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# **University of Mount Union**

## **Independent Auditor's Report and Financial Statements**

June 30, 2023 and 2022

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# University of Mount Union

June 30, 2023 and 2022

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## Independent Auditor's Report

Board of Trustees  
University of Mount Union  
Alliance, Ohio

### ***Opinion***

We have audited the financial statements of University of Mount Union (University), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of University of Mount Union, as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

**FORVIS,LLP**

Fort Wayne, Indiana  
October 24, 2023

**University of Mount Union**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 24,728,337	\$ 28,336,287
Accounts receivable, net of allowance; 2023 - \$523,594, 2022 - \$545,987	2,101,549	1,950,195
Contributions receivable, net of allowance; 2023 - \$125,000, 2022 - \$150,000	652,653	992,806
Inventory and other assets	101,308	98,194
Loans receivable	684,715	946,407
Investments	145,893,495	133,644,776
Beneficial interest in perpetual trusts and charitable remainder trusts	6,123,532	5,693,013
Annuity and life income funds held in trust	4,740,320	5,100,669
Right of use assets - operating leases	845,911	-
Right of use assets - finance leases	106,492	-
Property and equipment, net	136,414,202	139,548,398
Total assets	\$ 322,392,514	\$ 316,310,745
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,222,340	\$ 1,123,040
Accrued expenses	2,785,156	3,454,013
Deposits and other	2,256,461	2,630,636
Annuities and trusts payable	923,625	1,295,746
Operating lease liabilities	845,911	-
Finance lease liabilities	118,396	-
Debt	14,472,543	16,175,160
Advances from Government for student loans	233,878	685,576
Total liabilities	22,858,310	25,364,171
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	127,976,655	140,245,322
Designated by the Board for specific purpose and endowment	14,717,507	6,516,530
	142,694,162	146,761,852
With donor restrictions		
Perpetual in nature	81,151,236	78,830,823
Purpose restriction	74,754,466	64,098,855
Time-restricted for future periods	934,340	1,255,044
	156,840,042	144,184,722
Total net assets	299,534,204	290,946,574
Total liabilities and net assets	\$ 322,392,514	\$ 316,310,745

**University of Mount Union**  
**Statement of Activities**  
**Year Ended June 30, 2023**

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, Income, and Other Support</b>			
Educational and general			
Student tuition and fees, net	\$ 35,791,486	\$ -	\$ 35,791,486
Gifts and private grants	3,344,133	1,369,368	4,713,501
Government grants	95,428	-	95,428
Investment return designated for operations	6,825,000	-	6,825,000
Change in value of split-interest agreements	-	798,143	798,143
Other income	1,469,232	-	1,469,232
Total educational and general revenue	<u>47,525,279</u>	<u>2,167,511</u>	<u>49,692,790</u>
Auxiliary enterprises	12,714,007	-	12,714,007
Net assets released from restrictions	146,431	(146,431)	-
Total revenue, income, and other support	<u>60,385,717</u>	<u>2,021,080</u>	<u>62,406,797</u>
<b>Expenses</b>			
Program services			
Instruction	25,033,307	-	25,033,307
Academic support	4,040,896	-	4,040,896
Student services	13,354,115	-	13,354,115
Auxiliary enterprises	9,746,483	-	9,746,483
Total program services	<u>52,174,801</u>	<u>-</u>	<u>52,174,801</u>
Institutional support	7,892,581	-	7,892,581
Fundraising	1,928,225	-	1,928,225
Total expenses	<u>61,995,607</u>	<u>-</u>	<u>61,995,607</u>
<b>Change in Net Assets Before Investment Return Less Amounts Designated for Operations and Other Items</b>	(1,609,890)	2,021,080	411,190
Investment return less amounts designated for operations	351,800	7,824,640	8,176,440
Interest paid on endowment loan	(268,280)	268,280	-
Reclassification	(2,840,685)	2,840,685	-
Net assets released from restriction for capital	<u>299,365</u>	<u>(299,365)</u>	<u>-</u>
<b>Change in Net Assets</b>	(4,067,690)	12,655,320	8,587,630
<b>Net Assets, Beginning of Year</b>	<u>146,761,852</u>	<u>144,184,722</u>	<u>290,946,574</u>
<b>Net Assets, End of Year</b>	<u>\$ 142,694,162</u>	<u>\$ 156,840,042</u>	<u>\$ 299,534,204</u>

**University of Mount Union**  
**Statement of Activities**  
**Year Ended June 30, 2022**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Income, and Other Support</b>			
Educational and general			
Student tuition and fees, net	\$ 35,734,644	\$ -	\$ 35,734,644
Gifts and private grants	2,515,505	3,954,757	6,470,262
Government grants	12,196,948	-	12,196,948
Investment return designated for operations	6,100,000	-	6,100,000
Change in value of split-interest agreements	-	(2,013,353)	(2,013,353)
Other income	1,006,835	-	1,006,835
Total educational and general revenue	<u>57,553,932</u>	<u>1,941,404</u>	<u>59,495,336</u>
Auxiliary enterprises	12,148,248	-	12,148,248
Net assets released from restrictions	156,943	(156,943)	-
Total revenue, income, and other support	<u>69,859,123</u>	<u>1,784,461</u>	<u>71,643,584</u>
<b>Expenses</b>			
Program services			
Instruction	24,872,191	-	24,872,191
Academic support	3,832,265	-	3,832,265
Student services	15,053,629	-	15,053,629
Auxiliary enterprises	8,027,455	-	8,027,455
Total program services	<u>51,785,540</u>	<u>-</u>	<u>51,785,540</u>
Institutional support	8,008,405	-	8,008,405
Fundraising	2,106,756	-	2,106,756
Total expenses	<u>61,900,701</u>	<u>-</u>	<u>61,900,701</u>
<b>Change in Net Assets Before Investment Return Less Amounts Designated for Operations and Other Items</b>	7,958,422	1,784,461	9,742,883
Investment return less amounts designated for operations	211,473	(23,663,985)	(23,452,512)
Net assets released from restriction for capital	<u>1,737,658</u>	<u>(1,737,658)</u>	<u>-</u>
<b>Change in Net Assets</b>	9,907,553	(23,617,182)	(13,709,629)
<b>Net Assets, Beginning of Year</b>	<u>136,854,299</u>	<u>167,801,904</u>	<u>304,656,203</u>
<b>Net Assets, End of Year</b>	<u>\$ 146,761,852</u>	<u>\$ 144,184,722</u>	<u>\$ 290,946,574</u>

**University of Mount Union**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2023 and 2022**

	<b>Program Services</b>				<b>Total Program</b>	<b>Institutional Support</b>	<b>Fundraising</b>	<b>Total</b>
	<b>Instruction</b>	<b>Academic Support</b>	<b>Student Services</b>	<b>Auxiliary Enterprises</b>				
<b>2023</b>								
Salaries and benefits	\$ 17,717,798	\$ 2,201,160	\$ 7,128,042	\$ 3,766,286	\$ 30,813,286	\$ 3,730,212	\$ 1,205,839	\$ 35,749,337
Supplies and equipment	1,339,657	1,131,191	1,037,064	2,606,683	6,114,595	466,717	116,112	6,697,424
Depreciation	2,824,805	324,810	933,213	1,625,928	5,708,756	222,692	29,932	5,961,380
Plant and maintenance	1,527,975	94,428	1,609,852	20,727	3,252,982	734,517	97,215	4,084,714
Utilities	633,678	87,345	514,383	898,904	2,134,310	580,773	80,007	2,795,090
Travel, meals, and lodging	610,951	159,049	1,384,793	13,720	2,168,513	382,792	215,415	2,766,720
Interest and fees	45,379	7,504	234,228	803,339	1,090,450	468,105	14,226	1,572,781
Professional fees	114,388	29,683	353,493	6,479	504,043	1,099,400	77,177	1,680,620
Marketing	218,676	5,726	159,047	4,417	387,866	207,373	92,302	687,541
	<u>\$ 25,033,307</u>	<u>\$ 4,040,896</u>	<u>\$ 13,354,115</u>	<u>\$ 9,746,483</u>	<u>\$ 52,174,801</u>	<u>\$ 7,892,581</u>	<u>\$ 1,928,225</u>	<u>\$ 61,995,607</u>

	<b>Program Services</b>				<b>Total Program</b>	<b>Institutional Support</b>	<b>Fundraising</b>	<b>Total</b>
	<b>Instruction</b>	<b>Academic Support</b>	<b>Student Services</b>	<b>Auxiliary Enterprises</b>				
<b>2022</b>								
Salaries and benefits	\$ 17,938,847	\$ 2,146,824	\$ 6,472,507	\$ 3,239,601	\$ 29,797,779	\$ 3,636,344	\$ 1,443,293	\$ 34,877,416
Supplies and equipment	1,318,488	1,027,048	890,360	1,379,975	4,615,871	994,005	138,404	5,748,280
Depreciation	2,743,304	315,438	906,289	1,579,017	5,544,048	218,316	27,019	5,789,383
Plant and maintenance	1,447,377	91,306	1,478,279	68,472	3,085,434	678,316	83,754	3,847,504
Utilities	646,502	77,018	520,220	921,654	2,165,394	612,210	77,846	2,855,450
Travel, meals, and lodging	348,268	140,203	1,149,755	20,524	1,658,750	381,270	193,303	2,233,323
Interest and fees	57,122	8,859	276,794	812,004	1,154,779	426,333	14,752	1,595,864
Professional fees	223,798	18,756	320,018	4,287	566,859	846,725	69,798	1,483,382
Student relief	-	-	2,873,761	-	2,873,761	-	-	2,873,761
Marketing	148,485	6,813	165,646	1,921	322,865	214,886	58,587	596,338
	<u>\$ 24,872,191</u>	<u>\$ 3,832,265</u>	<u>\$ 15,053,629</u>	<u>\$ 8,027,455</u>	<u>\$ 51,785,540</u>	<u>\$ 8,008,405</u>	<u>\$ 2,106,756</u>	<u>\$ 61,900,701</u>



**University of Mount Union**  
**Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating Activities</b>		
Change in net assets	\$ 8,587,630	\$ (13,709,629)
Items not requiring (providing) operating activities cash flows		
Realized and unrealized (gains) losses on investments	(11,516,352)	22,975,689
Loss on sale of property and equipment	25,046	4,407
Depreciation	5,961,380	5,789,383
Amortization expense	161,252	39,261
Noncash operating lease expense	133,452	-
Provision (credit) for bad debts	170,586	(2,484)
Contributions received restricted for long-term investment	(1,610,295)	(3,049,716)
Contributions received restricted for acquisition of long-lived assets	(766,065)	(1,895,132)
Changes in		
Accounts, loans and contributions receivable	279,905	860,991
Inventory and other assets	(3,114)	124,578
Accounts payable and accrued expenses	(609,400)	(647,465)
Annuities and trusts payable	(372,121)	(81,860)
Annuity and life income funds held in trust and beneficial interests in perpetual trusts and charitable remainder trusts	(70,170)	2,153,864
Deposits and other	(374,175)	221,273
Operating lease liabilities	(133,452)	-
Advances from government for student loans	(451,698)	(654,127)
Net cash (used in) provided by operating activities	<u>(587,591)</u>	<u>12,129,033</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(2,607,251)	(4,188,356)
Purchase of investments	(34,292,105)	(44,345,246)
Proceeds from sales of investments	33,559,738	38,468,529
Net cash used in investing activities	<u>(3,339,618)</u>	<u>(10,065,073)</u>
<b>Financing Activities</b>		
Payments on bonds and notes payable	(1,729,531)	(1,745,220)
Principal payments on finance lease liabilities	(122,434)	-
Payments on line of credit	-	(1,681,967)
Contributions received restricted for long-term investment	1,610,295	3,049,716
Contributions received restricted for acquisition of long-lived assets	766,065	1,895,132
Net cash provided by financing activities	<u>524,395</u>	<u>1,517,661</u>
<b>(Decrease) Increase in Cash and Cash Equivalents</b>	(3,402,814)	3,581,621
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>28,336,287</u>	<u>24,754,666</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 24,933,473</u>	<u>\$ 28,336,287</u>
<b>Supplemental Cash Flows Information</b>		
Fixed assets in accounts payable	\$ 203,790	\$ 163,947
Cash paid for interest	463,421	543,557
ROU assets obtained in exchange for operating lease liabilities upon adoption of ASC 842	1,220,193	-

**University of Mount Union**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

University of Mount Union (University) is a private tax-exempt, nonprofit educational institution located in Alliance, Ohio. The University is an institution of higher education that offers undergraduate and graduate programs designed to meet the needs of the student body. The University's primary source of revenue is from tuition and auxiliary services from students.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

For purposes of reporting cash flows, the University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023 and 2022, cash equivalents consisted primarily of repurchase agreements.

Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are not considered to be cash and cash equivalents.

At June 30, 2023, the University's cash accounts exceeded federally insured limits by approximately \$22,000,000.

***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at fair value. Investment return includes dividend, interest, and other investment income, and realized and unrealized gains and losses on investments carried at fair value.

# University of Mount Union

## Notes to Financial Statements

### June 30, 2023 and 2022

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as net assets with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

#### ***Accounts and Loans Receivable***

Accounts receivable are stated at the amount of consideration from students of which the University has an unconditional right to receive. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Tuition is generally due at the beginning of the semester unless the student has signed a payment plan. Accounts that are unpaid after the due date bear interest at 1% per month. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Loans receivable consist primarily of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amount, net of an allowance for doubtful loans. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful loans which is based upon a review of outstanding loans, historical collection information, and existing conditions. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

#### ***Property and Equipment***

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The University provides for depreciation on the straight-line method at rates designed to depreciate the cost of assets over estimated useful lives as follows:

	<u>Years</u>
Buildings	50
Equipment and vehicles	3 - 15
Land improvements	15
Software	5

# University of Mount Union

## Notes to Financial Statements

### June 30, 2023 and 2022

#### ***Long-lived Asset Impairment***

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2023 and 2022.

#### ***Right-of-Use (ROU) Assets and Lease Liabilities***

The University determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The University determines lease classification as operating or finance at the lease commencement date.

The University combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings and employee vehicles.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent and lease incentives. The University has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the University is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The University has elected not to record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

#### ***Net Assets***

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**University of Mount Union**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Contributions**

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the University overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

**Inventory Pricing**

Inventories consist of books and supplies and are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

# University of Mount Union

## Notes to Financial Statements

### June 30, 2023 and 2022

#### **Government Grants**

Support funded by grants is recognized as the University meets the conditions prescribed by the grant agreement, performs the contracted services, or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

#### **Unamortized Financing Costs**

Financing costs and any associated premium related to the University's long-term debt is amortized over the term of the related debt.

#### **Income Taxes**

The University is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University files tax returns in the U.S. federal jurisdiction.

#### **Functional Allocation of Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classifications detail of expenses by function. Certain costs have been allocated among the educational activities, institutional support and fundraising categories based on time and effort.

#### **Self-Insurance**

The University has elected to self-insure certain costs related to employee health insurance. Costs resulting from noninsured losses are charged to expense when incurred. The University has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to approximately \$3,670,000.

#### **Note 2: Change in Accounting Principle**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

# University of Mount Union

## Notes to Financial Statements

### June 30, 2023 and 2022

The University adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The University elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The University has lease agreements with nonlease components that relate to the lease components. The University elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all leases. The University elected to keep short-term leases with an initial term of 12 months or less off the statements of financial position. The University did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$1,220,193, while the accounting for capital leases (now referred to as finance leases) remained substantially unchanged. The standard did not significantly affect the University's statements of activities or cash flows.

**University of Mount Union**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 3: Investments and Investment Return**

Investments at June 30 consisted of the following:

	<b>2023</b>		<b>2022</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Money market funds	\$ 9,096,178	\$ 9,096,178	\$ 5,761,819	\$ 5,761,819
U.S. Treasury securities and Government agency bonds	2,112,693	1,801,748	2,207,877	1,993,287
Corporate debt securities	6,235,598	6,299,045	9,356,797	9,200,729
Mortgage-backed securities, GSEs	326,839	288,391	260,749	235,449
Municipal bonds	266,137	250,285	167,370	157,831
Mutual funds				
Domestic equity mutual funds	54,354,774	63,974,044	31,766,662	27,750,341
Fixed income mutual funds	16,414,725	14,037,881	17,401,469	15,280,806
International and emerging market mutual funds	-	-	19,486,944	26,213,033
Alternative funds	9,540,893	10,269,759	9,416,366	9,850,023
Common stocks				
Industrials	1,698,163	2,878,358	1,578,604	2,362,303
Consumer discretionary	664,340	1,861,032	528,558	1,406,668
Consumer staples	986,831	1,230,222	1,006,664	1,212,859
Energy	915,441	1,565,563	719,659	1,196,904
Financial	2,508,583	4,023,597	2,235,881	3,435,289
Materials	993,442	1,204,648	1,262,636	1,330,046
Information technology	2,355,164	5,543,502	3,185,849	5,011,503
Health care	3,006,798	4,163,208	3,068,617	4,109,449
Other	1,525,548	3,172,250	1,760,490	2,957,411
Alternative investments				
Hedge funds	6,831,435	11,133,784	6,435,280	11,179,026
Investment in real estate	1,403,369	3,100,000	1,403,369	3,000,000
	<u>\$ 121,236,951</u>	<u>\$ 145,893,495</u>	<u>\$ 119,011,660</u>	<u>\$ 133,644,776</u>



**University of Mount Union**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

Investments were held for the following purposes at June 30:

	<b>2023</b>		<b>2022</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Endowment	\$ 121,170,935	\$ 145,793,115	\$ 118,951,331	\$ 133,580,167
Other	66,016	100,380	60,329	64,609
	<u>\$ 121,236,951</u>	<u>\$ 145,893,495</u>	<u>\$ 119,011,660</u>	<u>\$ 133,644,776</u>

**Alternative Investments**

The fair value of alternative investments has been estimated using the net asset value per share of the investments. Alternative investments held at June 30 consist of the following:

	<b>June 30, 2023</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Multi-strategy hedge funds (A)	\$ 11,133,784	None	Quarterly	65 - 90 days

	<b>June 30, 2022</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Multi-strategy hedge funds (A)	\$ 11,179,026	None	Quarterly	65 - 90 days

- (A) This category includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes investments in various private investment funds that employ various long/short, macro, and absolute return strategies.

Total investment return is comprised of the following:

	<b>2023</b>	<b>2022</b>
Interest and dividend income	\$ 3,485,088	\$ 5,623,177
Net realized gains on investments reported at fair value	1,491,759	3,009,264
Net unrealized gains (losses) on investments reported at fair value	<u>10,024,593</u>	<u>(25,984,953)</u>
	<u>\$ 15,001,440</u>	<u>\$ (17,352,512)</u>

**University of Mount Union**  
**Notes to Financial Statements**  
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Total investment return (loss) is reflected in the statements of activities as follows:

	<u>2023</u>	<u>2022</u>
Operating income	\$ 6,825,000	\$ 6,100,000
Other nonoperating income (loss)	<u>8,176,440</u>	<u>(23,452,512)</u>
	<u>\$ 15,001,440</u>	<u>\$ (17,352,512)</u>

**Note 4: Contributions Receivable**

Contributions receivable at June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 408,620	\$ 107,847
Due in one to five years	<u>416,166</u>	<u>1,091,965</u>
	824,786	1,199,812
Less		
Allowance for uncollectible contributions	(125,000)	(150,000)
Unamortized discount (2.00%)	<u>(47,133)</u>	<u>(57,006)</u>
	<u>\$ 652,653</u>	<u>\$ 992,806</u>

**Note 5: Beneficial Interest in Perpetual Trusts and Remainder Trusts**

The University is the beneficiary under perpetual trusts administered by outside parties. Under the terms of the trusts, the University has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$5,882,581 and \$5,465,869, which represents the fair value of the trust assets at June 30, 2023 and 2022, respectively.

The University is also the beneficiary under charitable remainder trusts administered by outside parties. Under the terms of the trusts, the University has the irrevocable right to receive a remainderment of trust assets at a future date. The present value of the expected future cash flows is \$240,951 and \$227,144 at June 30, 2023 and 2022, respectively. The discount rates used to calculate the present value were 4% to 6%.

**University of Mount Union**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 6: Property and Equipment**

Property and equipment at June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 26,149,904	\$ 25,778,626
Buildings	202,332,676	201,659,743
Equipment, vehicles, and software	22,718,926	22,244,232
Construction in progress	<u>959,972</u>	<u>62,699</u>
	252,161,478	249,745,300
Less accumulated depreciation and amortization	<u>(115,747,276)</u>	<u>(110,196,902)</u>
	<u>\$ 136,414,202</u>	<u>\$ 139,548,398</u>

**Note 7: Line of Credit**

The University has a \$5,000,000 revolving bank line of credit, expiring January 15, 2024. There was no amount outstanding on the line of credit at June 30, 2023 and 2022. Interest previously varied with LIBOR (London Interbank Offering Rate), but was amended in October 2022 to replace LIBOR with SOFR. Interest is payable monthly. The interest rate was 6.66% and 2.95% at June 30, 2023 and 2022, respectively.

**Note 8: Debt**

	<u>2023</u>	<u>2022</u>
2017 Series Ohio Higher Educational Facility Revenue Bonds at 3.0% to 4.25%, payable in quarterly installments ranging from \$129,748 to \$496,346, with final payment due October 2031. Unamortized bond issuance costs were \$86,424 and \$98,770 at June 30, 2023 and 2022, respectively.	\$ 7,686,856	\$ 8,442,614
2020 Series Ohio Higher Educational Facility Revenue Bonds bearing interest at 2.52% until the adjustment date of June 15, 2030, payable in quarterly installments ranging from \$114,419 to \$328,029, with final payment due December 2035. Unamortized bond issuance costs were \$174,808 and \$189,376 at June 30, 2023 and 2022, respectively.	7,046,919	7,520,692
Note payable, unsecured, interest rate of 1.40% plus the one month LIBOR rate, payable in monthly installments of \$20,833 beginning on July 18, 2014, with final payment made in 2023.	-	500,000
	<u>14,733,775</u>	<u>16,463,306</u>
Less: Unamortized bond issuance costs	<u>(261,232)</u>	<u>(288,146)</u>
	<u>\$ 14,472,543</u>	<u>\$ 16,175,160</u>

**University of Mount Union**  
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In connection with the issuance of 2020 and 2017 series of tax-exempt bonds by the state for the benefit of the University, the University has leased to the state, and the state has subleased to the University, the related buildings, land, and equipment. The University does not receive rental payments under its leases to the state and is required only to make rental payments to the state at times and in amounts sufficient to pay principal and interest on the outstanding tax-exempt bonds under its leases from the state. The lease agreements expire upon repayment of all indebtedness secured by the leases.

Aggregate annual maturities of debt at June 30, 2023, are:

2024		\$ 1,264,228
2025		1,301,147
2026		1,338,525
2027		1,376,984
2028		1,416,222
Thereafter		8,036,669
		\$ 14,733,775

The debt agreements contain certain financial covenants. As of June 30, 2023 and 2022, the University is not aware of any violations of these covenants.

The University charged \$474,937 and \$535,133, to interest expense for the years ended June 30, 2023 and 2022, respectively.

**Note 9: Leases**

***Nature of Leases***

The University has entered into the following lease arrangements:

***Operating Leases***

These leases consist of office space and equipment that expire in various years through December 2029. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

***Finance Leases***

These leases consist of office equipment that expire in various years through July 2024. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

***All Leases***

The University has no material related-party leases. The University's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**University of Mount Union**  
**Notes to Financial Statements**  
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**Quantitative Disclosures**

The lease cost and other required information for the year ended June 30, 2023, is

	<b>2023</b>
Lease cost	
Finance lease cost	
Amortization of right-of-use asset	\$ 104,568
Interest on lease liabilities	5,189
Operating lease cost	133,452
Total lease cost	\$ 243,209

	<b>2023</b>
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 133,452
Operating cash flows from finance leases	5,189
Financing cash flows from finance leases	118,367
Weighted-average remaining lease term	
Operating leases	6.1 years
Finance leases	1.0 years
Weighted-average discount rate	
Operating leases	3.00%
Finance leases	2.87%

Future minimum lease payments for operating and finance leases and reconciliation to the statement of financial position at June 30, 2023:

	<b>Finance Leases</b>	<b>Operating Leases</b>
2024	\$ 124,147	\$ 164,106
2025	2,060	164,106
2026	-	164,106
2027	-	131,400
2028	-	126,900
Thereafter	-	190,350
Total future undiscounted lease payments	126,207	940,968
Less interest	(7,811)	(95,057)
Lease liabilities	\$ 118,396	\$ 845,911

# University of Mount Union

## Notes to Financial Statements

### June 30, 2023 and 2022

#### **Note 10: Annuities and Trusts Payable**

The University has been the recipient of several gift annuities, which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The University has recorded a liability at June 30, 2023 and 2022, of \$179,651 and \$248,389, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from 2% to 8%.

The University administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the University's use. The portion of the trust attributable to the future interest of the University is recorded in the statements of activities as restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the University's statements of financial position. On an annual basis, the University revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using discount rates of 2% to 8% and applicable mortality tables. The University has recorded a liability at June 30, 2023 and 2022, of \$743,974 and \$1,047,357, respectively.

#### **Note 11: Internal Borrowings**

During 2010, borrowings within the University were made from the endowment fund for capital projects. The borrowings from the endowment fund totaled \$4,534,844 and \$6,967,451 at June 30, 2023 and 2022, respectively. The loan is being used for renovations to the Engineering and Business Building, and the Wellness Center. This loan is being amortized over 25 years, bears interest monthly at SOFR (previously LIBOR) plus 1.4%, and will be repaid from unrestricted operations.

**University of Mount Union**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 12: Net Assets With Donor Restriction**

Net assets with donor restrictions at June 30, 2023 and 2022, are restricted for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
Unexpended property and equipment funds	\$ 64,386	\$ 244,861
Other purposes of the University	477,246	574,766
	<u>541,632</u>	<u>819,627</u>
Subject to the passage of time		
Trusts and gift annuities	934,340	1,255,044
Endowments		
Subject to appropriation and expenditure when a specified event occurs	74,212,834	63,279,228
Subject to endowment spending policy and appropriation		
Scholarships and operations	72,051,848	70,494,430
Annuity, life income and charitable remainder and perpetual trusts	9,099,388	8,336,393
	<u>81,151,236</u>	<u>78,830,823</u>
Total endowments	<u>155,364,070</u>	<u>142,110,051</u>
Total net assets with donor restrictions	<u>\$ 156,840,042</u>	<u>\$ 144,184,722</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

	<u>2023</u>	<u>2022</u>
Purpose restrictions accomplished		
Educational program expenses	\$ 34,319	\$ 47,894
Other	112,112	109,049
Property and equipment acquired and placed into service	299,365	1,737,658
	<u>\$ 445,796</u>	<u>\$ 1,894,601</u>

**Note 13: Endowment**

The University's endowment consists of approximately 500 individual funds established for a variety of purposes. The endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# University of Mount Union

## Notes to Financial Statements

### June 30, 2023 and 2022

The University's governing body has interpreted the State of Ohio Uniform Prudent Management of Institutional Funds Act (Ohio UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by Ohio UPMIFA. In accordance with Ohio UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

The endowment assets are comprised of investments, beneficial interests, assets held in trust and the internal loan. The composition of net assets by type of endowment fund at June 30, 2023 and 2022, was:

	<b>2023</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Board-designated endowment funds	\$ 4,484,703	\$ -	\$ 4,484,703
Donor-restricted endowment funds	-	155,364,070	155,364,070
Total endowment funds	\$ 4,484,703	\$ 155,364,070	\$ 159,848,773

	<b>2022</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Board-designated endowment funds	\$ 1,545,715	\$ -	\$ 1,545,715
Donor-restricted endowment funds	-	142,110,051	142,110,051
Total endowment funds	\$ 1,545,715	\$ 142,110,051	\$ 143,655,766



**University of Mount Union**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

Changes in endowment net assets for the years ended June 30, 2023 and 2022, were:

	<b>2023</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 1,545,715	\$ 142,110,051	\$ 143,655,766
Investment return			
Investment income	3,266,953	-	3,266,953
Net appreciation	3,644,035	7,824,640	11,468,675
Total investment return	6,910,988	7,824,640	14,735,628
Change in value of split-interest agreements	-	750,917	750,917
Contributions	-	1,569,497	1,569,497
Transfer	2,853,000	(2,853,000)	-
Reclassification	-	5,693,685	5,693,685
Payment of endowment loan interest	-	268,280	268,280
Appropriation of endowment assets for expenditure	(6,825,000)	-	(6,825,000)
Endowment net assets, end of year	<u>\$ 4,484,703</u>	<u>\$ 155,364,070</u>	<u>\$ 159,848,773</u>
	<b>2022</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 1,821,159	\$ 164,953,719	\$ 166,774,878
Investment return			
Investment income	5,618,458	-	5,618,458
Net appreciation (depreciation)	206,098	(23,663,985)	(23,457,887)
Total investment return (loss)	5,824,556	(23,663,985)	(17,839,429)
Change in value of split-interest agreements	-	(1,827,986)	(1,827,986)
Contributions	-	2,648,303	2,648,303
Appropriation of endowment assets for expenditure	(6,100,000)	-	(6,100,000)
Endowment net assets, end of year	<u>\$ 1,545,715</u>	<u>\$ 142,110,051</u>	<u>\$ 143,655,766</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or Ohio UPMIFA. At June 30, 2023 and 2022, funds with original gift values of \$907,074 and \$3,283,523, fair values of \$880,613 and \$3,074,088, and deficiencies of \$26,461 and \$209,435, respectively, were reported in net assets with donor restrictions. These deficiencies primarily resulted from unfavorable market fluctuations that occurred after investment of restricted contributions, as well as continued appropriation for certain purposes that was deemed prudent by the governing body.

# University of Mount Union

## Notes to Financial Statements

### June 30, 2023 and 2022

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods. Under the University's policies, endowment assets are invested in a manner that is intended to produce results that shall exceed the Consumer Price Index plus 5% over a five-year moving period without undue exposure to investment risk. The University expects its endowment funds to provide an average rate of return of approximately 8% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has a policy (the spending policy) of appropriating for expenditure each year up to 5%, with Board approval, of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which expenditure is planned. The spending rate for fiscal year ending June 30, 2023, was 4.40%. The administration may request spending up to the 5% level annually based on market conditions that must be approved by the Board of Trustees. In establishing this policy, the University considered the long-term expected return on its endowment and inflationary trends. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the University's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

#### **Note 14: Related Party Transactions**

The University currently maintains investments and trust asset accounts with institutions that also have representatives serving on the Board of Trustees of the University. Total investments and trust assets held with these institutions amount to approximately \$21,300,000 and \$19,100,000 as of June 30, 2023 and 2022, respectively. The fees paid to related parties, inclusive of investment, insurance, and other fees for services performed by these parties amounted to approximately \$23,170 and \$15,500 for 2023 and 2022, respectively.

#### **Note 15: Pension and Other Postretirement Benefit Plans**

The University maintains a 403(b) defined-contribution plan covering substantially all employees. The board of trustees annually determines the amount, if any, of the University's contributions to the plan. Pension expense was approximately \$2,196,000 and \$2,209,000 for 2023 and 2022, respectively.

**University of Mount Union**  
**Notes to Financial Statements**  
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The University has a noncontributory defined benefit postretirement health care plan covering all employees who meet the eligibility requirements. The University's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the University may determine to be appropriate from time to time. The University expects to contribute \$102,000 to the plan in 2024.

The University uses a June 30 measurement date for the plan. Information about the plan's funded status and pension cost follows:

	<b>Other Benefits</b>	
	<b>2023</b>	<b>2022</b>
Change in benefit obligation		
Beginning of year	\$ (1,320,605)	\$ (1,673,106)
Service cost	(21,825)	(32,430)
Interest cost	(56,155)	(43,931)
Actuarial gain	295,925	367,062
Participant contributions	(101,006)	(100,477)
Benefit payments	161,456	162,277
End of year	<u>(1,042,210)</u>	<u>(1,320,605)</u>
Funded status at end of year	<u>\$ (1,042,210)</u>	<u>\$ (1,320,605)</u>

Liabilities recognized in accrued expenses in the statements of financial position:

	<b>Other Benefits</b>	
	<b>2023</b>	<b>2022</b>
Accrued benefit liability	<u>\$ (1,042,210)</u>	<u>\$ (1,320,605)</u>

Amounts recognized in net assets without donor restrictions not yet recognized as components of net periodic benefit cost consist of:

	<b>Other Benefits</b>	
	<b>2023</b>	<b>2022</b>
Net (gain) loss	\$ (72,403)	\$ 229,157
Prior service credit	<u>(300,130)</u>	<u>(331,590)</u>
	<u>\$ (372,533)</u>	<u>\$ (102,433)</u>

**University of Mount Union**  
**Notes to Financial Statements**  
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Other significant balances and costs as of June 30 are:

	<b>Other Benefits</b>	
	<b>2023</b>	<b>2022</b>
Benefit costs	\$ 52,155	\$ 71,328
Employer contributions	60,450	61,800
Benefits paid	161,456	162,277

Components of net periodic benefit cost are:

	<b>Other Benefits</b>	
	<b>2023</b>	<b>2022</b>
Service cost	\$ 21,825	\$ 32,430
Interest cost	56,155	43,931
Amortization of prior service credit	(31,460)	(31,460)
Recognized net actuarial loss	5,635	26,427
	<u>\$ 52,155</u>	<u>\$ 71,328</u>

The estimated net loss for the other defined benefit postretirement plan that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next fiscal year is \$0.

Weighted-average assumptions used to determine benefit obligations:

	<b>Other Benefits</b>	
	<b>2023</b>	<b>2022</b>
Discount rate	5.00%	4.50%
Rate of compensation increase	N/A	N/A
Health care cost trend	5.50%	6.00%

Weighted-average assumptions used to determine benefit costs:

	<b>Other Benefits</b>	
	<b>2023</b>	<b>2022</b>
Discount rate	4.500%	2.75%
Rate of compensation increase	N/A	N/A
Health care cost trend	5.50%	6.00%

For measurement purposes, a 5.50% and 6.50% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2023 and 2022, respectively.

# University of Mount Union

## Notes to Financial Statements

### June 30, 2023 and 2022

On December 8, 2003, the *Medicare Prescription Drug, Improvement and Modernization Act of 2003* (Act) was signed into law. The Act introduces a prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide benefits at least actuarially equivalent to Medicare Part D. The University has determined that this benefit has no effect on the measurement of plan benefit obligations and periodic benefit costs.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2023:

	<b>Other Benefits</b>
2024	\$ 101,860
2025	94,515
2026	70,522
2027	69,768
2028	69,395
2029 - 2033	339,459

#### **Note 16: Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1**    Quoted prices in active markets for identical assets or liabilities
- Level 2**    Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3**    Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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**Recurring Measurements**

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022:

	<b>2023</b>			
	<b>Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Investments</b>				
Money market funds	\$ 9,096,178	\$ 9,096,178	\$ -	\$ -
U.S. Treasury securities and government agency bonds	1,801,748	1,482,792	318,956	-
Corporate debt securities	6,299,045	-	6,299,045	-
Mortgage-backed securities, GSEs	288,391	-	288,391	-
Municipal bonds	250,285	-	250,285	-
Mutual funds				
Equity	63,974,044	63,974,044	-	-
Fixed income	14,037,881	14,037,881	-	-
Alternative funds	10,269,759	10,269,759	-	-
Common stocks				
Industrials	2,878,358	2,878,358	-	-
Consumer discretionary	1,861,032	1,861,032	-	-
Consumer staples	1,230,222	1,230,222	-	-
Energy	1,565,563	1,565,563	-	-
Financial	4,023,597	4,023,597	-	-
Materials	1,204,648	1,204,648	-	-
Information technology	5,543,502	5,543,502	-	-
Health care	4,163,208	4,163,208	-	-
Other	3,172,250	3,172,250	-	-
Alternative investments				
Hedge funds (A)	11,133,784	-	-	-
Investment in real estate	3,100,000	-	-	3,100,000
Total investments	<u>145,893,495</u>	<u>124,503,034</u>	<u>7,156,677</u>	<u>3,100,000</u>
<b>Annuity and Life Income Funds Held in Trust</b>				
Corporate debt securities	856,101	-	856,101	-
Money market funds	3,204	3,204	-	-
Value, growth and blended fixed income	3,881,015	3,881,015	-	-
Total annuities	<u>4,740,320</u>	<u>3,884,219</u>	<u>856,101</u>	<u>-</u>
<b>Beneficial Interest in Perpetual Trusts</b>	5,882,581	-	-	5,882,581
<b>Beneficial Interest in Charitable Remainder Trusts</b>	240,951	-	-	240,951

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	2022			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments</b>				
Money market funds	\$ 5,761,819	\$ 5,761,819	\$ -	\$ -
U.S. Treasury securities and government agency bonds	1,993,287	1,650,020	343,267	-
Corporate debt securities	9,200,729	-	9,200,729	-
Mortgage-backed securities, GSEs	235,449	-	235,449	-
Municipal bonds	157,831	-	157,831	-
Mutual funds				
Equity	27,750,341	27,750,341	-	-
Fixed income	15,280,806	15,280,806	-	-
International	26,213,033	26,213,033	-	-
Alternative funds	9,850,023	9,850,023	-	-
Common stocks				
Industrials	2,362,303	2,362,303	-	-
Consumer discretionary	1,406,668	1,406,668	-	-
Consumer staples	1,212,859	1,212,859	-	-
Energy	1,196,904	1,196,904	-	-
Financial	3,435,289	3,435,289	-	-
Materials	1,330,046	1,330,046	-	-
Information technology	5,011,503	5,011,503	-	-
Health care	4,109,449	4,109,449	-	-
Other	2,957,411	2,957,411	-	-
Alternative investments				
Hedge funds (A)	11,179,026	-	-	-
Investment in real estate	3,000,000	-	-	3,000,000
Total investments	<u>133,644,776</u>	<u>109,528,474</u>	<u>9,937,276</u>	<u>3,000,000</u>
<b>Annuity and Life Income Funds Held in Trust</b>				
Corporate debt securities	989,450	-	989,450	-
Money market funds	3,101	3,101	-	-
Value, growth and blended fixed income	4,108,118	4,108,118	-	-
Total annuities	<u>5,100,669</u>	<u>4,111,219</u>	<u>989,450</u>	<u>-</u>
<b>Beneficial Interest in Perpetual Trusts</b>	5,465,869	-	-	5,465,869
<b>Beneficial Interest in Charitable Remainder Trusts</b>	227,144	-	-	227,144

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

# University of Mount Union

## Notes to Financial Statements

### June 30, 2023 and 2022

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2023. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below. The University has no assets or liabilities measured at fair value on a nonrecurring basis.

#### ***Investments and Annuity and Life Income Funds Held in Trust***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

#### ***Beneficial Interest in Perpetual Trusts***

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement, which approximates the fair value of the underlying assets of the trusts. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

#### ***Beneficial Interest in Charitable Remainder Trusts***

Fair value is estimated at the present value of the future assets expected to be received from the trusts upon dissolution. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.



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**Level 3 Reconciliation**

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	<b>Beneficial Interest in Perpetual Trusts</b>	<b>Beneficial Interest in Charitable Remainder Trusts</b>	<b>Investment in Real Estate</b>
Balance, July 1, 2021	\$ 6,762,673	\$ 230,037	\$ 2,700,000
Total realized and unrealized gains (losses) included in change in net assets	(1,296,804)	(2,893)	300,000
Balance, June 30, 2022	5,465,869	227,144	3,000,000
Total realized and unrealized gains included in change in net assets	416,712	13,807	100,000
Balance, June 30, 2023	<u>\$ 5,882,581</u>	<u>\$ 240,951</u>	<u>\$ 3,100,000</u>
Total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains related to assets and liabilities still held at the reporting date			
June 30, 2023	<u>\$ 416,712</u>	<u>\$ 13,807</u>	<u>\$ 100,000</u>
June 30, 2022	<u>\$ (1,296,804)</u>	<u>\$ (2,893)</u>	<u>\$ 300,000</u>

The unrealized gains (losses) for the perpetual trusts and charitable remainder trusts are included in revenue, gains, and other support.

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***Unobservable (Level 3) Inputs***

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements:

	<b>Fair Value at June 30, 2023</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range</b>
Beneficial interest in perpetual trusts	\$ 5,882,581	Discounted cash flows	Discount rates Market return rates	3% - 7%
Beneficial interest in charitable remainder trusts	240,951	Discounted cash flows	Mortality assumptions Market return rates	4% - 8%
Investment in real estate	3,100,000	Discounted cash flows	Discount rates Market comparables	3% - 10%

	<b>Fair Value at June 30, 2022</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range</b>
Beneficial interest in perpetual trusts	\$ 5,465,869	Discounted cash flows	Discount rates Market return rates	3% - 7%
Beneficial interest in charitable remainder trusts	227,144	Discounted cash flows	Mortality assumptions Market return rates	4% - 8%
Investment in real estate	3,000,000	Discounted cash flows	Discount rates Market comparables	3% - 10%

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**Note 17: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 23,946,518	\$ 28,336,287
Accounts receivable, net of allowance	2,101,549	1,950,195
Contributions receivable	138,620	107,847
Investments	7,500,000	6,750,000
Beneficial interest in perpetual trust and charitable remainder trusts	135,430	150,340
	\$ 33,822,117	\$ 37,294,669

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities, as well as the conduct of service undertaken to support those activities, to be general expenditures.

The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit (Note 7). At June 30, 2023, the University has \$67,832,537 of accumulated earnings on endowment net assets, while not expected to be needed, represent the spendable yet restricted portion of the University's donor-restricted endowment that could be used to meet cash needs, if necessary. Student loan receivables are not considered to be available to meet general expenditures because principal and interest payments on these loans are used solely to make new loans.

In addition to financial assets available to meet general expenditures within one year, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

**Note 18: Revenue from Contracts with Students**

***Tuition and Auxiliary Services Revenue***

Revenue from contracts with students for tuition, residential services, bookstore, and meal plan services is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and housing, food, and other services. These amounts are due from students, third-party payers, and others and are net of scholarships and institutional aid of \$34,262,367 and \$32,882,092 for the years ended June 30, 2023 and 2022, respectively.

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## Notes to Financial Statements

### June 30, 2023 and 2022

Revenue is recognized as performance obligations are satisfied, which is primarily ratably over the academic term with the exception of certain meal plans, bookstore fees, and other miscellaneous fees that are recognized at a point in time. Generally, the University bills students prior to the beginning of the semester, and student accounts receivable are due in full before classes begin.

If a student withdraws within the first week of the beginning of the academic term, the student is entitled to a full refund. If a student withdraws during the second week of the academic term, the student is entitled to a 75% refund. If a student withdraws during the third week of the academic term, the student is entitled to a 50% refund. If a student withdraws during the fourth week of the academic term, the student is entitled to a 25% refund. No refunds are awarded after the end of the fourth week of the academic term. The University determines the refund liability at year-end based on actual experience subsequent to year-end.

Tuition, residential services, and meal plan services revenue are considered to be separate performance obligations. The University allocates the fees charged to students to tuition and housing, food, and other services based on standalone charges to students for tuition and those other services.

#### ***Transaction Price and Recognition***

The University determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid in accordance with the University's policies for granting certain merit-based aid. The University determines its estimates of explicit price concessions based on its discount policies and merit awards.

From time to time the University will incur student credit balances and student deposits which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2023 and 2022, the University has a liability for refunds or deposits from students recorded of \$337,915 and \$379,141, respectively.

The University has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payers (for example, students' governmental programs and others) that have different reimbursement and payment methodologies
- Demographic and enrollment trends
- Institutional aid and federal and state aid programs

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***Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations***

Because all of its performance obligations relate to contracts with a duration of less than one year, the University has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing instruction to students. The performance obligations for these contracts are generally completed when the academic term is completed.

The University expects to recognize revenue of \$1,477,113 of tuition revenue in fiscal 2024 when the summer 2023 academic term is completed.

***Disaggregation of Revenue***

The composition of revenues by segment for the years ended June 30, 2023 and 2022, is as follows:

	<b>2023</b>	<b>2022</b>
Net tuition and fees	\$ 35,791,486	\$ 35,734,644
Room	7,704,144	7,629,366
Board	4,719,982	4,371,462
Other	289,881	147,420
	<u>\$ 48,505,493</u>	<u>\$ 47,882,892</u>

The composition of revenue based on timing of revenue recognition for the years ended June 30, 2023 and 2022, are as follows:

	<b>2023</b>	<b>2022</b>
Services transferred over time	\$ 43,495,630	\$ 43,364,010
Sales at point in time	5,009,863	4,518,882
	<u>\$ 48,505,493</u>	<u>\$ 47,882,892</u>

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**Contract Balances**

The following table provides information about the University's receivables and contract liabilities:

	<u>2023</u>	<u>2022</u>
Accounts receivable, beginning of the year	\$ 1,099,597	\$ 924,753
Accounts receivable, end of the year	1,068,630	1,099,597
Deferred revenue, beginning of the year	\$ 1,673,850	\$ 1,491,160
Deferred revenue, end of the year	1,477,113	1,673,850

Deferred revenue balances are included within accrued expenses on the statements of financial position.

**Note 19: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

**Contributions**

Approximately 14% of contribution revenue resulted from one donor in 2023. Approximately 22% of contribution revenue resulted from one donor in 2022.

**Investments**

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the investment amounts reported in the statements of financial position.

**Claims**

The University is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets, and cash flows of the University.

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**Note 20: Coronavirus Events**

***Higher Education Emergency Relief Funds***

Federal relief efforts have been created to help offset revenue losses and expense increases that colleges and universities faced because of COVID-19. The *Coronavirus Aid, Relief, and Economic Security Act* (CARES) created a Higher Education Emergency Relief Fund (HEERF) to provide financial relief to students and institutions who were impacted by the COVID-19 pandemic. The *Coronavirus Response and Relief Supplemental Appropriations Act* (CRRSAA) and the American Rescue Plan (ARP) provided additional rounds of HEERF (II and III). The HEERF funds contained two components, an institutional award, and a student aid award. The student aid portion must be distributed to students in the form of emergency financial aid grants to generally cover any component of the cost of attendance for the distribution of education or emergency costs that arose due to COVID-19. The institutional portion can be used for multiple items, but largely to cover lost revenue, defray and pay for expenses related to the disruption of campus operations due to COVID-19, and reimburse for costs associated with a transition to distance education environment, among other items.

The following cumulative amounts have been awarded as HEERF as of June 30, 2022:

	<b>2022</b>		
	<b>Student</b>	<b>Institutional</b>	<b>Total</b>
	<b>Portion</b>	<b>Portion</b>	
<b>Awarded</b>			
HEERF I	\$ 1,104,794	\$ 1,104,793	\$ 2,209,587
HEERF II	1,104,794	2,130,886	3,235,680
HEERF III	2,873,761	2,873,761	5,747,522
	\$ 5,083,349	\$ 6,109,440	\$ 11,192,789

The following amounts have been applied to the grant for the year ending June 30, 2022:

	<b>2022</b>		
	<b>Student</b>	<b>Institutional</b>	<b>Total</b>
	<b>Portion</b>	<b>Portion</b>	
<b>Amounts Applied</b>			
HEERF I	\$ -	\$ -	\$ -
HEERF II	-	-	-
HEERF III	2,873,761	-	2,873,761
	\$ 2,873,761	\$ -	\$ 2,873,761

All other HEERF funds were expended prior to the 2022 fiscal year. As of June 30, 2022, all HEERF funds had been expended. There was no activity related to HEERF in 2023.

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*Employee Retention Credit*

Additionally, the CARES Act subsequently expanded under the Consolidated Appropriations Act (CAA) and contained a business relief provision known as the Employee Retention Credit (ERC), a refundable payroll tax credit for “qualified wages” paid to retain full-time employees. Employers qualified either under a gross receipts decline test or a partial suspension of operations based on a government mandate. The University has filed and received credits totaling \$6,363,363, which is recorded as grant revenue in the 2022 statement of activities.

**Note 21: U.S. Department of Education Financial Responsibility Ratio**

The following information is required by the U.S. Department of Education for the year ended June 30, 2023:

	<b>2023</b>
Property, plant and equipment, net of accumulated depreciation pre-implementation	\$ 120,015,251
Property, plant and equipment, net of accumulated depreciation post-implementation without outstanding debt for purchase	15,438,979
Total revenue and gains without donor restrictions	57,927,917

**Note 22: Subsequent Events**

Subsequent events have been evaluated through October 24, 2023, which is the date the financial statements were available to be issued.