OHIO WESLEYAN UNIVERSITY
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2020 and 2019

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

CONTENTS

Independent Auditors' Report

Board of Trustees
Ohio Wesleyan University
Delaware, Ohio

We have audited the accompanying consolidated financial statements of Ohio Wesleyan University and subsidiaries (a nonprofit college), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the June 30, 2020 and 2019 financial statements of OWU Fund, LP, described in Note 1.A. OWU Fund, LP represents 37% of consolidated total assets as of June 30, 2020 and 2019 and 63% and 61% of consolidated investments as of June 30, 2020 and 2019, respectively. This entity was audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for this entity, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ohio Wesleyan University and subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maloney + Novotny LLC

Cleveland, Ohio
January 15, 2021

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 9,622,824	$ 1,694,792
Accounts receivable:		
Students, net	1,155,386	1,179,644
Grants	465,964	578,943
Other	944,823	741,004
Total accounts receivable	2,566,173	2,499,591
Pledges receivable, net	16,733,329	18,817,500
Student loans receivable, net	3,591,910	4,007,746
Inventories and prepaid expenses	1,515,905	1,704,711
Investments	265,246,104	252,819,005
Interests in trusts	2,640,512	2,953,791
Land, buildings and equipment, net	131,323,960	132,404,408
Construction in progress	17,852,890	2,732,247
Total assets	$451,093,607	$419,633,791

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 7,188,150	$ 2,170,899
Accrued compensation	8,719,512	5,613,104
Deferred income and deposits	4,473,632	4,514,431
Other accrued liabilities	2,684,035	1,966,733
Bonds and notes payable, net	56,332,444	21,215,208
Postretirement benefits other than pensions	6,987,015	7,304,063
Accrued pension liability	902,803	703,129
Annuities and unitrusts payable	2,432,682	3,046,536
Advances from federal government for student loans	3,040,649	4,066,756
Total liabilities	92,760,922	50,600,859
Net assets:		
Without donor restrictions	75,949,527	84,603,951
With donor restrictions	282,383,158	284,428,981
Total net assets	358,332,685	369,032,932
Total liabilities and net assets	$451,093,607	$419,633,791

The accompanying notes are an integral part of these financial statements

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other support:			
Tuition and fees	$ 68,288,230		$ 68,288,230
Less: University funded financial aid	(38,546,310)		(38,546,310)
Financial aid from outside sources	(7,416,668)		(7,416,668)
Net tuition and fees	22,325,252		22,325,252
Gifts, pledges and bequests	6,141,022	$ 13,413,817	19,554,839
Other investment income	201,111	1,614	202,725
Investment return designated for current operations	485,809	14,537,204	15,023,013
Grants	2,269,399	601,594	2,870,993
Other income	1,512,522	113,346	1,625,868
Sales and services of auxiliary enterprises	15,253,225		15,253,225
Net assets released from restrictions	15,281,065	(15,281,065)	-
Total operating revenue, gains and other support	63,469,405	13,386,510	76,855,915
Operating expenses:			
Educational:			
Instruction	24,631,378		24,631,378
Student services	13,589,584		13,589,584
Academic support, including library	5,468,094		5,468,094
Auxiliary enterprises	12,446,626		12,446,626
Public services	259,932		259,932
Research	180,740		180,740
	56,576,354		56,576,354
Management and general	7,409,035		7,409,035
Fundraising	3,324,433		3,324,433
Total operating expenses	67,309,822		67,309,822
Net (decrease) increase in net assets from operations	(3,840,417)	13,386,510	9,546,093
Nonoperating revenues and expenses:			
Losses on investments in excess of amount designated for current operations	(499,247)	(15,119,054)	(15,618,301)
Postretirement obligation adjustment	317,048		317,048
Pension-related charges other than net periodic pension cost	(199,674)		(199,674)
Loss on extinguishment of debt	(95,815)		(95,815)
Separation from university	(4,336,319)		(4,336,319)
Actuarial adjustment of split-interest agreements		(313,279)	(313,279)
Change in net assets	(8,654,424)	(2,045,823)	(10,700,247)
Net assets, beginning of year	84,603,951	284,428,981	369,032,932
Net assets, end of year	$ 75,949,527	$282,383,158	$358,332,685

The accompanying notes are an integral part of these financial statements.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other support:			
Tuition and fees	$ 69,937,670		$ 69,937,670
Less: University funded financial aid	(39,202,490)		(39,202,490)
Financial aid from outside sources	(7,096,858)		(7,096,858)
Net tuition and fees	23,638,322		23,638,322
Gifts, pledges and bequests	8,914,729	$ 23,036,432	31,951,161
Other investment income	188,287	2,581	190,868
Investment return designated for current operations	409,048	11,653,670	12,062,718
Grants	1,145,990	740,240	1,886,230
Other income	3,154,473	258,358	3,412,831
Sales and services of auxiliary enterprises	17,292,908		17,292,908
Net assets released from restrictions	17,146,566	(17,146,566)	-
Total operating revenue, gains and other support	71,890,323	18,544,715	90,435,038
Operating expenses:			
Educational:			
Instruction	27,167,971		27,167,971
Student services	14,193,355		14,193,355
Academic support, including library	7,023,257		7,023,257
Auxiliary enterprises	13,191,098		13,191,098
Public services	333,815		333,815
Research	273,667		273,667
	62,183,163		62,183,163
Management and general	8,192,152		8,192,152
Fundraising	4,029,513		4,029,513
Total operating expenses	74,404,828		74,404,828
Net (decrease) increase in net assets from operations	(2,514,505)	18,544,715	16,030,210
Nonoperating revenues and expenses:			
Losses on investments in excess of amount designated for current operations	(133,514)	(2,447,076)	(2,580,590)
Postretirement obligation adjustment	(700,711)		(700,711)
Pension-related charges other than net periodic pension cost	(203,957)		(203,957)
Deferred tax benefit	134,000		134,000
Actuarial adjustment of split-interest agreements		(59,733)	(59,733)
Change in net assets	(3,418,687)	16,037,906	12,619,219
Net assets, beginning of year	88,022,638	268,391,075	356,413,713
Net assets, end of year	$ 84,603,951	$284,428,981	$369,032,932

The accompanying notes are an integral part of these financial statements.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2020 and 2019

	2020			
	Educational	Management and General	Fundraising	Total
OPERATING EXPENSES				
Salaries	$22,754,676	$ 2,786,931	$ 1,897,517	$27,439,124
Employee benefits	7,858,024	1,341,700	722,134	9,921,858
Operating expenses	14,775,783	2,282,257	606,001	17,664,041
Facilities and maintenance	4,655,163	866,464	52,092	5,573,719
Depreciation	5,720,154	86,347	46,689	5,853,190
Interest expense	812,554	45,336		857,890
Total operating expenses	56,576,354	7,409,035	3,324,433	67,309,822
Separation from University	4,046,376	267,383	22,560	4,336,319
Total expenses	$60,622,730	$ 7,676,418	$ 3,346,993	$71,646,141

	2019			
	Educational	Management and General	Fundraising	Total
OPERATING EXPENSES				
Salaries	$24,239,264	$ 3,044,547	$ 2,160,836	$29,444,647
Employee benefits	10,203,209	1,828,758	953,252	12,985,219
Operating expenses	16,084,130	1,845,519	806,046	18,735,695
Facilities and maintenance	5,714,134	875,060	63,879	6,653,073
Depreciation	5,618,789	260,160	45,500	5,924,449
Interest expense	323,637	338,108		661,745
Total operating expenses	$62,183,163	$ 8,192,152	$ 4,029,513	$74,404,828

The accompanying notes are an integral part of these financial statements.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (10,700,247)	$ 12,619,219
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,853,190	5,924,449
Amortization of bond premium	(350,602)	-
Amortization of bond issuance costs	23,207	17,331
Gain on disposal of asset	-	(1,007,850)
Loss on extinguishment of debt	95,815	-
Realized and unrealized losses (gains) on investments	595,288	(9,482,128)
Contributions, net of pledges, for permanently restricted purposes	(6,285,571)	(6,208,401)
Income restricted for long-term investment	(1,496,026)	(1,376,673)
Change in deferred tax liability	-	(134,000)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(66,582)	162,829
Decrease (increase) in pledges receivable	2,084,171	(11,594,781)
Decrease in student loans receivable	415,836	285,392
Decrease (increase) in inventories and prepaid expenses	188,806	(144,912)
Decrease in interests in trusts	313,279	59,734
Increase (decrease) in accounts payable	5,017,251	(724,115)
Increase in accrued compensation	3,106,408	551,498
(Decrease) increase in deferred income and deposits	(40,799)	1,232,260
Increase in other accrued liabilities	717,302	196,539
(Decrease) increase in postretirement benefits other than pensions	(317,048)	700,711
Increase in accrued pension liability	199,674	179,563
Decrease in annuities and unitrusts payable	(613,854)	(676,351)
(Decrease) increase in advances from federal government for student loans	(1,026,107)	57,211
Net cash used in operating activities	(2,286,609)	(9,362,475)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of land, buildings and equipment	-	1,500,000
Purchases of land, buildings and equipment	(19,893,385)	(8,476,383)
(Purchases) sales of securities, net	(13,022,387)	4,497,329
Net cash used in investing activities	(32,915,772)	(2,479,054)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bonds and notes payable	(22,445,187)	(2,046,621)
Proceeds from bonds and notes payable	58,237,679	752,512
Payments for bond issuance costs	(443,676)	-
Contributions, net of pledges, for permanently restricted purposes	6,285,571	6,208,401
Income restricted for long-term investment	1,496,026	1,376,673
Net cash provided by financing activities	43,130,413	6,290,965
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,928,032	(5,550,564)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,694,792	7,245,356
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 9,622,824	$ 1,694,792
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,588,233	$ 661,745

The accompanying notes are an integral part of these financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

A. Organization – Ohio Wesleyan University (the University) is an independent, liberal arts institution of higher education offering various bachelor degree academic programs. The University derives its income from student tuition, gifts and grants, investment income, operation of residence halls and various related activities. The accounting policies of the University reflect practices common to colleges and universities and conform to accounting principles generally accepted in the United States of America for such institutions.

OWU Fund, LP (the Partnership or the OWU Fund) is a limited partnership which commenced operations January 1, 2012, in which the University is the sole limited partner and is intended to serve as a single investor fund for the administrative convenience of the investor. The Partnership acts as an investment vehicle for a significant portion of the University's endowment. The OWU Fund was audited by other auditors as of and for the years ended June 30, 2020 and 2019.

O.W.U. Properties, Inc. is a wholly-owned for-profit subsidiary of the University and is consolidated for financial statement purposes with the University. During the year ended June 30, 2019, the operations of O.W.U. Properties, Inc. ceased upon the sale of the underlying property netting the University approximately $1.4 million which is included in other income in the consolidated statement of activities.

Stuyvesant Hall Holdings, Inc. was a wholly-owned subsidiary of the University and had a 60.00% ownership interest in Stuyvesant Hall, LLC and a 0.01% ownership interest in Stuyvesant Hall Master Tenant, LLC. These three Stuyvesant Hall entities ceased separate operations during the year ended June 30, 2019 and were combined into the operations of the University.

The three Stuyvesant Hall entities were formed by the University to facilitate the rehabilitation of the Stuyvesant Hall building, a 245-bed historic building located in Delaware, Ohio on the campus of the University. The rehabilitation project was completed in September 2012.

B. Basis of Consolidation – These consolidated financial statements include the accounts of the University and OWU Fund, LP (OWU Fund) for the year ended June 30, 2020, and also include the accounts of O.W.U. Properties, Inc. (OWU Properties), Stuyvesant Hall Holdings, Inc. (Holdings), Stuyvesant Hall, LLC (Stuyvesant Hall) and Stuyvesant Hall Master Tenant, LLC (Master Tenant) for the year ended June 30, 2019. All significant intercompany activity was eliminated in consolidation.

C. Basis of Presentation – The consolidated financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Assets and liabilities presented in the consolidated statements of financial position are recorded in order of liquidity or nearness to conversion to cash. The University has reported information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions based upon the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

C. Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Net assets whose use by the University is subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates resources be maintained in perpetuity by the University. Generally, donors of these assets permit the University to use all or part of the income earned on these assets. Such assets primarily include the University's permanent endowment funds.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expiration of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another is reported as reclassifications between the applicable classes of net assets. Changes in designations of net assets represent donor reclassifications of gifts received in prior years and, therefore, do not represent operating activity in the consolidated statements of activities.

The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at the time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

The University follows the policy of reporting donor-imposed restricted contributions and endowment income whose restrictions are met in the same period as received as net assets with donor restrictions.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as net assets without donor restrictions. Contributions of cash or other assets that the donor stipulates are to be used to acquire land, building and equipment are reported as net assets with donor restrictions. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

The University has evaluated all subsequent events through January 15, 2021, which is the date the consolidated financial statements were available to be issued.

D. 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

E. Concentrations of Credit Risk – Financial instruments which potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents, investments and student accounts and notes receivable. The University places its temporary cash investments with various financial institutions. Concentration of credit risk for investments is limited by the University's policy of asset allocation among different investment types. Concentration of credit risk for student accounts and notes receivable is limited due to the large base of accounts and geographic diversification.

F. Cash and Cash Equivalents – Cash and cash equivalents include amounts on deposit with various financial institutions, including interest-bearing demand deposit accounts, which, at times, may exceed federally insured amounts. Cash equivalents also include all U.S. Government obligations, commercial paper and corporate notes with original maturities of three months or less, except those held for long-term investment, which are classified with investments.

G. Student Accounts Receivable – The University has provided an allowance for uncollectible accounts receivable. Management estimates the allowance based on its review of delinquent accounts and an assessment of the University's historical evidence of collections. The allowance was $927,716 and $856,182 at June 30, 2020 and 2019, respectively.

H. Student Loans Receivable – The University participates with the U.S. Department of Education in the Federal Perkins Loan Program for the purpose of granting low interest loans (5% at June 30, 2020 and 2019) to students demonstrating financial need. After a student's graduation or withdrawal, Perkins loans are to be repaid over a maximum of ten years. The allowance for uncollectible student loans was $550,000 at June 30, 2020 and 2019. Under federal law, the authority for schools to make new Perkins Loans ended on September 30, 2017, and final disbursements were permitted through June 30, 2018.

Perkins funds are ultimately refundable to the U.S. Government to the extent funds are available from the program. Consequently, these funds are shown as a liability in the consolidated statements of financial position. The interest rates charged on substantially all Federal Perkins loans receivable are fixed by the U.S. Department of Education. The interest rates charged on University loans receivable are fixed by the University and do not fluctuate with market conditions.

I. Inventories – The carrying value of inventories approximates cost, under the first-in, first-out method, not in excess of net realizable value.

J. Fair Value of Financial Instruments – The University has disclosed fair value information about financial instruments for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using discounted cash flows or other evaluation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

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

J. Fair Value of Financial Instruments (Continued)

Due to their short-term nature, the carrying values of cash and cash equivalents, receivables, accounts payable and other accrued expenses reported in the accompanying consolidated statements of financial position approximate their fair value. The carrying value of the University's long-term debt is based on the University's current incremental borrowing rates for similar types of borrowing arrangements, which approximate fair value.

The carrying value of the University's investments approximates their fair value in accordance with the Fair Value Measurements standards, as defined by accounting principles generally accepted in the United States of America. These standards establish a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements:

Level 1 – Quoted market prices in active markets for identical assets and liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs in which little or no market data exists.

The asset's or liability's fair value measurement level is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the methodologies used from 2019 to 2020.

The following tables set forth by level the University's assets and liabilities that are accounted for at a fair value on a recurring basis as of June 30, 2020 and 2019:

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

J. Fair Value of Financial Instruments (Continued)

	2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments				
Fixed income	$ 2,504,401	$ -	$ -	$ 2,504,401
Other	647,832	-	1,188,097	1,835,929
U.S. Government securities	94,377	-	-	94,377
Common stocks	15,105,199	-	-	15,105,199
Depository receipts	796,793	-	-	796,793
Exchange-traded funds				
Global equity	26,514,951	-	-	26,514,951
Real assets	9,738,457	-	-	9,738,457
U.S. equity	24,044,641	-	-	24,044,641
Fixed income	4,413,843	-	-	4,413,843
Mutual funds				
Global equity	13,209,660	-	-	13,209,660
U.S. equity	4,511,742	-	-	4,511,742
Fixed income	11,379,920	-	-	11,379,920
Money market mutual funds	1,263,169	-	-	1,263,169
Cash and cash equivalents	24,022,736	-	-	24,022,736
Total investments in the fair value hierarchy	$138,247,721	$ -	$1,188,097	139,435,818
Investments measured at NAV[1]				125,810,286
Total investments				$265,246,104
Interests in trusts	$ -	$ -	$2,640,512	$ 2,640,512

[1] Restrictions on redemption:

Triennial redemptions, 90 day notice	$4.4M
Quarterly redemption, 60 day notice	$3.5M
Monthly redemption, 60 day notice	$5.0M
Monthly redemptions, 30 day notice	$10.5M
Makena investment subject to one year notice on eligible amounts	$68.0M

Remaining investments do not have restrictions more than 30 days on their redemption.

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

J. Fair Value of Financial Instruments (Continued)

	2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments				
Fixed income	$ 4,376,116	$1,500,000	$ -	$ 5,876,116
Other	626,293	-	11,097	637,390
U.S. Government securities	94,375	-	-	94,375
Common stocks	13,182,054	-	-	13,182,054
Depository receipts	701,202	-	-	701,202
Exchange-traded funds				
Global equity	32,551,230	-	-	32,551,230
Real assets	5,091,422	-	-	5,091,422
U.S. equity	29,016,369	-	-	29,016,369
Fixed income	4,619,509	-	-	4,619,509
Mutual funds				
Global equity	10,662,962	-	-	10,662,962
Real assets	4,590,286	-	-	4,590,286
U.S. equity	1,615,367	-	-	1,615,367
Fixed income	10,592,546	-	-	10,592,546
Money market mutual funds	2,281,024	-	-	2,281,024
Cash and cash equivalents	10,603,486	-	-	10,603,486
Total investments in the fair value hierarchy	$130,604,241	$1,500,000	$ 11,097	132,115,338
Investments measured at NAV[2]				120,703,667
Total investments				$252,819,005
Interests in trusts	$ -	$ -	$2,953,791	$ 2,953,791

[2] Restrictions on redemption:

Triennial redemptions, 90 day notice	$5.0M
Quarterly redemption, 60 day notice	$3.4M
Monthly redemption, 60 day notice	$4.8M
Monthly redemptions, 30 day notice	$9.5M
Makena investment subject to one year notice on eligible amounts	$70.0M

Remaining investments do not have restrictions more than 30 days on their redemption.

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

J. Fair Value of Financial Instruments (Continued)

Investments – Since January 1, 2012, the University has invested in securities primarily through the OWU Fund and Makena Capital Management (Makena). The University, through the OWU Fund, invests in cash and cash equivalents, common stocks, mutual funds, fixed income and other securities with quoted prices in active markets that are considered to be Level 1 inputs. Any investments with underlying holdings classified as Level 1 but legally structured with limited redemption rights (most limited partnerships and master trusts) have been valued using net asset value (NAV). A portion of the University's investments is valued at Level 3 because of unobservable inputs and use of significant management judgment. This includes real assets which are based on valuations provided by external parties.

The University's investments with OWU Fund - commingled funds, hedge funds, private equity funds and Makena - multi-asset class portfolio are valued using NAV as a practical expedient.

Investments measured at NAV:

OWU Fund Commingled Funds and Hedge Funds – Commingled funds consist of assets from multiple accounts that are pooled together to create economies of scale. Hedge funds are generally open-end funds as they typically offer subscription and redemption options to investors. The frequency of such subscriptions or redemptions is dictated by such fund's governing documents. The amount of liquidity provided to investors in a particular fund is generally consistent with the liquidity and risk associated with the underlying portfolio (i.e., the more liquid the investments in the portfolio, the greater the liquidity provided to the investors). Liquidity of individual hedge funds varies based on various factors and may include "gates," "holdbacks" and "side pockets" imposed by the manager of the hedge fund, as well as redemption fees which may also apply. Depending on the redemption options available, it may be possible that the reported NAV represents fair value based on observable data such as ongoing redemption and/or subscription activity. The hedge fund investments in Underlying Funds are available for redemption on a specified basis after specified lock-up periods as defined in each Underlying Fund's governing documents. For the purposes of these consolidated financial statements, the next available redemption dates provided are those with no associated fees. In certain investments, earlier redemption is available with accompanying early redemption fees.

OWU Fund Private Equity Funds – Private equity funds are structured as closed-end, commitment-based investment funds where the Partnership commits a specified amount of capital upon inception of the fund (i.e., committed capital) which is then drawn down over a specified period of the fund's life. Such funds generally do not provide redemption options for investors and, subsequent to final closing, do not permit commitments by new or existing investors. The Partnership may invest in secondary fund of funds, which are Underlying Funds that purchase interests in other funds on the secondary market. The General Partner generally uses the capital balance reported by the Underlying Fund's manager as the primary input to its valuation; however, adjustments to the reported capital balance may be made based on various factors, including, but not limited to, the attributes of the interest held, including the rights and obligations, and any restrictions or illiquidity on such interests and the fair value of such fund's investment portfolio or other assets and liabilities.

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

J. Fair Value of Financial Instruments (Continued)

Makena Multi-Class Portfolio – The Feeder Funds record their investments in the Master Funds on the basis of NAV. The fair values of the Feeder Funds' investments in the Master Funds have been estimated by the General Partner in the absence of a readily determinable market value for such investments. These fair values are based upon the Feeder Funds' proportionate interests in the partners' capital of the respective Master Funds. The performance of the Feeder Funds is directly affected by the performance of the Master Funds. The net increase or decrease in partners' capital resulting from operations of the Master Funds is allocated pro rata among the Feeder Fund investors in each Master Fund. Consequently, each of the Feeder Funds records its proportionate share of the net increase or decrease in the Master Funds' capital resulting from operations as allocated from the Master Funds. Partners are permitted to withdraw up to 5% of their interest per annum as their "Annual Distribution," subject to notification on or before May 1 of the year in which the Annual Distribution is to be withdrawn. In addition to the Annual Distribution, partners are entitled to withdraw all or any of their partnership interest greater than 5%, subject to a one-year notice requirement. However, this withdrawal may be limited by the partner's indirect prorated portion of the Master Funds' special investments and the partner's indirect prorated portion of the Master Funds' Remaining Obligations to such Special Investments, as defined in the Agreements, referred to as "Reserves."

KJT Family LLC – The University received a donation from the Trott family of 100 Class B units of KJT Family LLC. The University records the gift at the fair market value as determined by an independent valuation performed at the time of the donation. Kara Trott is a member of the University's Board of Trustees.

Interests in trusts – Interests in trusts include contributions receivable from lead and remainder trusts and are recorded at the present value of the projected net future cash flows to be received, based on current market interest rates. This type of asset has no readily determinable exit price due to legal constraints and, therefore, is considered to be a Level 3 input.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	2020				
	Beginning Balance	Additions/ Purchases	Distributions	Realized and Unrealized Losses	Ending Balance
Other	$ 11,097	$ 1,177,000	$ -	$ -	$ 1,188,097
Interests in trusts	2,953,791	-	(148,863)	(164,416)	2,640,512

	2019				
	Beginning Balance	Additions/ Purchases	Distributions	Realized and Unrealized Losses	Ending Balance
Other	$ 11,097	$ -	$ -	$ -	$ 11,097
Interests in trusts	3,013,525	-	(7,005)	(52,730)	2,953,791

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

K. Investments – Investments are carried at fair market value. Investments in equity securities with readily determinable fair values and certain debt securities are recorded at fair value based on quoted market prices. Alternative investments are recorded based on estimated fair values. Methods for determining estimated fair values include discounted cash flows and estimates provided by fund trustees and general partners. The estimated fair value of certain of these investments is based on valuations provided by external investment managers, adjusted for cash receipts, disbursements and significant known changes in market values of publicly held securities held in the portfolio. The University considers the carrying values of these investments to be a reasonable estimate of fair value. Because these investments are not readily marketable and may be subject to withdrawal restrictions, their estimated value is subject to uncertainty and, therefore, may differ from the values that would have been used had a ready market for such investments existed.

Alternative investments include certain interests in international equities, hedge/absolute return, venture capital funds and real estate investment trusts. The University invests in limited partnerships and commingled vehicles, some of which employ traditional strategies (long only) in readily marketable securities (liquid equities or bonds traded on exchanges) and others of which employ less traditional strategies (long and short equity or fixed income and other hedging strategies) that may include the use of options, futures and other derivative instruments.

A portion of the University's investments is measured at NAV as a practical expedient for fair value. These investments include hedge funds and public equities structured within limited partnerships and/or off-shore funds which are based on valuations provided by external investment managers and the managers' third party administrators. The fair values of the investments have been estimated using the NAV of the University's ownership in the capital. The redemption terms vary based on the investment funds. These entities may also have the ability to impose gates, lockups and other restrictions on an investor's ability to readily redeem out of their investment interest in the funds.

Realized gains and losses represent the difference between the proceeds on sale of investments and their cost when acquired or fair value when donated. Investment return includes interest, dividends and both realized and unrealized gains and losses. In those cases where a donor has placed restrictions on the use of net appreciation, such appreciation is reported as part of net assets with donor restrictions, with either time/purpose restrictions or in perpetuity.

The University's endowment funds consist of assets which are invested on the basis of a total return policy to provide income and to realize appreciation in investment values. Realized investment gains accumulated by these funds may be used to support operations unless restricted by time/purpose or in perpetuity by the donor or by law.

The University holds investment securities which are exposed to various risks including 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 the values of investment securities will occur in the near term and that such changes could materially affect the University's investment account balances and the amounts reported in the consolidated statements of financial position.

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

L. Land, Buildings, Equipment and Depreciation – The carrying value of land, buildings, equipment and other properties is stated at cost or appraised value at date of receipt as gifts. The University capitalizes additions and major replacements of plant and equipment while repairs are expensed. The University provides for depreciation on the straight-line method over the estimated useful lives summarized in the following table:

Land improvements	15 years
Buildings and building improvements	10-100 years
Equipment	5-10 years
Vehicles and office equipment	3-10 years

M. Bond Issue Costs – Bond premiums are amortized using the effective interest method over the life of the bonds. Unamortized bond premiums are a direct increase to bonds payable in the consolidated statements of financial position. Bond issuance costs are amortized using the effective interest method over the life of the bonds. Unamortized bond issuance costs are a direct reduction from bonds payable in the consolidated statements of financial position.

N. Annuities and Unitrusts – The University's split interest agreements with donors consist of irrevocable charitable lead and remainder trusts, charitable gift annuities and life income contracts for which the University is either the remainder beneficiary or one of several remainder beneficiaries. Payments are made to donors and/or other beneficiaries in accordance with the respective agreements. Contribution revenues for split-interest agreements are recognized at the dates the agreements are established. Revenues are recorded at fair value, net of the present value of the estimated future payments to be made to the beneficiaries. The present value of payments to beneficiaries under split interest agreements has been calculated using actuarial estimates of life expectancies and discount rates ranging from 1.2% to 8.2% at June 30, 2020 and 2019.

Assets neither in the possession nor under the control of the University and to which the University has no ultimate claim on the corpus have not been included in the consolidated financial statements. However, pursuant to donors' wishes, income derived from these resources has been included as additions to net assets with donor restrictions in the consolidated statements of activities, as it is received.

O. Deferred Income and Deposits – Deferred income and deposits represent cash received from students for the following fiscal year but not earned, unearned grant revenue and other deposits.

P. Revenue and Revenue Recognition – Income from tuition and fees is recognized at the beginning and throughout the semester. In addition, room and board is required of all students except those that qualify and apply for commuter status. Room and board is also recognized at the beginning and throughout the semester. Payments by students are generally required prior to the beginning of the school year, or monthly throughout the semester if they applied for a payment plan. All amounts received prior to the commencement of the school year, including enrollment deposits, are deferred to the applicable period. All prior year deferred revenue was recognized as current year revenue. Financial aid discounts provided to students are recorded as a reduction from the posted tuition and fees at the time revenue is recognized.

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

P. Revenue and Revenue Recognition (Continued)

The University recognizes contributions as revenue in the period in which the pledge (promise to give) is received. The University reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. The University reports expirations of donor restrictions when acquired long-lived assets are placed in service.

The University considers all contributions to be without donor restrictions unless specifically restricted by the donor. Donated items are reflected as contributions at their estimated fair market value at the time of donation. Contributions receivable beyond one year are recorded at net present value using a rate of 3% resulting in a discount of $1,872,000.

At June 30, 2020, pledges representing future contributions receivable in less than one year were $561,318; one to five years, net of discount: $9,229,909. At June 30, 2020, pledges of $9,026,273 were restricted to capital projects and endowments, and have been classified as assets held for long-term purposes.

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

R. Self Insurance – The University has elected to act as a self-insurer for certain costs related to employee health benefit programs. Costs resulting from non-insured losses are charged to expense when incurred, and the University has an established reserve for claims incurred but not yet paid. The University has insurance coverage which limits its exposure for individual claims and an aggregate stop loss exposure.

S. Art Collections – The University maintains a collection of artwork in its Ross Art Museum. Due to the difficulty in establishing a value for collection pieces donated to the University, these assets are not recorded in the consolidated financial statements. Collection purchases are expensed as purchased. The University provides a clean, secure and stable environment for its permanent collections. The artwork is given reasonable care towards its preservation.

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

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

As of June 30, 2020, the University's income tax years from 2016 and thereafter remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities.

U. Conditional Asset Retirement Obligations – The University is required to recognize a liability for a conditional asset retirement obligation. Management has considered its legal obligations to perform an asset retirement analysis on its existing properties. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the University may settle the obligations is unknown and cannot be estimated. As a result, management cannot reasonably estimate the liability related to these asset retirement activities as of June 30, 2020 and 2019.

V. Change in Accounting Principle – In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The new guidance clarifies the definition of an exchange transaction and the criteria for evaluating whether contributions are unconditional or conditional. Effective July 1, 2019, the University adopted ASU 2018-08 using the modified prospective method. Adoption of the new standard did not have a material impact on the University's consolidated financial statements.

W. Reclassifications – Certain reclassifications of 2019 amounts have been made to conform to the 2020 presentation.

Note 2. Liquidity and Availability

The following table reflects the University's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditures within one year.

	2020	2019
Financial assets		
Cash and cash equivalents	$ 9,622,824	$ 1,694,792
Accounts receivable	2,566,173	2,499,591
Pledges receivable, net	16,733,329	18,817,500
Financial assets, at year-end	28,922,326	23,011,883
Less pledges receivable restricted by donor	(16,733,329)	(18,817,500)
Plus endowment spending rate appropriation	18,020,386	15,023,013
Financial assets available to meet cash needs for general expenditures within one year	$ 30,209,383	$ 19,217,396

Note 2. Liquidity and Availability (Continued)

As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the University invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the University has an unsecured line of credit of $6,000,000, which it could draw upon. On July 6, 2020, the University renewed its line of credit, increasing the amount to $10,000,000. All other material terms of the line of credit remained the same.

Additionally, the University has a board-designated endowment of $7,383,571 as of June 30, 2020. Although, the University does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available, if necessary.

Note 3. Investments

The University pools certain assets of permanent endowment, quasi-endowment, annuity and life income funds on a market value basis. Each individual fund subscribes to or disposes of units on the basis of the market value per unit at the beginning of the calendar quarter within which the transaction takes place, except for assets which are separately invested due to specific donor restrictions.

During the year ended June 30, 2012, the University transitioned a significant portion of its investments to the OWU Fund and Makena. The University continues to set investment policy, allows asset allocation ranges and monitors performance. The University has delegated the authority for investment decisions of the OWU Fund to Cambridge and Associates which includes asset allocation and manager selection. In addition, the University has made an investment in Makena, a multi-asset class manager with a 2-year lock up.

The composition of investments is set forth in the following table:

Note 3. Investments (Continued)

	June 30 2020	June 30 2019
Fixed income	$ 2,504,401	$ 5,876,116
Other	1,835,929	637,390
U.S. Government securities	94,377	94,375
Common stocks	15,105,199	13,182,054
Depository receipts	796,793	701,202
Exchange-traded funds		
Global equity	26,514,951	32,551,230
Real assets	9,738,457	5,091,422
U.S. equity	24,044,641	29,016,369
Fixed income	4,413,843	4,619,509
Mutual funds		
Global equity	13,209,660	10,662,962
Real assets	-	4,590,286
U.S. equity	4,511,742	1,615,367
Fixed income	11,379,920	10,592,546
Commingled funds		
Global equity	17,153,703	11,289,463
Real assets	3,019,566	3,274,171
U.S. equity	3,378,185	
Hedge fund class		
Global equity	9,360,051	11,567,746
Absolute return/credit	2,463	18,292
U.S. equity	3,531,263	3,439,470
Private equity fund class		
Global venture capital/private	515,084	721,652
Hybrid fund of funds	12,781,547	11,499,054
Private equity fund class	769,850	955,810
Real assets	2,775,951	2,456,617
U.S. private equity	574,703	795,732
U.S. venture capital	3,684,972	4,959,226
Multi-asset class	68,262,948	69,726,434
Money market mutual funds	1,263,169	2,281,024
Cash and cash equivalents	24,022,736	10,603,486
Total investments	$265,246,104	$252,819,005

Note 3. Investments (Continued)

At June 30, 2020, the University has committed to invest additional funds in limited partnership investments in the amount of approximately $15,540,000, at the direction of the general partners. Investment expenses were $1,275,000 and $1,177,000 for the years ended June 30, 2020 and 2019, respectively, and are included in investment income.

The composition of investment return is as follows:

	Years Ended June 30 2020	2019
Investment income (interest and dividends)	$ 202,725	$ 190,868
Realized and unrealized (losses) gains on investments	(595,288)	9,482,128
Total investment return	(392,563)	9,672,996
Investment return designated for current operations	(15,225,738)	(12,253,586)
Non-operating investment return	$(15,618,301)	$ (2,580,590)

Note 4. Pledges Receivable

As of June 30, 2020 and 2019, the University had received unconditional promises totaling $19,035,123 and $21,098,605, respectively, on which management has recorded an allowance for uncollectible promises of $429,421 and $268,562, respectively. The amounts are recorded at the present value of future cash flows based on a discount rate of 3% for June 30, 2020 and 2019. The discount is $1,872,373 and $2,012,543 at June 30, 2020 and 2019, respectively. The pledges receivable are due as follows:

	June 30, 2020			
	With Donor Restrictions Plant	With Donor Restrictions Other	With Donor Restrictions Corpus	Total
Less than one year	$ 232,976	$ 234,230	$ 424,655	$ 891,861
One to five years	11,923,376	665,268	2,928,245	15,516,889
More than five years	151,195	-	173,384	324,579
	$ 12,307,547	$ 899,498	$ 3,526,284	$ 16,733,329

	June 30, 2019			
	With Donor Restrictions Plant	With Donor Restrictions Other	With Donor Restrictions Corpus	Total
Less than one year	$ 192,032	$ 153,625	$ 215,661	$ 561,318
One to five years	6,045,822	713,691	2,470,396	9,229,909
More than five years	8,773,529	-	252,744	9,026,273
	$ 15,011,383	$ 867,316	$ 2,938,801	$ 18,817,500

Note 4. Pledges Receivable (Continued)

At June 30, 2020 and 2019, the University had also been notified of revocable pledges, bequests and other indications of intentions to give. These potential contributions have not been substantiated by written promises to the University. The University's policy is not to record these intentions to give as revenue until they are reduced to writing or are collected.

Note 5. Land, Buildings and Equipment

Land, buildings and equipment at June 30, 2020 and 2019 consist of the following:

	June 30	
	2020	2019
Grounds and land improvements	$ 13,441,331	$ 13,326,731
Buildings and building improvements	174,589,978	173,702,838
Equipment	24,010,809	20,239,807
Vehicles and office equipment	9,472,520	9,495,339
Less accumulated depreciation	(90,190,678)	(84,360,307)
	$131,323,960	$132,404,408

Depreciation expense totaled $5,853,190 and $5,924,449 for the years ended June 30, 2020 and 2019, respectively.

Note 6. Pension Plans and Other Postretirement Benefit Plans

The University maintains a defined contribution pension plan, administered by TIAA-CREF, which covers the majority of its faculty and administrative personnel. All costs of this plan, $1,905,122 and $2,739,850 for the years ended June 30, 2020 and 2019, respectively, are funded and reflected as expenditures in the year earned, and no past service costs exist.

The University also maintains a non-contributory defined benefit pension plan, which covered the majority of the University's hourly and certain administrative personnel, through June 30, 1998. This defined benefit plan provides pension benefits that are based upon the employee's length of service with the University. The University's funding policy is to contribute annually the minimum amount required by applicable regulations.

Effective July 1, 1998, the University froze all benefits in the defined benefit pension plan and transferred coverage for all employees to the defined contribution pension plan.

In addition to the University's defined contribution and defined benefit retirement plans, the University has a defined benefit postretirement plan. The plan provides certain health care and life insurance benefits for retired employees who began employment with the University prior to September 1, 1999. The health care plan is contributory whereby the University contributes a monthly stipend of $100 for all covered participants.

Note 6. Pension Plans and Other Postretirement Benefit Plans (Continued)

The various components of these plans, which are included in the University's consolidated financial statements, are as follows:

	Pension Plan June 30		Postretirement Benefit Plan June 30	
	2020	2019	2020	2019
Net Periodic Benefit Cost				
Service cost	$ -	$ -	$ 41,023	$ 44,534
Interest cost	82,588	100,509	224,717	242,842
Return on plan assets	(121,412)	(126,690)	-	-
Prior service cost	-	-	(2,655,828)	(2,930,008)
Amortization of loss	56,241	42,167	525,731	313,605
Net periodic benefit cost	$ 17,417	$ 15,986	$ (1,864,357)	$ (2,329,027)

The pension plan has $767,432 of unrecognized actuarial loss at June 30, 2020. The estimated amortization of actuarial loss is $145,349 for 2021.

The postretirement benefit plan has amounts unrecognized in net periodic benefit cost for prior service credit of $2,470,968 and a net actuarial loss of $2,263,910 at June 30, 2020. The estimated amortization of prior service cost and actuarial loss is $2,470,968 and $442,149, respectively, for 2021.

	Pension Plan June 30		Postretirement Benefit Plan June 30	
	2020	2019	2020	2019
Change in Benefit Obligation				
Benefit obligation at beginning of year	$ 2,726,218	$ 2,626,211	$ 7,304,063	$ 6,603,352
Service cost	-	-	41,023	44,534
Interest cost	82,588	100,509	224,717	242,842
Actual distributions	(202,958)	(193,086)	-	-
Actuarial gain (loss)	170,224	192,584	(96,264)	1,262,913
Net contributions (employer)	-	-	(486,524)	(849,578)
Change in plan provisions	-	-	-	-
Benefit obligation at end of year	2,776,072	2,726,218	6,987,015	7,304,063
Plan assets	1,873,269	2,023,089	-	-
Funded status	$ (902,803)	$ (703,129)	$ (6,987,015)	$ (7,304,063)

Note 6. Pension Plans and Other Postretirement Benefit Plans (Continued)

	Pension Plan June 30		Postretirement Benefit Plan June 30	
	2020	2019	2020	2019
Actuarial Assumptions				
Weighted average discount rate:				
Expense	3.25%	4.00%	3.21%	3.85%
Benefit obligation (at year end)	2.25%	3.25%	2.30%	3.21%
Expected rate of return on assets	6.00%	6.00%	N/A	N/A
Medical trend:				
For next year (pre 65/post 65)	N/A	N/A	7.50%	8.00%
Ultimate trend rate	N/A	N/A	4.50%	4.75%
Year reached	N/A	N/A	2026	2027

Under the postretirement benefit plan, if the medical trend rates were to increase by 1% for each year, the benefit obligation as of June 30, 2020 would also increase by $104,000 and the sum of the service and interest cost components of the Net Periodic Postretirement Benefit Cost for the fiscal year ended June 30, 2020 would increase by $4,000. If the medical trend rates were to decrease by 1% for each year, the benefit obligation as of June 30, 2020 would also decrease by $97,000 and the sum of the service and interest cost components of the Net Periodic Postretirement Benefit Cost for the fiscal year ended June 30, 2020 would decrease by $4,000.

Pension Plan Assets

The University's weighted average asset allocations at the measurement date and the target asset allocations by category are as follows:

	2020 Actual	2019 Actual	Target
Asset Category			
Equity securities	51.6 %	55.0 %	50-70 %
Debt securities	45.4	43.2	30-50
Cash equivalents	3.0	1.8	0-15
Total	100.0 %	100.0 %	100.0 %

Note 6. Pension Plans and Other Postretirement Benefit Plans (Continued)

Pension Plan Assets (Continued)

The pension plan's investment policy reflects the long-term nature of the plan's funding obligations. The assets are invested to provide the opportunity for both income and growth of principal. This objective is pursued as a long-term goal designed to provide required benefits for participants without undue risk. It is expected that this objective can be achieved through a well-diversified asset portfolio. All equity investments are made within the guidelines of quality, marketability and diversification mandated by the Employee Retirement Income Security Act and other relevant statutes. Investment managers are directed to maintain equity portfolios at a risk level approximately equivalent to that of the specific benchmark established for that portfolio. Assets invested in fixed income securities and pooled fixed income portfolios are managed actively to pursue opportunities presented by changes in interest rates, credit ratings or maturity premiums. The expected long-term rate of return on pension plan assets was developed by the University, in conjunction with the plan actuary, and is based on the past return of the plan investments.

Pension Plan Contributions

There are no expected contributions to the pension plan for the year ended June 30, 2021.

Estimated Future Benefit Payments

Future benefit payments, which reflect expected future service, as appropriate, during the next five fiscal years, and in the aggregate for the five fiscal years thereafter, are:

Fiscal Year Ended June 30	Pension Benefits	Other Benefits
2021	$ 151,753	$ 632,000
2022	150,523	578,000
2023	150,306	553,000
2024	151,961	576,000
2025	155,693	512,000
2026 - 2030	805,042	2,086,000

The University's pension plan assets at June 30, 2020 and 2019 are all Level 1 assets. The fair value, by asset category, is as follows:

	2020	2019
Equity securities	$ 966,438	$1,113,773
Debt securities	851,471	873,039
Cash equivalents	55,360	36,277
	$1,873,269	$2,023,089

In addition to the retirement plans described above, the University maintains an unfunded defined benefit pension plan for former employees that remain eligible for benefits earned prior to 1952 (the termination date of the plan). The future unfunded costs related to this plan are expected to approximate $26,000 next year, with declining unfunded costs thereafter.

Note 7. Bonds and Notes Payable

Under an unsecured line of credit arrangement with a bank, the University may borrow up to $6,000,000 at the London Interbank Offered Rate (LIBOR) interest rate (.37% at June 30, 2020) plus 1.50% to fund cyclical working capital requirements. The line of credit arrangement expires on demand of the bank. As of June 30, 2020 and 2019, there was $-0- outstanding on this line of credit. This line of credit agreement requires the maintenance of certain financial ratios and restricts the University's ability to pledge or sell certain assets and consolidate with or acquire assets of other entities. Interest expense for the line of credit for the years ended June 30, 2020 and 2019 was $8,664 and $-0-, respectively. On July 6, 2020, the University renewed its line of credit, increasing the amount to $10,000,000. All other material terms of the line of credit remained the same.

Long-term bonds and notes payable at June 30, 2020 and 2019 consisted of the following:

	2020	2019
Fixed-rate bonds issued in August 2019, maturing through 2049 (2019 Bonds)	$48,370,000	$ -
Fixed-rate bonds issued in May 2015, maturing through 2025 (2015 Bonds)	-	11,178,158
Variable-rate note issued in December 2011, maturing through 2021 (2011 Note)	-	9,382,472
Fixed-rate draw notes issued in April 2019, maturing through 2029 (2019 Notes)	3,465,442	752,512
	51,835,442	21,313,142
Total unamortized premium	4,919,588	
Total unamortized bond issuance costs	(422,586)	(97,934)
Total bonds payable	$56,332,444	$21,215,208

The bond premium and issuance costs are being amortized over the life of the bonds. Bond issuance cost amortization for the years ended June 30, 2020 and 2019 was $23,207 and $17,331, respectively, and bond premium amortization was $350,602 and $-0-, respectively. Accumulated amortization for bond issuance costs for the years ended June 30, 2020 and 2019 was $21,089 and $81,193, respectively, and accumulated amortization for the bond premium was $350,602 and $-0-, respectively.

On May 6, 2015, the University, in conjunction with the Ohio Higher Educational Facility Commission (the Commission), issued $17,339,202 of State of Ohio Higher Educational Facility bonds (the 2015 Bonds) at a 2.48% fixed rate. These bonds were retired with a portion of the proceeds of the 2019 Bonds described below.

On December 16, 2011, the University entered into a loan in the form of a draw term loan agreement with PNC Bank for up to $15,000,000 (the 2011 Note). The proceeds were for the renovation of Stuyvesant Hall. These bonds were retired with a portion of the proceeds of the 2019 Bonds described below.

Note 7. Bonds and Notes Payable (Continued)

In April 2019, the University entered into a principal and interest promissory note of $3,600,000 at a 4.016% fixed interest rate. The funds were issued in the form of a draw term note. The loan is interest only through January 2020 with fixed monthly payments of $38,980, including interest, for 111 months thereafter. The loan balance outstanding was $3,465,442 and $752,512 as of June 30, 2020 and 2019, respectively.

On August 14, 2019, the University, in conjunction with the Commission, issued $48,370,000 of State of Ohio Higher Educational Facility Revenue Bonds (the 2019 Bonds) at fixed rates ranging from 3.125% to 5.00% with a 30-year maturity. The interest is paid semi-annually on April 1 and October 1 while the principal is paid annually on October 1. The bonds were issued through the Commission. They were placed as a private placement with PNC Capital Markets LLC and Stifel, Nicolaus & Company. The funds were issued in the form of a draw term. The bond proceeds retired the 2011 Note and 2015 Bonds. The remaining proceeds are to be utilized for the renovation of various residence halls on campus and new residence housing apartments.

The 2019 Bonds are subject to the 2019 bond base lease terms (the Lease) with the Commission in conjunction with the 2019 Project. The University is required to make rental payments under the Lease in amounts sufficient to pay the principal and interest on the 2019 Bonds. The 2019 Bonds are special obligations of the State of Ohio and the debt service on the 2019 Bonds is payable solely from the revenues to be derived by the Commission from its ownership of the 2019 Project. The 2019 Bonds are collateralized by a security interest in the 2019 Project. The University has agreed to purchase the 2019 Project from the Commission after all of the debt service on the 2019 Bonds has been paid.

Principal payments for all notes and bonds, for the years ending June 30, are as follows:

2021	$ 1,097,820
2022	1,146,627
2023	1,206,007
2024	1,260,739
2025	1,321,572
Thereafter	45,802,677
	$51,835,442

Interest expense for all bonds and notes payable for the years ended June 30, 2020 and 2019 was $853,946 and $661,745, respectively.

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions of the University and subsidiaries, and the nature of any restrictions, consisted of the following:

Note 8. Net Assets With Donor Restrictions (Continued)

	June 30	
	2020	2019
Scholarships, prizes and awards - corpus	$ 90,744,811	$ 85,032,624
Scholarships, prizes and awards - earnings	24,001,781	31,599,496
Faculty support and academic programs - corpus	36,985,617	35,043,071
Faculty support and academic programs - earnings	5,933,216	7,686,331
General university operations - corpus	46,728,656	46,564,959
General university operations - earnings	22,559,104	18,890,685
Library acquisitions - corpus	1,481,332	1,315,782
Library acquisitions - earnings	1,138,344	1,299,370
Annuity, pooled income and unitrust funds - corpus	3,479,133	6,301,056
Annuity, pooled income and unitrust funds - earnings	(1,182,025)	(860,710)
Interest in trusts - corpus	1,794,239	1,941,613
Interest in trusts - earnings	852,215	1,018,120
Endowment income designated for restricted purposes	11,925,222	12,211,988
Unexpended gifts and grants	4,020,066	3,776,863
Pledges receivable - corpus	3,526,284	2,938,801
Student loan funds - corpus	2,391,591	2,391,567
Pledges receivable	13,207,045	15,878,699
Other purposes - corpus	10,884,018	10,326,066
Other purposes	1,912,509	1,072,600
	$282,383,158	$284,428,981

Net assets released from restrictions relate to the following:

	June 30	
	2020	2019
Academic support, including library	$ 550,500	$ 1,512,240
Financial aid from outside sources	6,330,842	6,046,984
Plant	188,914	823,730
Instruction	1,309,449	2,593,506
Management and general	231,390	520,333
Student services	625,397	1,373,259
Research	149,629	254,599
Other	5,894,944	4,021,915
	$ 15,281,065	$ 17,146,566

Note 9. Endowment Funds

The Board of Trustees of the University has approved an investment policy detailing the long-term goals, asset allocation, measurable objectives, on-going communication, review and oversight. The basic philosophy of the investment policy is that administration and management of the endowment are to be implemented through diversified investment options designed to recognize income needs for ongoing operations, as well as committed spending and capital-growth needs to meet expansion goals and costs increased by future inflation.

Note 9. Endowment Funds (Continued)

A portion of net assets with donor restrictions is restricted as to use in perpetuity. The University records these permanent endowment gifts at historic dollar value. Distributions from endowment funds are spent in compliance with the donor's restrictions applicable to the funds being distributed. The current spending rule provides an annual cash flow to the operating budget equal to the fixed amount of spending calculated at June 30, 1998 increased by the CPI-U plus 4% of new endowment gifts.

Distributions for operations during the years ended June 30, 2020 and 2019 were $15,023,013 and $12,062,718, respectively. The University's spending policy authorized $12,679,079 and $12,062,718 to be distributed during the years ended June 30, 2020 and 2019, respectively. In FY20, the Board passed a resolution for the distribution to include a supplemental endowment draw to support Board-approved investments in strategic initiatives.

From time to time the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a perpetual fund balance. These deficiencies result from unfavorable market fluctuations that occur shortly after the investment of these new permanent endowment contributions or as a result of continued expenditure for programs that the Board deems prudent. The fair value of assets associated with certain individual donor-restricted endowment funds was below the carrying value by $8,658,530 and $10,395,890 at June 30, 2020 and 2019, respectively.

The endowment pool, which includes true endowment and quasi-endowment, was as follows as of June 30, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ 7,882,818	$235,198,526	$243,081,344
Investment return:			
Investment income	48,773	1,496,026	1,544,799
Net depreciation (realized and unrealized)	(62,211)	(1,799,793)	(1,862,004)
Total investment return	(13,438)	(303,767)	(317,205)
Cash contributions and transfers	-	8,518,616	8,518,616
Appropriation of endowment assets for expenditure	(485,809)	(14,537,204)	(15,023,013)
Endowment assets, end of year	$ 7,383,571	$228,876,171	$236,259,742

Note 9. Endowment Funds (Continued)

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ 7,993,246	$231,628,629	$239,621,875
Investment return:			
Investment income	45,804	1,376,673	1,422,477
Net appreciation (realized and unrealized)	229,730	7,750,049	7,979,779
Total investment return	275,534	9,126,722	9,402,256
Cash contributions and transfers	23,086	6,096,845	6,119,931
Appropriation of endowment assets for expenditure	(409,048)	(11,653,670)	(12,062,718)
Endowment assets, end of year	$ 7,882,818	$235,198,526	$243,081,344

Note 10. Noncontrolling Interest

The following is a reconciliation of net assets relating to the University and to the noncontrolling interests of Stuyvesant Hall and Master Tenant:

	University	Noncontrolling Interest	Total
Net assets balance at June 30, 2018	$350,375,473	$ 6,038,240	$356,413,713
Change in net assets attributable to University	12,619,219	-	12,619,219
Change in/acquisition of noncontrolling interests	6,038,240	(6,038,240)	-
Net assets balance at June 30, 2019	369,032,932	-	369,032,932
Change in net assets attributable to University	(10,700,247)	-	(10,700,247)
Net assets balance at June 30, 2020	$358,332,685	$ -	$358,332,685

Note 11. Commitments and Contingencies

At June 30, 2020, the University has outstanding commitments on various construction projects totaling approximately $28,015,000 most of which is related to building renovations and new construction.

The University is involved in litigation and is subject to certain claims that arise in the normal course of operations. In the opinion of management, the ultimate disposition of the litigation and claims will not have a material adverse effect on the University's operations or financial position.

The University provided a one-time Voluntary Separation or Retirement Program (VSRP) to long-term faculty as part of an overall restructuring plan to position the University to better meet its mission. Faculty members were given the opportunity to elect to opt in to the VSRP as long as that election was made by June 15, 2020. They were given the option to retire or separate at either of two future dates. The amount of the severance and the dates of the two equal severance payments were determined by each faculty member's base salary, years of service, and the date selected for their retirement or separation. Administrative restructuring resulted in a reduction in force of staff positions. The amount of the separation payout for affected staff was based on each staff member's base salary and years of service. The total expense incurred for faculty and staff separations was $4,336,319.

After June 30, 2020, an additional eight faculty members signed separation agreements that contained severance compensation. The severance for these individuals will be expensed in fiscal year 2021.

The University considers the restructuring a one-time event not associated with the normal operations of the University. Therefore, it is classified as a non-operating expense in the consolidated statement of activities.

Note 12. Effects of COVID-19 Pandemic

On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus disease 2019 (COVID-19) a global health emergency and subsequently declared the COVID-19 outbreak a global pandemic in March 2020. The pandemic has adversely affected domestic and global economic activity and the impact continues to evolve as of the date of this report.

The University's operations are heavily dependent on tuition and private and public donations from individuals, foundations and corporations. The pandemic may cause financial strain on students and families causing withdrawals and transfers that lead to a decline in enrollments. Access to donations and grants may decrease or may not be available depending on the appropriations from other organizations. Accordingly, the pandemic is expected to affect the financial condition, results of operations and cash flows of the University during the fiscal year 2021, but the extent is unknown at this time. In response, the University made a number of budget adjustments in the 2019-2020 and 2020-2021 fiscal years that it believes should help the University navigate through the rest of the 2020-2021 fiscal year without any major disruption to the academic program.

Note 13. CARES Act

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act, among other things, created the Higher Education Emergency Relief Fund (HEERF). The University received an award for $801,252 that is to be provided directly to students in the form of emergency grants to help student families facing additional expenses related to the disruption of regular campus operations due to the coronavirus. The University received a similar award of $801,252 that is to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. The institutional funds are released to the University as the student assistance portion is spent. As of June 30, 2020, the University has expended $1,053,105 of these awards.

The University was also awarded state aid through the Coronavirus Relief Fund (CRF) and the Governor's Emergency Education Relief (GEER) created as part of the federal CARES Act passed on March 27, 2020. The two grants total $1,740,000 and provide emergency support for expenses incurred and support services provided due to the disruption of campus operations from COVID-19. These state grants were received after June 30, 2020.