in fiscal 2024. The ASU requires credit losses to be recognized on most financial assets carried at amortized cost (such as student accounts receivable, student loans receivables and certain other instruments). Under the ASU, credit losses are estimated over the entire contractual term of the instruments (adjusted for prepayment) from the date of initial recognition. The ASU removes the requirement that a credit loss be probable of occurring for it to be recognized and requires entities to use historical experience, current economic conditions and reasonable and supportable forecasts to estimate their future expected credit losses. The ASU is to be applied using the modified retrospective basis with a cumulative effect adjustment to net assets at the beginning of the fiscal year that it is adopted. The University evaluated the impact of the ASU on the fiscal 2024 consolidated financial statements and determined that the ASU does not have a material impact on the consolidated financial statements.

(v) Tax Credits

Much of the campus is designated as a historic site. In fiscal year 2023, the University formed three limited liability companies (LLCs) to renovate a residence hall in order to obtain historic tax credits. To obtain benefit from the tax credits, the University formed the LLCs with a corporate investor. The corporate investor received federal income tax credits for the renovation of a historic property. Capital contributions to the joint venture were \$8,336,850 by the University and \$2,644,064 by the investor. The consolidated financial statements include the three LLCs.

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(3) Debt

The University had the following outstanding principal balances as of June 30:

	2024	2023
Ohio Higher Educational Facility Revenue Bonds	\$ 15,320,000	16,560,000
Bank loan	10,542,867	11,096,947
Debt	\$ 25,862,867	27,656,947

(a) Ohio Higher Education Facility Bonds

On November 29, 2012, the University issued State of Ohio Higher Educational Facility Revenue Bonds with a par value of \$16,025,000. The University issued the bonds pursuant to a trust agreement between the Ohio Higher Educational Facility Commission and US Bank as trustee. The bonds are dated December 1, 2012, and they mature through 2042. Interest is payable semi-annually on each December 1 and June 1, at rates ranging from 0.6% to 4.0%.

On November 16, 2022, the University issued additional bonds with a par value of \$9,970,000 through a similar trust agreement. These bonds mature through December 1, 2053. The interest rates range from 5.75% to 6%. The University is using the proceeds of these bonds to renovate a two-building apartment complex that provides housing for graduate students and non-traditional students. This work was in progress at June 30, 2024. Project trust fund balances on that date were \$1,443,256. The consolidated financial statements include the trust funds in other assets.

Prepaid expenses on June 30, 2024 and 2023 include debt issuance costs, net of amortization, of \$332,955 and \$354,370, respectively. The University is amortizing the issuance costs over the life of the bonds using the effective interest method.

The annual principal payments required on the two bond issues for 2024 and thereafter are as follows:

Fiscal year ending June 30:	
2025	\$ 1,280,000
2026	310,000
2027	325,000
2028	340,000
2029	355,000
Thereafter	12,710,000
	\$ 15,320,000

The University was in compliance with its covenants as of June 30, 2024 and 2023.

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(b) Bank Loan

During the year ended June 30, 2018, the University substantially financed the construction of a new residence hall with a variable rate bank loan. At completion in August 2018, the balance of the variable rate loan was \$13,775,000. The parties converted it to a fixed rate loan immediately after completion. The loan matures through 2043 and has an interest rate of 2.76%. This note is callable at any time.

Fiscal year ending June 30:		
2025	\$	554,080
2026		554,080
2027		554,080
2028		554,080
2029		554,080
Thereafter		<u>7,772,467</u>
	\$	<u><u>10,542,867</u></u>

(4) Endowment and Similar Assets Investments

Endowment and similar assets include endowment funds, funds functioning as endowment, charitable gift annuities, charitable remainder trusts, and beneficial interests in perpetual trusts. At June 30, 2024 and 2023, these assets comprised the following:

	2024	2023
Cash equivalents	20,041,174	3,945,247
Commonfund:		
Equity funds	64,721,088	81,556,022
Fixed income funds	26,639,636	34,425,292
Alternative funds, marketable	—	1,453,028
Alternative funds, nonmarketable	<u>25,672,268</u>	<u>25,153,065</u>
Commonfund subtotal	117,032,992	142,587,407
Equities	5,506,310	6,287,350
Fixed income	831,348	2,129,210
Balanced and other mutual funds	2,403,798	3,302,817
Other	49,614	39,842
Beneficial interest in perpetual trusts	<u>20,773,854</u>	<u>18,137,846</u>
	<u><u>166,639,090</u></u>	<u><u>176,429,719</u></u>

(5) Fair Value Measurements

The University has adopted the recognition and disclosure provisions prescribed in ASC 820, *Fair Value Measurement and Disclosures*, for financial assets. ASC 820 establishes a framework in generally accepted accounting principles for measuring fair value and expands disclosures about fair value

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measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset.

ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820 requires that assets carried at fair value be disclosed according to the following three levels:

Level 1 – Unadjusted quoted prices in active markets for identical assets. Level 1 yields the highest priority to unadjusted quoted prices in active markets for identical assets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2 – Observable inputs other than quoted prices in Level 1. Inputs such as quoted prices for similar assets in active markets, quoted prices for identical or similar liabilities that are not active, or other inputs that are observable or can be corroborated by observable market data. Level 2 financial instruments include student accounts receivable, pledges receivable, student loan notes receivable and annuity obligations.

Level 3 – Unobservable inputs that are significant to the valuation of assets and are supported by little or no market data. This includes discounted cash flow methodologies, pricing models, and similar techniques that use significant unobservable inputs. Level 3 financial instruments include asset retirement obligations.

Level 1 investments include cash and cash equivalents, short-term investments and Commonfund equity funds, fixed income funds and marketable alternative funds. These valuations are based on quoted prices from active stock exchanges for identical assets. Level 2 investments include fixed income securities, limited partnerships and other miscellaneous securities. The valuations of these securities are based on quoted prices from active stock exchanges for similar assets, quoted prices in inactive markets, or other observable market data such as matrix pricing and yield curves.

The University holds interests in various funds that are illiquid and do not allow for short-term redemption. Nonmarketable alternative funds are valued at their net asset value (NAV) as a practical expedient in determining fair value. These funds utilize a multi-manager approach, allocating assets to investment Sub-Advisors or investment funds managed by Sub-Advisors (Third Party Investment Funds). The strategies employed by the funds are primarily long-term or full market cycle approaches.

Level 3 investments include the University's portion of beneficial interests in several perpetual trusts held and administered by others in which the University is an income beneficiary. The primary input utilized in calculating the perpetual trusts' fair value is its net assets, which represents fair market valuation of certain equity, debt, and other instruments held by the perpetual trusts. In this manner, the perpetual trusts' valuation approximates fair market value. As the investments cannot be redeemed at the fair value, the University has classified these investments as Level 3 within the fair value hierarchy table.

The University has various alternative investments that have minimum capital commitments. As of June 30, 2024, the University has committed to make a total investment of \$27,100,000, of which \$18,253,642 has been invested, leaving \$8,846,358 of outstanding commitments.

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The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2024:

	<u>Balance at June 30, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Cash and cash equivalents	\$ 4,299,019	4,299,019	—	—
Short-term investments	222,874	222,874	—	—
Cash equivalents, endowment and similar	20,041,174	20,041,174	—	—
Commonfund:				
Equity funds	64,721,088	64,721,088	—	—
Fixed income funds	26,639,636	26,639,636	—	—
Alternative funds, marketable	—	—	—	—
Equities	5,506,310	5,506,310	—	—
Fixed income	831,348	—	831,348	—
Balanced and other mutual funds	2,403,798	2,403,798	—	—
Other	49,614	—	49,614	—
Beneficial interest in perpetual trusts	20,773,854	—	—	20,773,854
Total assets by fair value level	<u>145,488,715</u>	<u>\$ 123,833,899</u>	<u>880,962</u>	<u>20,773,854</u>
Investments measured at the net asset value (NAV):				
Alternative funds, nonmarketable	<u>25,672,268</u>			
Total assets at fair value	<u>\$ 171,160,983</u>			

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The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2023:

	Balance at June 30, 2023	Level 1	Level 2	Level 3
Investments by fair value level:				
Cash and cash equivalents	\$ 508,636	508,636	—	—
Short-term investments	222,210	222,210	—	—
Cash equivalents, endowment and similar	3,945,247	3,945,247	—	—
Commonfund:				
Equity funds	81,556,022	81,556,022	—	—
Fixed income funds	34,425,292	34,425,292	—	—
Alternative funds, marketable	1,453,028	1,453,028	—	—
Equities	6,287,350	6,287,350	—	—
Fixed income	2,129,210	—	2,129,210	—
Balanced and other mutual funds	3,302,817	3,302,817	—	—
Other	39,842	—	39,842	—
Beneficial interest in perpetual trusts	18,137,846	—	—	18,137,846
Total assets by fair value level	<u>152,007,500</u>	<u>\$ 131,700,602</u>	<u>2,169,052</u>	<u>18,137,846</u>
Investments measured at the net asset value (NAV):				
Alternative funds, nonmarketable	<u>25,153,065</u>			
Total assets at fair value	<u>\$ 177,160,565</u>			

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There were no transfers between Level 1, 2, or 3 investments for the fiscal years ended June 30, 2024 and 2023. Perpetual trusts utilize significant unobservable inputs determined by the external trustees in estimating fair value. The following table presents activity for assets classified as Level 3:

	Fair value measurements using unobservable inputs (Level 3)	Beneficial interest in perpetual trusts
Balance at June 30, 2022	\$	17,459,357
Additions		107,348
Income and realized gains		3,955,733
Payments		(965,246)
Unrealized losses		(2,419,346)
Balance at June 30, 2023		18,137,846
Income and realized gains		715,494
Payments		(914,621)
Unrealized gains		2,835,135
Balance at June 30, 2024	\$	20,773,854

(6) Endowment

The University's endowment consists of approximately 500 individual funds. The donors of these funds have restricted the principal for investment. Some of those donors have also restricted the use of the income as to purpose. The University has designated other funds, usually resulting from major bequests or gifts, as funds functioning as endowment. Both net assets with and without donor restrictions include funds functioning as endowment.

The University's current spending policy is to withdraw each year an amount not exceeding 5% of the average of the June 30 market values for the preceding three years. The consolidated statements of activities for each of the net asset classes show these withdrawals as investment income and gains distribution. As described within note 2 to these consolidated financial statements, the Board of Trustees approved certain advances from the endowment in excess of this 5% threshold and used for operations be converted into a loan to the University from the endowment.

Through June 30, 2024, cumulative withdrawals amounting to \$35,500,000 were made from the endowment from the Board approved amount of withdrawals as noted in note 2, primarily to address recent deficits and capital spending. Such withdrawals are to be repaid to the endowment at the earlier of (i) November 1, 2028, or (ii) the day the University receives funds from certain financing transactions. Interest on the withdrawals is to be paid from excess cash flows from operations, with all accrued and unpaid interest due at maturity. Payments are to be applied to interest first.

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From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or legislation requires the University to maintain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature would be reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2024 and 2023.

The following table presents the changes in endowment net assets held by the University for the years ended June 30, 2024 and 2023:

	Donor restricted endowment	Functioning as endowment		Total
		With donor restrictions	Without donor restrictions	
Balances June 30, 2022	\$ 156,379,043	3,196,217	3,699,705	163,274,965
Investment income and gains	12,395,648	677,810	381,033	13,454,491
Contributions	2,784,141	12,700	—	2,796,841
Transfers and other	(2,896)	(2,309,335)	(966,717)	(3,278,948)
Distributions and expenses	(7,927,754)	(331,926)	(196,475)	(8,456,155)
Balances June 30, 2023	163,628,182	1,245,466	2,917,546	167,791,194
Investment income and gains	18,937,962	295,958	(241,883)	18,992,037
Contributions	3,336,633	11,050	—	3,347,683
Transfers and other	(3,577,618)	1,722,146	(528,164)	(2,383,636)
Distributions and expenses	(7,690,700)	(113,602)	(75,364)	(7,879,666)
Balances June 30, 2024	\$ 174,634,459	3,161,018	2,072,135	179,867,612

Members of the University Investment Committee develop the investment policy, which is subject to approval by the Board of Trustees. They design the policy to be flexible and subject to revisions as the needs of the University may change. While the endowment is under the responsibility of the Board of Trustees, the Board has delegated authority for investment activities – including appointment, oversight, and evaluation of the Investment Manager – to the Investment Committee, whose members are appointed and serve at the pleasure of the Chairperson of the Board of Trustees. The members of the Investment Committee are all Trustees who volunteer their services on a pro bono basis.

The University's objective is to invest the endowment to seek an average total annual return that exceeds the spending rate plus inflation. The intent is to preserve over time the principal value of the assets as measured in inflation-adjusted terms. The relative objective is to seek competitive investment performance versus appropriate capital market measures. The comparative performance objective is to achieve a total rate of return that is above the median performance of a universe of similarly managed funds.

The assets are managed on a total return basis.

The University believes that its policies and procedures comply with the provisions of the Uniform Prudent Management of Institutional Funds Act.

BALDWIN WALLACE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

(7) Retirement Plan

The University participates in the Teachers Insurance and Annuity Association's defined contribution retirement plan. It covers substantially all regular full-time employees. The University's contribution was 3% of the covered employees' regular salary after September 1, 2020. It was increased to 5% effective January 1, 2022 and to 7% effective January 1, 2023. During the years ended June 30, 2024 and 2023, the University's contributions were approximately \$2,600,000 and \$2,200,000, respectively.

(8) Commitments and Contingencies

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as to their allowability in connection with the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. University management believes disallowances, if any, will not be material to the University's consolidated financial statements.

(9) Pledges Receivable

Pledges receivable totaling \$2,053,506 and \$3,746,945 at June 30, 2024 and 2023, respectively, represent gross unconditional promises to give. All gift pledges are restricted as to use for various purposes, primarily for property and equipment or endowment. These promises are reported at the present value of estimated future cash flows.

Pledges to be received were discounted at a rate of 3%.

Gift pledges are expected to be realized as follows for June 30:

	2024	2023
In one year or less	\$ 1,953,056	3,175,059
Between one and five years	96,700	566,886
More than five years	3,750	5,000
	2,053,506	3,746,945
Less:		
Allowance for uncollectible pledges	(152,000)	(240,000)
Discount on pledges	(15,647)	(42,535)
Net pledges receivable	\$ 1,885,859	3,464,410

Conditional promises to give totaled approximately \$42,800,000 as of June 30, 2024 and \$39,600,000 as of June 30, 2023. These amounts consist of commitments contained in wills and insurance policies.

BALDWIN WALLACE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(10) Liquidity and Line of Credit

Operating assets available within one year of the financial position date for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital constructions costs not financed with debt, were as follows:

Operating assets at June 30, 2024	\$	17,550,784
Less those unavailable for general expenditure within one year:		
Student loans receivable (revolving funds)		(925,346)
Inventory		(1,745,210)
Prepaid expenses		(1,480,712)
Leases of property and equipment		(2,058,992)
Pledges due beyond one year		<u>(100,450)</u>
Operating assets available to meet cash needs for general expenditure within one year	\$	<u>11,240,074</u>

To manage liquidity, the University had a \$15,000,000 line of credit for operating funds that bore interest at BSBY plus 1.25 percent. Borrowings outstanding were \$15,000,000 as of June 30, 2024 and 2023. As discussed in Note 2, the University paid this loan in full subsequent to year end using funds obtained through endowment funds.

(11) Related Party Transactions

There are no significant related party transactions for the years ended June 30, 2024 and 2023.

(12) Subsequent Events

The University evaluated subsequent events applicable to the year ended June 30, 2024 through December 13, 2024, the date the consolidated financial statements are available to be issued.

Except for the matters described in Note 2(a), there are no subsequent events that require disclosure.

BALDWIN WALLACE UNIVERSITY

Supplementary Information

Years ended June 30, 2024, 2023, 2022, and 2021

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Enrollment, fall semester (unaudited):				
Full-time undergraduate	\$ 2,724	2,636	2,684	2,712
Part-time undergraduate	100	112	152	149
Graduate	503	482	496	539
Total	<u>3,327</u>	<u>3,230</u>	<u>3,332</u>	<u>3,400</u>
Full-time-equivalent enrollment (unaudited)	3,091	2,996	3,069	3,137
Residence hall occupancy, fall (unaudited)	1,392	1,327	1,376	1,330
New day students, fall semester (unaudited):				
Applied	4,559	4,436	4,446	4,070
Accepted	3,516	3,417	3,518	2,870
Admitted	828	737	827	766
Fees charged per full-time student (unaudited):				
Tuition	37,738	36,650	35,366	34,504
Residence hall room (double)	6,046	6,258	6,076	5,842
Campus card (dining halls, bookstore)	6,734	6,538	6,348	6,104
	<u>\$ 50,518</u>	<u>49,446</u>	<u>47,790</u>	<u>46,450</u>
In millions				
Tuition and fee revenue billed	\$ 111.5	103.8	102.6	101.7
Student financial aid grants:				
Funds without donor restrictions	51.1	47.3	46.2	42.7
Funds with donor restrictions	6.3	7.7	10.2	9.4
Total university grant aid	<u>57.4</u>	<u>55.0</u>	<u>56.4</u>	<u>52.1</u>
Government aid grants to students administered by the University:				
Pell and other federal	4.8	4.1	4.2	4.3
Ohio Opportunity and other state	3.1	2.2	2.1	2.2
Total grant aid administered	<u>7.9</u>	<u>6.3</u>	<u>6.3</u>	<u>6.5</u>
Total grant aid	<u>\$ 65.3</u>	<u>61.3</u>	<u>62.7</u>	<u>58.6</u>
Grant aid percentage of tuition and fees billed	59 %	59 %	61 %	58 %

BALDWIN WALLACE UNIVERSITY

Supplementary Information

Years ended June 30, 2024, 2023, 2022, and 2021

In millions	2024	2023	2022	2021
Activities summary:				
Tuition and fees	\$ 111.5	103.8	102.6	101.7
Less student financial aid grants	57.4	55.0	56.4	52.1
Net tuition and fees	54.1	48.8	46.2	49.6
Contributions	10.2	10.3	12.2	10.9
Government grants:				
Program and student financial aid	3.0	1.9	1.5	1.4
COVID relief	—	—	5.8	12.2
Endowment and similar investments:				
Income and gains distribution	8.7	8.3	8.8	7.7
Auxiliary enterprises:				
Residence and dining halls, bookstore, rental houses, vending	17.9	18.8	17.5	17.2
Other income	2.0	5.9	2.6	0.7
Totals	95.9	94.0	94.6	99.7
Expenses	117.9	112.8	103.6	96.3
Net revenue	(22.0)	(18.8)	(9.0)	3.4
Endowment and similar investment gains (losses) after distribution	14.9	7.4	(30.6)	39.0
Increase (decrease) in net assets	(7.1)	(11.4)	(39.6)	42.4
Net assets at the beginning of the year	307.1	317.2	356.8	314.4
Net contributions (distributions) from/to controlling interest	—	1.3	—	—
Net assets at the end of the year	\$ 300.0	307.1	317.2	356.8

See accompanying independent auditors' report.

