

OHIO NORTHERN UNIVERSITY

Independent Auditor's Report and Consolidated Financial Statements
May 31, 2021 and 2020

Ohio Northern University

May 31, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Ohio Northern University
Ada, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ohio Northern University (University), which comprise the consolidated statements of financial position as of May 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditor's 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 auditor considers 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ohio Northern University as of May 31, 2021 and 2020, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 22, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Fort Wayne, Indiana
September 22, 2021

Ohio Northern University
Consolidated Statements of Financial Position
May 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 8,483,207	\$ 2,986,168
Student accounts receivable, net of allowance of \$864,000 in 2021 and \$1,141,299 in 2020	1,025,132	1,386,247
Contributions receivable, net of allowance of \$100,000 in 2021 and 2020	962,100	1,240,087
Other receivables	3,868,793	1,453,220
Cash equivalents and investments restricted for loans and long-lived asset purchases	7,962,882	2,882,911
Inventories	299,851	279,856
Prepaid expenses	1,574,088	1,378,223
Investments	198,984,621	166,102,351
Notes receivable, net of allowance of \$177,380 in 2021 and \$85,963 in 2020	10,069,718	10,727,609
Assets held in charitable remainder trusts	900,197	1,012,516
Property and equipment	148,273,239	154,244,690
Cash value of life insurance	824,062	813,796
Beneficial interest in remainder trusts	3,105,641	2,893,780
Beneficial interest in perpetual trusts	18,634,808	15,565,264
	<u>\$ 404,968,339</u>	<u>\$ 362,966,718</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 4,983,433	\$ 2,096,998
Accrued expenses	9,460,095	8,392,036
Deferred revenue and deposits	5,800,215	6,718,053
Long-term debt	91,642,451	86,447,232
Annuities and trusts payable	2,960,777	3,016,553
Postretirement medical benefits	3,354,027	3,863,312
Other	500,275	350,564
U.S. Government refundable advances	7,191,914	7,832,557
Total liabilities	<u>125,893,187</u>	<u>118,717,305</u>
Net Assets		
Without donor restrictions		
Undesignated	37,997,681	38,597,663
Designated by the Board for endowment	13,168,571	11,466,676
	<u>51,166,252</u>	<u>50,064,339</u>
With donor restrictions		
Perpetual in nature	107,852,975	105,012,282
Purpose restriction	94,268,205	68,473,347
Time-restricted for future periods	2,126,162	2,038,111
Trusts, charitable gift annuities, and other activities	23,712,315	20,305,421
Underwater endowments	(50,757)	(1,644,087)
	<u>227,908,900</u>	<u>194,185,074</u>
Total net assets	<u>279,075,152</u>	<u>244,249,413</u>
	<u>\$ 404,968,339</u>	<u>\$ 362,966,718</u>

Ohio Northern University
Consolidated Statement of Activities
Year Ended May 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Income and Other Support			
Tuition and fees, net	\$ 49,497,918	\$ -	\$ 49,497,918
Gifts and bequests	3,362,916	1,079,704	4,442,620
Grants and contracts	7,716,491	-	7,716,491
Investment return designated for operations	9,273,820	2,111,830	11,385,650
Investment income from trusts held by others	858,548	25,073	883,621
Other investment income	61,310	-	61,310
Other	1,192,619	-	1,192,619
Auxiliary enterprises	19,523,620	-	19,523,620
Net assets released from restrictions for operating items	2,892,817	(2,892,817)	-
Total revenue, income and other support	94,380,059	323,790	94,703,849
Expenses			
Instruction	39,263,150	-	39,263,150
Sponsored programs	2,277,576	-	2,277,576
Academic support	4,168,329	-	4,168,329
Libraries	2,756,324	-	2,756,324
Student services	13,598,538	-	13,598,538
Auxiliary	20,657,165	-	20,657,165
Total educational activities	82,721,082	-	82,721,082
Institutional support	8,297,460	-	8,297,460
Fundraising	1,725,835	-	1,725,835
Total expenses	92,744,377	-	92,744,377
Change in Net Assets Before Other Revenue (Expenses)	1,635,682	323,790	1,959,472
Other Revenue (Expenses)			
Gifts restricted for endowment	-	2,726,557	2,726,557
Gifts restricted for acquisition of long-lived assets	-	411,388	411,388
Investment return less amounts designated for operations	(427,530)	27,423,333	26,995,803
Change in value of split-interest agreements	-	491,534	491,534
Actuarial adjustment to postretirement medical benefit liability	(917,154)	-	(917,154)
Change in asset retirement obligation	(144,190)	-	(144,190)
Expense of bond origination costs due to refinancing	(360,133)	-	(360,133)
Change in beneficial interest in perpetual trusts	-	3,662,462	3,662,462
Satisfaction of capital acquisition restrictions	1,315,238	(1,315,238)	-
Total other revenue (expenses)	(533,769)	33,400,036	32,866,267
Change in Net Assets	1,101,913	33,723,826	34,825,739
Net Assets, Beginning of Year	50,064,339	194,185,074	244,249,413
Net Assets, End of Year	\$ 51,166,252	\$ 227,908,900	\$ 279,075,152

Ohio Northern University
Consolidated Statements of Activities
Year Ended May 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Income and Other Support			
Tuition and fees, net	\$ 49,993,177	\$ -	\$ 49,993,177
Gifts and bequests	1,406,233	1,109,673	2,515,906
Grants and contracts	4,305,668	-	4,305,668
Investment return designated for operations	7,567,476	3,183,394	10,750,870
Investment income from trusts held by others	551,359	26,007	577,366
Other investment income	56,695	-	56,695
Other	2,559,701	-	2,559,701
Auxiliary enterprises	16,778,948	-	16,778,948
Net assets released from restrictions for operating items	3,896,852	(3,896,852)	-
Total revenue, income and other support	<u>87,116,109</u>	<u>422,222</u>	<u>87,538,331</u>
Expenses			
Instruction	37,739,158	-	37,739,158
Sponsored programs	2,743,678	-	2,743,678
Academic support	4,047,285	-	4,047,285
Libraries	2,778,767	-	2,778,767
Student services	13,567,173	-	13,567,173
Auxiliary	20,235,830	-	20,235,830
Total educational activities	<u>81,111,891</u>	<u>-</u>	<u>81,111,891</u>
Institutional support	7,617,224	-	7,617,224
Fundraising	1,680,554	-	1,680,554
Total expenses	<u>90,409,669</u>	<u>-</u>	<u>90,409,669</u>
Change in Net Assets Before Other Revenue (Expenses)	<u>(3,293,560)</u>	<u>422,222</u>	<u>(2,871,338)</u>
Other Revenue (Expenses)			
Gifts restricted for endowment	-	5,548,114	5,548,114
Gifts restricted for acquisition of long-lived assets	-	840,754	840,754
Investment return less amounts designated for operations	(236,623)	(2,674,303)	(2,910,926)
Change in value of split-interest agreements	-	(594,223)	(594,223)
Actuarial adjustment to postretirement medical benefit liability	273,903	-	273,903
Change in asset retirement obligation	74,697	-	74,697
Change in beneficial interest in perpetual trusts	-	814,522	814,522
Satisfaction of capital acquisition restrictions	4,396,573	(4,396,573)	-
Total other revenue (expenses)	<u>4,508,550</u>	<u>(461,709)</u>	<u>4,046,841</u>
Change in Net Assets	1,214,990	(39,487)	1,175,503
Net Assets, Beginning of Year	<u>48,849,349</u>	<u>194,224,561</u>	<u>243,073,910</u>
Net Assets, End of Year	<u>\$ 50,064,339</u>	<u>\$ 194,185,074</u>	<u>\$ 244,249,413</u>

Ohio Northern University
Consolidated Statements of Cash Flows
Years Ended May 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 34,825,739	\$ 1,175,503
Items not requiring (providing) operating activities cash flows		
Depreciation	8,994,061	8,516,582
Amortization of bond origination costs	27,903	32,273
Expense of bond origination costs due to refinance	360,133	-
Amortization of bond discount	4,729	
Change in allowance for doubtful accounts	(185,882)	(96,678)
Net realized and unrealized gains on investments	(35,808,764)	(4,987,767)
Gain on sale of property and equipment	(223,772)	(780,735)
Gain on beneficial interest in perpetual trust	(3,662,462)	(270,743)
Contributions received and payments received on contributions receivable restricted for long-term investment	(2,802,663)	(5,849,537)
Contributions received and payments received on contributions receivable restricted for acquisition of long-lived assets	(495,288)	(2,039,497)
Changes in		
Student accounts receivable	638,414	(39,267)
Contributions receivable	277,987	1,481,015
Other receivables	(2,415,573)	499,815
Inventories	(19,995)	21,654
Prepaid expenses and other assets	(195,865)	(7,985)
Beneficial interest in remainder trusts	493,376	446,851
Accounts payable	2,683,144	(3,951,057)
Accrued expenses	1,068,059	585,157
Deferred revenue and deposits	(917,838)	34,609
Annuities and trusts payable	(55,776)	530,132
Postretirement medical benefits	(509,285)	(4,756,750)
Other liabilities	149,711	(218,888)
Net cash provided by (used in) operating activities	<u>2,230,093</u>	<u>(9,675,313)</u>
Investing Activities		
Purchase of property and equipment	(2,921,645)	(14,641,438)
Decrease in notes receivable	566,474	672,040
Purchases of investments	(23,166,936)	(108,501,228)
Proceeds from sales and maturities of investments	26,093,430	111,017,955
Proceeds from sale of fixed assets	326,098	1,238,877
(Increase) decrease in cash equivalents and investments restricted for loans and long-lived asset purchases	(5,079,971)	2,409,097
(Increase) decrease in cash value of life insurance	(10,266)	54,846
Net cash used in investing activities	<u>(4,192,816)</u>	<u>(7,749,851)</u>
Financing Activities		
Principal payments on bonds	(1,130,594)	(1,160,376)
Issuance of new debt	5,933,048	13,078,974
Proceeds from contributions received and payments received on contributions receivable restricted for long-term investment	2,802,663	5,849,537
Proceeds from contributions received and payments received on contributions receivable restricted for acquisition of long-lived assets	495,288	2,039,497
Decrease in U.S. Government refundable advances	(640,643)	(1,422,323)
Net cash provided by financing activities	<u>7,459,762</u>	<u>18,385,309</u>
Net Increase in Cash and Cash Equivalents	5,497,039	960,145
Cash and Cash Equivalents, Beginning of Year	<u>2,986,168</u>	<u>2,026,023</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,483,207</u>	<u>\$ 2,986,168</u>

Ohio Northern University
Consolidated Statements of Cash Flows
Years Ended May 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Supplemental Cash Flows Information		
Interest paid	\$ 3,270,939	\$ 2,825,187
Property and equipment purchases included in accounts payable	435,828	232,537
Issuance of 2020 bonds	\$ 26,745,000	\$ -
Less bond origination costs on new debt	(293,191)	-
Less bond discount on new debt	(283,761)	-
Less refinancing of Series 2013 and 2014 bonds	<u>(20,235,000)</u>	<u>-</u>
Net proceeds from issuance of 2020 bonds	<u>\$ 5,933,048</u>	<u>\$ -</u>

Ohio Northern University

Notes to Consolidated Financial Statements

May 31, 2021 and 2020

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

Nature of Operations

Ohio Northern University (University) is a private, United Methodist Church-related university in Ada, Ohio, comprised of the Colleges of Arts & Sciences, Business Administration, Engineering, Pharmacy and Law. The University draws a large percentage of the undergraduate student body from the state of Ohio, while a large percentage of law students are from outside Ohio. The University's primary sources of revenue and support are tuition income, auxiliary revenue, contributions and investment income.

The Inn at Ohio Northern University Management Company (The Inn) is a wholly-owned subsidiary that furnishes the University the managerial, supervisory, administrative and support services relating to the hotel owned by the University. Under the terms of a management agreement, the Company is reimbursed by the University for all actual and direct expenses incurred in connection with the operation of the hotel.

Polar Enterprises is a not-for-profit corporation that operates an entrepreneurship program that educates students by providing them hands on experience in operating a student-run business.

Principles of Consolidation

The consolidated financial statements include the accounts of Ohio Northern University, The Inn and Polar Enterprises. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

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 and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2021 and 2020, cash equivalents consisted primarily of money market funds.

At May 31, 2021, the University's cash accounts, which are held at multiple financial institutions, exceeded federally insured limits by approximately \$9,000,000. The University does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

Cash and cash equivalents related to uninvested cash are considered part of investments in the accompanying financial statements. Deposit accounts that are limited as to use, or restricted externally by regulators, are not considered to be cash and cash equivalents.

Ohio Northern University

Notes to Consolidated Financial Statements

May 31, 2021 and 2020

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.

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 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 endowment accounts 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.

Student Accounts and Notes Receivable

Student accounts receivable are stated at the amount of consideration from students of which the University has the 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 term unless the student has a payment plan. Charges that are past due without payments for three consecutive months, and have had no response to the due diligence process, are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Notes receivable consist primarily of amounts due under the Federal Perkins Loan Program and Health Professions Student Loan Program and are stated at their outstanding principal amounts. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. 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. Loans with a delinquent balance and still accruing interest amounted to approximately \$446,900 and \$613,500 at May 31, 2021 and 2020, respectively.

Inventories

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. The cost of repairs and maintenance is generally charged to expense in the year incurred.

Ohio Northern University

Notes to Consolidated Financial Statements

May 31, 2021 and 2020

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	30-50 years
Land improvements	40-50 years
Equipment, furniture, fixtures and vehicles	5-10 years

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred each year was:

	2021	2020
Total interest expense incurred on borrowings for project	\$ -	\$ 506,994
Interest costs capitalized	-	506,994
	2021	2020
Interest costs capitalized	\$ -	\$ 506,994
Interest costs charged to expense	3,377,489	2,533,386
Total interest incurred	\$ 3,377,489	\$ 3,040,380

Bond Origination Costs and Debt Premium

Costs incurred in obtaining long-term financing are deferred and amortized over the term of the related borrowing. Premiums related to the University's long-term debt are accreted over the term of the related debt.

Collections

All collections of works of art, historical treasures and similar assets are capitalized. The University received donations of various works of art in past years. The collection includes approximately 400 items and is displayed in several locations on campus. Items added to the collections are capitalized at costs if purchased or at estimated fair value on the acquisition date if donated. Collection items sold or removed are reported as gains or losses without donor restrictions or with donor restrictions depending on donor stipulations, if any, placed on the items at the time of acquisition.

It is the policy of the University to recognize contributions of works of art as a capitalized asset because the items are held for public exhibition rather than financial gain. However, such works of art are not subject to depreciation. Standard University procedures are used in accessioning, deaccessioning, cataloging and managing objects. The University provides a clean, safe and stable storage environment for its collections. There were no deaccessions in 2021 or 2020.

Deferred Revenue

Deferred revenue consists primarily of student tuition, housing and other fees received prior to the beginning of an academic term as well as the unamortized portion of an investment by Sodexo related to capital improvements for dining service facilities and physical plant investments.

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Notes to Consolidated Financial Statements

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Net Assets

The University's financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Net assets and related activity are classified as without donor restrictions and with donor restrictions as follows:

- *Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions. The net asset without donor restrictions class included general and Board-designated assets and liabilities of the University and may be used at the discretion of management to support the University's purposes and operations.
- *Net Assets with Donor Restrictions* – Net assets that are subject to donor-imposed restrictions that will be met either by actions of the University or the passage of time or are to be maintained in perpetuity by the University. Unconditional promises to give that are due in future periods are classified as net assets with donor restrictions. Generally, the donors of assets with donor restrictions permit the University to use all or part of the income earned on related investments for general or specific purposes. Donor-imposed restrictions limiting the use of the assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

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:

Nature of the Gift	Value Recognized
<u>Conditional gifts, with or without restriction</u>	
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
<u>Unconditional gifts, with or without restriction</u>	
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

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Notes to Consolidated Financial Statements

May 31, 2021 and 2020

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.

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.

Split Interest Agreements

Funds held in trust by others for the benefit of the University are recorded at fair value based on the University's share of the trust.

Irrevocable charitable remainder unitrusts held by others are recorded as a contribution in the year the trust is established. The contribution is recorded at the fair value of the trust assets less the present value of the estimated future cash payments to the beneficiaries.

Income Taxes

The University and Polar Enterprises are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the University and Polar Enterprises are subject to federal income tax on any unrelated business taxable income. The Inn is a for-profit company that furnishes the University the managerial, supervisory, administrative and support services relating to the hotel owned by the University.

The University files tax returns in the U.S. federal jurisdiction. With a few exceptions, the University is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years before fiscal year 2018. Accordingly, no provision for income taxes has been made. The University did engage in activities unrelated to its exempt purpose, however, the University did not incur any unrelated business income tax expense in the years ended May 31, 2021 and 2020. The University is also exempt from state income taxes.

Compensated Absences

Full-time employees, excluding faculty, earn 20 days of vacation each year, which is accrued on a per pay basis. The employee may accumulate a maximum of 30 days, in accordance with the leave policy. Employees may be paid for unused vacation leave, up to a maximum of 20 days, at their current rate of pay upon termination of service. The University accrues costs for vacation leave as obligations of net assets without donor restrictions. At May 31, 2021 and 2020, the University had an accrual of \$934,588 and \$826,154, respectively, for unused vacation leave, which is included in accrued expenses in the statement of financial position. There is no accrual for sick pay.

Ohio Northern University
Notes to Consolidated Financial Statements
May 31, 2021 and 2020

Functional Allocation of Expenses

The costs of supporting various programs and other activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs (primarily depreciation, interest, facilities operations and maintenance, insurance and utilities) have been allocated among the educational, institutional support and fundraising categories based on applicable direct usage of assets, related debt or allocated on a square footage basis.

Revision

The fiscal year 2020 statement of activities has been revised related to the presentation of certain government grant activity. This resulted in an increase in revenues of \$898,053 and a corresponding increase in expenses. The statement of functional expenses, along with any related footnote disclosures, have also been revised for this change. This had no impact on the change in net assets for 2020.

Note 2: Contributions Receivable

Contributions receivable at May 31 consisted of the following:

Discount rates ranged from 0.15 percent to 1.37 percent for 2021 and 2020.

	2021	2020
Less than one year	\$ 552,846	\$ 673,508
Due one to five years	523,918	683,018
Due after five years	-	10,300
	<u>1,076,764</u>	<u>1,366,826</u>
Less allowance for uncollectible contributions	(100,000)	(100,000)
Less present value discount	<u>(14,664)</u>	<u>(26,739)</u>
	<u>\$ 962,100</u>	<u>\$ 1,240,087</u>

Ohio Northern University
Notes to Consolidated Financial Statements
May 31, 2021 and 2020

Note 3: Investments and Investment Return

Investments at May 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash and money market funds	\$ 2,033,264	\$ 10,216,752
Common stocks	5,510,131	5,100,758
U.S. Government and agency obligations	481,460	544,437
Corporate debt securities	1,043,158	919,177
Equity mutual funds		
International markets	28,559,543	22,513,621
Large cap blend and growth	47,574,630	35,434,677
Small and mid-cap	357,866	240,536
Fixed income mutual funds	34,769,199	25,803,706
Alternative investments		
Common trust funds	15,218,861	13,524,105
Multi-strategy hedge funds	10,107	10,107
Private equity funds	61,743,684	49,834,240
Real estate investment funds	1,621,473	1,898,990
Land held for sale	61,245	61,245
	<u>\$ 198,984,621</u>	<u>\$ 166,102,351</u>

The University's net assets with donor restrictions include various endowment funds established by donors. At May 31, 2021 and 2020, the fair value of the assets of some of these funds was \$50,757 and \$1,644,087, respectively, less than the level required by donor stipulation or law.

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Total investment return is comprised of the following:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Endowment income and gains distributed	\$ 9,273,820	\$ 2,111,830	\$ 11,385,650
Total operating	<u>9,273,820</u>	<u>2,111,830</u>	<u>11,385,650</u>
Non-operating			
Interest and dividend income (net of expenses)	2,572,688	-	2,572,688
Net realized and unrealized gains	6,273,602	29,535,162	35,808,764
Investment return designated for current operations	<u>(9,273,820)</u>	<u>(2,111,830)</u>	<u>(11,385,650)</u>
Total non-operating	<u>(427,530)</u>	<u>27,423,332</u>	<u>26,995,802</u>
Total return on investments	<u>\$ 8,846,290</u>	<u>\$ 29,535,162</u>	<u>\$ 38,381,452</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Endowment income and gains distributed	\$ 7,567,476	\$ 3,183,394	\$ 10,750,870
Total operating	<u>7,567,476</u>	<u>3,183,394</u>	<u>10,750,870</u>
Non-operating			
Interest and dividend income (net of expenses)	2,852,177	-	2,852,177
Net realized and unrealized losses	4,478,676	509,091	4,987,767
Investment return designated for current operations	<u>(7,567,476)</u>	<u>(3,183,394)</u>	<u>(10,750,870)</u>
Total non-operating	<u>(236,623)</u>	<u>(2,674,303)</u>	<u>(2,910,926)</u>
Total return (loss) on investments	<u>\$ 7,330,853</u>	<u>\$ 509,091</u>	<u>\$ 7,839,944</u>

Cash equivalents and investments are restricted for the following at May 31:

	2021	2020
Capital projects and debt service	\$ 6,973,353	\$ 1,550,323
Loan funds	<u>989,529</u>	<u>1,332,588</u>
Total	<u>\$ 7,962,882</u>	<u>\$ 2,882,911</u>

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Alternative Investments

The fair value of alternative investments that have been estimated using the net asset value per share as a practical expedient consist of the following at May 31:

	May 31, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private common trust funds (A)	\$ 15,218,861	\$ -	Monthly-Quarterly	30-90 days
Multi-strategy hedge funds (B)	10,107	-	Monthly-Quarterly	30-90 days
Private equity funds (C)	61,743,684	17,668,006	Nonredeemable	N/A
Real estate investment funds (D)	1,621,473	8,000,000	Nonredeemable	N/A

	May 31, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private common trust funds (A)	\$ 13,524,105	\$ -	Monthly-Quarterly	30-90 days
Multi-strategy hedge funds (B)	10,107	-	Monthly-Quarterly	30-90 days
Private equity funds (C)	49,834,240	23,332,111	Nonredeemable	N/A
Real estate investment funds (D)	1,898,990	8,000,000	Nonredeemable	N/A

- (A) This category includes investments in private common trust funds that invest primarily in U.S. common stocks. Management of these funds can employ a variety of strategies; however, the trust funds primarily are designed to track certain broad market indices. These investments can be redeemed and there are no restrictions outside of the normal redemption frequency terms at May 31, 2021.
- (B) 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-driven, absolute return, arbitrage and event-driven strategies. These investments can be redeemed and there are no restrictions outside of the normal redemption terms at May 31, 2021.
- (C) This category includes several private equity funds that invest in early stage, high-growth private companies, growth equity financing, leverage buyouts, securities and other obligations of distressed businesses and financially troubled companies. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through liquidation of the underlying assets of the fund. It is estimated the underlying assets of the funds will be liquidated over the next one to seven years. Pursuant to fund agreements, the University has committed to fund future capital calls on these funds totaling \$17,668,006 and \$23,332,111 at May 31, 2021 and 2020, respectively. Subsequent to May 31, 2021, the University paid \$349,957 to fund capital calls.
- (D) This category includes two real estate funds that invest primarily in U.S. Commercial real estate. The fair values of the investments in this category have been estimated using

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the net asset value (or its equivalent) of the University's ownership interest in partners' capital. One of the funds can never be redeemed. Distributions from this fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets for this fund will be liquidated over the next five to seven years. The remaining fund is indefinitely gated due to impairment and the value reflected in the financial statements is nominal at May 31, 2021 and 2020. Pursuant to fund agreements, the University has committed to fund future capital calls on the one fund totaling \$8,000,000 at May 31, 2021 and 2020. Subsequent to May 31, 2021, the University paid \$0 to fund capital calls.

Note 4: Notes Receivable

The University makes uncollateralized loans to students through its participation in the Federal Perkins Loan program, Health Professions Student Loan program (HPSL) and Nursing Student Loan program (NSL). The availability of funds under these three federal loan programs is dependent on reimbursement to the loan fund from repayments on outstanding loans. Funds advanced by the federal government totaled \$7,191,914 and \$7,832,557 as of May 31, 2021 and 2020, respectively. These advances are ultimately refundable to the federal government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans canceled under the program result in a reduction of funds available for future loans and a decrease in the University's liability to the federal government. These loan amounts represent 1.8 percent and 2.2 percent of total assets as of May 31, 2021 and 2020, respectively.

The University also makes uncollateralized loans to students and student organizations through institutional loan funds. The loans to students are generally based on financial need. The loans to student organizations are typically secured by certain property for which the loans were made.

Allowances for doubtful accounts are established based on current economic factors and specific circumstances of the borrower which, in management's judgment, could influence the ability of the borrower to repay the amounts per the loan terms. For the federal loan programs, the federal government bears the risk of loss of uncollectible loans provided the University performs required collection due diligence procedures, therefore affecting the determination of the needed allowance for losses. The University does not stop the accrual of interest until a loan is written off; therefore, the University has no loans on nonaccrual status.

Categories of loans at May 31 include:

	<u>2021</u>	<u>2020</u>
Student loans receivable		
Federal government programs	\$ 7,614,935	\$ 7,998,456
Institutional programs	2,632,163	2,815,116
Total student loans receivable	<u>10,247,098</u>	<u>10,813,572</u>
Less allowance for doubtful accounts		
Balance, beginning of year	(85,963)	(69,344)
Provision charged to expense	<u>(91,417)</u>	<u>(16,619)</u>
Balance, end of year	<u>(177,380)</u>	<u>(85,963)</u>
Net loans receivable	<u>\$ 10,069,718</u>	<u>\$ 10,727,609</u>

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Note 5: Property and Equipment

Property and equipment are summarized as follows at May 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 8,159,275	\$ 8,159,275
Land improvements	11,608,016	10,442,992
Buildings	236,673,228	235,339,437
Equipment, furniture, fixtures and vehicles	26,132,827	25,363,680
Collections	1,864,029	1,864,029
Construction in progress	3,151,481	3,445,354
	<u>287,588,856</u>	<u>284,614,767</u>
Less accumulated depreciation	<u>(139,315,617)</u>	<u>(130,370,077)</u>
	<u>\$ 148,273,239</u>	<u>\$ 154,244,690</u>

The following construction commitments exist as of May 31:

	<u>2021</u>	<u>2020</u>
Energy Master Plan	\$ 2,045,589	\$ -

Note 6: Beneficial Interest in Remainder Trusts and Perpetual Trusts

The University is the beneficiary under various charitable remainder trusts administered by outside parties. Under the terms of the trusts, the University has the irrevocable right to receive the net assets of these trusts at the end of the trust's term. The beneficial interest in these trusts is recorded at the present value of the expected future cash flows discounted at 1.2 percent and 0.8 percent for May 31, 2021 and 2020, respectively, and applicable mortality tables. The estimated value of the expected future cash flows is \$3,105,641 and \$2,893,780 at May 31, 2021 and 2020, respectively.

The University is also the beneficiary under various 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 \$18,634,808 and \$15,565,264, which represents the fair value of the trust assets at May 31, 2021 and 2020, respectively.

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Note 7: Bonds Payable

Bonds payable consist of the following:

	<u>2021</u>	<u>2020</u>
2013 Economic Development Facilities Revenue Refunding Bonds Series A1, interest at fixed rate of 4.557%, maturing through May 2038, payable in annual installments ranging from \$160,000 to \$280,000, paid off in 2021 with the proceeds from the 2020 bond issuance	\$ -	\$ 3,645,000
2013 Economic Development Facilities Revenue Refunding Bonds, Series A2, interest at fixed rate of 4.254% maturing through May 2038, payable in annual installments ranging from \$535,000 to \$925,000, paid off in 2021 with the proceeds from the 2020 bond issuance	-	12,020,000
2014 Economic Development Facilities Revenue Refunding Bonds, interest rate at fixed rate of 4.0108%, maturing through May 2031, payable in annual installments ranging from \$675,000 to \$2,995,000, paid off in 2021 with the proceeds from the 2020 bond issuance	-	4,570,000
2018 United States of America Notes acting through the Rural Housing Service of the United States Department of Agriculture, interest rate at fixed rate of 3.25% through April 2057, payable in annual installments ranging from \$449,798 to \$1,525,721	66,204,030	67,124,624
2020 Economic Development Facilities Revenue Refunding and Improvement Bonds, interest rate in fixed amounts ranging from 4.00% to 5.50% depending on term of bond, maturing through May 2050, payable in annual installments ranging from \$210,000 in 2021 to \$1,785,000 in 2050	26,535,000	-
Total bonds payable	92,739,030	87,359,624
Less: Unamortized discount	(279,031)	-
Less: Bond origination costs	(817,548)	(912,392)
Total bonds payable	<u>\$ 91,642,451</u>	<u>\$ 86,447,232</u>

In connection with the issuance of the Series 2018 notes, the University, as borrower, entered into a loan agreement with the issuer, United States of America, acting through the Rural Housing Service, United States Department of Agriculture. Under the terms of the loan agreement, the University is required to make payments at such times and in such amounts (including principal, interest and premium, if any) so as to provide for the payment of principal of, premium, if any, and interest on the bonds outstanding. The University has pledged, assigned, conveyed, transferred, granted and ratified to the trustee, as assignee of the issuer, a first priority security interest in, general lien upon, the University's general receipts through a Master Indenture. The amount of debt issuance costs associated with the Series 2018 notes is \$529,223 and \$543,558 at May 31, 2021 and 2020, respectively.

In connection with the issuance of the Series 2020 bonds, the University, as borrower, entered into a loan agreement with the issuer, County of Hardin, Ohio. Under the terms of the loan agreement, the University is required to make payments at such times and in such amounts (including principal, interest and premium, if any) so as to provide for the payment of the principal of premium, if any, and interest on the bonds outstanding. The University has pledged, assigned, conveyed, transferred, granted, and ratified to the trustee, an assignee of the issuer, a first priority security interest in, general lien upon, the University's general receipts through a Master Indenture.

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The amount of bond origination costs associated with the Series 2020 bonds is \$288,325 at May 31, 2021. The amount of unamortized discount is \$279,031 at May 31, 2021.

In connection with the issuance of the Series 2018 bonds, the loan agreement requires the University to establish and maintain a debt service reserve account equivalent to the annual debt service on the bonds. Deposits are to be made monthly over a period of ten (10) years until the required debt service amount is reached. As of May 31, 2021, and 2020, the amount of funds on deposit in the debt service reserve account was \$927,008 and \$619,162, respectively.

In connection with the issuance of the Series 2020 bonds, the bond indenture requires the University to establish and maintain a debt service reserve account with a trustee equivalent to the maximum annual debt service of the bonds. As of May 31, 2021, the amount of funds on deposit in the debt service reserve account was \$1,888,313.

The issuance of the Series 2020 bonds triggered an early extinguishment of unamortized bond origination costs from the Series 2013 and Series 2014 bonds. The amount of unamortized bond origination costs was \$360,133 and is reflected as a non-operating loss on extinguishment of debt on the consolidated statement of activities.

Aggregate annual principal payments required on bonds payable at May 31, 2021, are:

2022	\$ 1,195,963
2023	1,237,334
2024	1,279,740
2025	1,323,215
2026	1,607,794
Thereafter	<u>86,094,984</u>
	<u>\$ 92,739,030</u>

The bond payable agreements contain certain covenants, including continuation of use of University facilities for educational purposes, maintenance of insurance policies and availability of certain financial records. As of May 31, 2021 and 2020, management is no aware of any violations of these covenants.

Interest expense was \$3,377,489 and \$2,533,386 for the years ended May 31, 2021 and 2020, respectively.

Note 8: Annuities and Trusts Payable

The University has been the recipient of many charitable gift annuities which require future payments to the donor or their named beneficiaries over the agreement's term (usually the designated beneficiary's lifetime). The assets received from the donor are recorded at fair value. The University has recorded a liability at May 31, 2021 and 2020, of \$2,255,644 and \$2,168,172, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from 1 percent to 8 percent and applicable mortality tables.

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 consolidated statements of activities as

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contributions with donor restrictions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the University's consolidated 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 University has recorded a liability at May 31, 2021 and 2020, of \$705,133 and \$848,381, respectively. The present value of the estimated future payments is calculated using discount rates ranging from 5 percent to 10 percent and applicable mortality tables.

Note 9: Postretirement Medical Benefits

The University has a postretirement medical benefit plan (Plan) to provide for the payment of certain health care benefits for retired employees who meet certain eligibility requirements under the Plan. The University's policy is to pay the cost of these health benefits as they occur. The Plan is funded by the University through Healthcare Reimbursement Accounts (HRA) for each eligible post-Medicare retiree.

The University uses a May 31 measurement date for the Plan. Information about the Plan's funded status follows:

	<u>2021</u>	<u>2020</u>
Accumulated postretirement benefit obligation	\$ (3,354,027)	\$ (3,863,312)
Fair value of Plan assets	<u>-</u>	<u>-</u>
Funded status	<u>\$ (3,354,027)</u>	<u>\$ (3,863,312)</u>

Liabilities recognized in the consolidated statements of financial position:

	<u>2021</u>	<u>2020</u>
Accrued benefit liability	<u>\$ (3,354,027)</u>	<u>\$ (3,863,312)</u>

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

	<u>2021</u>	<u>2020</u>
Net loss	\$ 1,076,150	\$ 1,744,324
Prior service credit	<u>(5,523,060)</u>	<u>(7,157,353)</u>
	<u>\$ (4,446,910)</u>	<u>\$ (5,413,029)</u>

Other changes in benefit obligations recognized in change in net assets:

	<u>Pension Benefits</u>	
	<u>2021</u>	<u>2020</u>
Amounts arising during the period		
Net loss	\$ 10,822	\$ 510,641
New prior service credit	-	(4,800,899)
Amounts reclassified as components of net periodic benefit cost of the period		
Net loss	(678,996)	(371,677)
Net prior service cost	1,634,293	4,386,008

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A reconciliation of the projected postretirement medical benefit obligation follows:

	Pension Benefits	
	2021	2020
Change in benefit obligation		
Obligation at June 1	\$ 3,863,312	\$ 8,620,062
Service cost	11,949	11,831
Interest cost	70,914	256,593
Actuarial loss	10,822	510,641
Benefit payments	(602,970)	(734,916)
Plan amendments	-	(4,800,899)
	<u> </u>	<u> </u>
Obligation at May 31	<u>\$ 3,354,027</u>	<u>\$ 3,863,312</u>

Other significant balances and costs as of May 31 are:

	2021	2020
Net periodic benefit costs	\$ (872,434)	\$ (3,745,907)
Employer contributions	602,970	734,916
Benefits paid	(602,970)	(734,916)

Components of net periodic postretirement benefit cost:

	2021	2020
Service cost	\$ 11,949	\$ 11,831
Interest cost	70,914	256,593
Amortization of prior service credit	(1,634,293)	(4,386,008)
Amortization of net loss	678,996	371,677
	<u> </u>	<u> </u>
Net periodic postretirement benefit cost	<u>\$ (872,434)</u>	<u>\$ (3,745,907)</u>

The estimated net loss and prior service credit for the defined-benefit postretirement plan that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next fiscal year are \$370,374 and \$678,996, respectively.

The University expects to contribute \$270,000 to the Plan in fiscal year 2022. Shown below are the expected benefit payments, net of retiree contributions, for 2022 through 2026 and the five years thereafter:

2022	\$ 269,544
2023	250,896
2024	245,617
2025	239,851
2026	230,221
2027-2031	1,041,712

The weighted-average discount rate and the assumed health care cost trend rate used in determining the postretirement benefit obligation and benefit costs were as follows:

	2021	2020
Discount rate	2.70%	2.64%
Health care cost trend rate	Not applicable	Not applicable

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Note 10: Net Assets

Net Assets with Donor Restrictions

Restricted net assets are available for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Unexpended property and equipment funds	\$ 6,842,127	\$ 7,216,094
Scholarships	1,249,241	1,058,771
Instruction, academic support and research	7,028,371	6,810,698
Loan program funds	3,914,344	4,006,856
	<u>19,034,083</u>	<u>19,092,419</u>
Subject to the passage of time		
Charitable trust agreements	1,415,968	1,172,440
Promises to give that are restricted by donors	687,994	819,871
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	22,200	45,800
	<u>2,126,162</u>	<u>2,038,111</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Scholarships	41,168,890	26,875,023
Instruction and academic support	33,913,527	22,354,200
Term endowments	151,705	151,705
Underwater endowments	(50,757)	(1,644,087)
	<u>75,183,365</u>	<u>47,736,841</u>
Subject to endowment spending policy and appropriation		
Scholarships	71,461,664	69,861,996
Instruction and academic support	36,391,311	35,150,286
	<u>107,852,975</u>	<u>105,012,282</u>
Total endowments	183,036,340	152,749,123
Trusts, charitable gift annuities, and other activities to support:		
Promises to give that are restricted by donors	251,905	361,416
Any activity of the University	910,201	806,039
Scholarships	14,120,145	11,702,766
Instruction and academic support	3,826,691	3,278,688
Trusts and charitable gift annuities, net of obligations	4,603,373	4,156,512
	<u>23,712,315</u>	<u>20,305,421</u>
Total net assets with donor restrictions	<u>\$ 227,908,900</u>	<u>\$ 194,185,074</u>

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Net Assets Released From Restrictions

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

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished		
Instruction, academic support and research	\$ 2,689,730	\$ 3,196,676
Scholarship and student relief	985	154,519
Trusts and charitable gift annuities	144,332	504,330
Other	<u>57,770</u>	<u>41,327</u>
Total net assets released from restrictions for operations	<u>\$ 2,892,817</u>	<u>\$ 3,896,852</u>
Property and equipment acquired and placed in service	<u>\$ 1,315,239</u>	<u>\$ 4,396,573</u>
Total satisfaction of capital acquisition restrictions	<u>\$ 1,315,239</u>	<u>\$ 4,396,573</u>

Note 11: Endowment

The University's endowment consists of approximately 675 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (Board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including Board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's governing body has interpreted the State of Ohio Uniform Prudent Management of Institutional Funds Act (Ohio UPMIFA) as requiring preservation of historic dollar 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 net assets without restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) any applicable other accumulations to the permanent endowment per the direction of the applicable donor gift instrument. The portion of donor-restricted endowment funds subject to appropriation and expenditure when a specified event occurs is classified as net assets with donor restrictions until those amounts appropriated for expenditure by the University in a manner consistent with the standards 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

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- 6. Other resources of the University
- 7. Investment policies of the University

The composition of net assets by type of endowment fund at May 31, 2021 and 2020, was:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 13,168,571	\$ -	\$ 13,168,571
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	107,852,975	107,852,975
Term endowments	-	151,705	151,705
Accumulated investment gains	-	75,031,660	75,031,660
Total endowment funds	\$ 13,168,571	\$ 183,036,340	\$ 196,204,911
	2020		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 11,466,676	\$ -	\$ 11,466,676
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	105,012,282	105,012,282
Term endowments	-	151,705	151,705
Accumulated investment gains	-	47,585,136	47,585,136
Total endowment funds	\$ 11,466,676	\$ 152,749,123	\$ 164,215,799

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Changes in endowment net assets for the years ended May 31, 2021 and 2020, were:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 11,466,676	\$ 152,749,123	\$ 164,215,799
Investment return			
Investment income	2,468,958	-	2,468,958
Net appreciation	8,030,071	29,463,902	37,493,973
Total investment return	10,499,029	29,463,902	39,962,931
Contributions	-	2,931,075	2,931,075
Gifts designated by board for endowment	475,756	-	475,756
Appropriation of endowment assets for expenditure	(9,272,890)	(2,107,760)	(11,380,650)
Endowment net assets, end of year	<u>\$ 13,168,571</u>	<u>\$ 183,036,340</u>	<u>\$ 196,204,911</u>
	2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 11,453,107	\$ 149,189,794	\$ 160,642,901
Investment return			
Investment income	2,737,215	-	2,737,215
Net appreciation	4,836,857	494,622	5,331,479
Total investment return (loss)	7,574,072	494,622	8,068,694
Contributions	-	6,248,101	6,248,101
Gifts designated by board for endowment	6,973	-	6,973
Appropriation of endowment assets for expenditure	(7,567,476)	(3,183,394)	(10,750,870)
Endowment net assets, end of year	<u>\$ 11,466,676</u>	<u>\$ 152,749,123</u>	<u>\$ 164,215,799</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. Such endowments are often referred to as “underwater” endowments. The University is not required by donor-imposed restriction or law to use its resources without donor restrictions to restore the endowments to their historic dollar value.

In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. At May 31, 2021, funds with original gift values of \$3,982,901, fair values of \$3,932,144 and deficiencies of \$50,757, were reported in net assets with donor restrictions. At May 31, 2020, funds with original gift values of \$19,486,393, fair values of \$17,842,306 and deficiencies of \$1,644,087, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after investment of contributions with donor restrictions and continued appropriation for certain purposes that was deemed prudent by the governing body at the time of such appropriation. Any future gains that restore the fair value of the assets of the endowment fund to the required level shall be classified as increases in net assets with donor restrictions.

The University has adopted investment and spending policies for endowment assets whose objective is 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

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include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods, as well as those of Board-designated endowment funds. Under the University's policies, endowment assets are invested in a manner that is intended to a) earn a reasonable rate of return so as to maintain intergenerational equity, b) maintain an appropriately diversified portfolio, across asset classes and investment managers and c) maintain adequate liquidity to support expected distributions, portfolio balancing, funding of illiquid mandates, as well as reasonable expected needs. Return performance will be measured as compared to various and monitored benchmarks established by the investment committee measured over a full business cycle, typically three to five years. 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 adopted a policy (the spending policy) of appropriating for expenditure each year 5 percent of each endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which expenditure is planned. This distribution is intended to support operations as well as cover investment-related fees and expenses. The Board authorized an additional expenditure to support scholarships and operations of \$3,600,000 for both years ended May 31, 2021 and 2020. In establishing this policy, the University considered the long-term expected return on its endowment. 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.

During 2018, borrowings within the University were made from the endowment fund for capital projects. The borrowings from the endowment fund are not to exceed \$1,372,000, and totaled \$983,080 and \$1,094,678 at May 31, 2021 and 2020, respectively. This loan bears interest annually at 5.75 percent and will be repaid through the capital expenditure budgeting process of the University. The term of the loan is such that the balance be repaid no later than May 31, 2028.

Note 12: Employee Retirement Benefits

The University has a defined contribution plan. Retirement benefits are provided for employees through TIAA, a national, multi-employer organization used to fund retirement benefits for educational institutions. Employees are able to contribute to the Plan from earnings up to the maximum allowed by the Internal Revenue Service code. The University plan is a matching plan with a contribution rate of 4 percent. The University matches a maximum additional contribution of up to 3 percent if the employee contributed to the Plan. Employees are no longer required to contribute to the Plan. For a portion of the year ended May 31, 2021, the University temporarily suspended its matching plan in a response to the COVID-19 pandemic. The matching plan was partially reinstated mid-year with a contribution rate of 4 percent. The University's contributions to the Plan were \$757,574 and \$2,296,908 for the years ended May 31, 2021 and 2020, respectively. The employees are 100 percent vested when funds are deposited to the Plan.

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Note 13: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, defines fair value as 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. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes 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

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 May 31, 2021 and 2020:

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	2021			
	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)
Assets				
Cash Equivalents and Investments, Restricted for Loans and Long-Lived Asset Purchases				
Money market funds	\$ 264,447	\$ 264,447	\$ -	\$ -
Investments				
Money market funds	1,768,817	1,768,817	-	-
Common stocks	5,510,131	3,441,617	-	2,068,514
U.S. Government and agency obligations	481,460	-	481,460	-
Corporate debt securities	1,043,158	-	1,043,158	-
Equity mutual funds				
International markets	28,559,543	28,559,543	-	-
Large cap blend and growth	47,574,630	47,574,630	-	-
Small and mid-cap	357,866	357,866	-	-
Fixed income mutual funds	34,769,199	34,769,199	-	-
Land held for sale	61,245	-	-	61,245
Alternative investments				
Common trust funds measured at net asset value (A)	15,218,861	-	-	-
Multi-strategy hedge funds measured at net asset value (A)	10,107	-	-	-
Private equity funds measured at net asset value (A)	61,743,684	-	-	-
Real estate investment funds measured at net asset value (A)	1,621,473	-	-	-
Assets Held in Charitable Remainder Trusts	900,197	847,006	20,630	32,561
Beneficial Interest in Remainder Trusts	3,105,641	-	-	3,105,641
Beneficial Interest in Perpetual Trusts	18,634,808	-	-	18,634,808

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	2020			
	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)
Assets				
Cash Equivalents and Investments, Restricted for Loans and Long-Lived Asset Purchases				
Money market funds	\$ 265,408	\$ 265,408	\$ -	\$ -
Investments				
Money market funds	9,951,344	9,951,344	-	-
Common stocks	5,100,758	3,218,908	-	1,881,850
U.S. Government and agency obligations	544,437	-	544,437	-
Corporate debt securities	919,177	-	919,177	-
Equity mutual funds				
International markets	22,513,621	22,513,621	-	-
Large cap blend and growth	35,434,677	35,434,677	-	-
Small and mid-cap	240,536	240,536	-	-
Fixed income mutual funds	25,803,706	25,803,706	-	-
Land held for sale	61,245	-	-	61,245
Alternative investments				
Common trust funds measured at net asset value (A)	13,524,105	-	-	-
Multi-strategy hedge funds measured at net asset value (A)	10,107	-	-	-
Private equity funds measured at net asset value (A)	49,834,240	-	-	-
Real estate investment funds measured at net asset value (A)	1,898,990	-	-	-
Assets Held in Charitable Remainder Trusts	1,012,516	956,978	30,296	25,242
Beneficial Interest in Remainder Trusts	2,893,780	-	-	2,893,780
Beneficial Interest in Perpetual Trusts	15,565,264	-	-	15,565,264

(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 statement of financial position.

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. The University has no assets or liabilities measured at fair value on a

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nonrecurring basis. There were no significant changes in valuation techniques for the year-ended May 31, 2021.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period beginning date.

Cash Equivalents and Investments, Restricted for Loans and Long-Lived Asset Purchases, Investments and Assets Held in Charitable Remainder Trusts

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.

Fair value determinations for Level 3 measurements of securities are the responsibility of the Controller's Office. The Controller's Office obtains valuation from third parties as needed to generate fair value estimates. The Controller's Office reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Beneficial Interest in Remainder Trusts

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

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. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Fair value determinations for Level 3 measurements of beneficial interests in trusts is the responsibility of the Controller's Office. The Controller's Office obtains valuation from third parties as needed to generate fair value estimates. The Controller's Office reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

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

	Common Stocks	Land Held for Sale	Beneficial Interest in Remainder Trusts	Beneficial Interest in Perpetual Trusts
Balance, June 1, 2019	\$ 1,916,931	\$ 61,245	\$ 3,156,008	\$ 15,294,521
Total realized and unrealized gains (losses) included in change in net assets	-	-	(262,228)	270,743
Sales	(35,081)	-	-	-
Balance, May 31, 2020	1,881,850	61,245	2,893,780	15,565,264
Total realized and unrealized gains included in change in net assets	-	-	211,861	3,662,462
Distributions	-	-	-	(592,918)
Purchases	186,664	-	-	-
Balance, May 31, 2021	<u>\$ 2,068,514</u>	<u>\$ 61,245</u>	<u>\$ 3,105,641</u>	<u>\$ 18,634,808</u>
Total gains for the period included in change in net assets attributable to the change in unrealized gains (losses) related to assets and liabilities still held at the reporting date				
May 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,861</u>	<u>\$ 3,662,462</u>
May 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (262,228)</u>	<u>\$ 270,743</u>

The realized and unrealized gains and losses for items reflected in the table above are included in other revenue (expenses) in the consolidated statements of activities.

Unobservable (Level 3) Inputs

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

	Fair Value at May 31, 2021	Valuation Technique	Unobservable Inputs	Range
Common stocks	\$ 2,068,514	Market comparables	Liquidity and marketability discounts	0% - 30%
Land held for sale	61,245	Market comparables	Marketability discounts and adjustments	0% - 20%
Beneficial interest in remainder trusts	3,105,641	Discounted cash flows	Discount rates Market return rates	2% - 6%
Beneficial interest in perpetual trusts	18,634,088	Discounted cash flows	Discount rates Market return rates	2% - 8%

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	Fair Value at May 31, 2020	Valuation Technique	Unobservable Inputs	Range
Common stocks	\$ 1,881,850	Market comparables	Liquidity and marketability discounts	0% - 30%
Land held for sale	61,245	Market comparables	Marketability discounts and adjustments	0% - 20%
Beneficial interest in remainder trusts	2,893,781	Discounted cash flows	Discount rates Market return rates	2% - 6%
Beneficial interest in perpetual trusts	15,565,264	Discounted cash flows	Discount rates Market return rates	2% - 8%

Sensitivity of Significant Unobservable Inputs

The following is a discussion of the sensitivity of significant unobservable inputs, the interrelationships between those inputs and other unobservable inputs used in recurring fair value measurement and of how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

Land Held for Sale and Common Stocks

The significant unobservable inputs used in the fair value measurement of the University's common stocks and land held for sale would be comparable pricing inputs when prices for the identical security or instrument are not available. Valuation using comparable inputs is subjective and involves using a price of a comparable instrument and adjusting to account for a variety of relevant differences in the assets. Therefore, significant differences in the comparable inputs would result in higher or lower fair value measurement.

Beneficial Interest in Remainder Trusts and Perpetual Trusts

The significant unobservable inputs used in the fair value measurement of the University's beneficial interest in remainder trusts and perpetual trusts are discount rates and market return rates. The discount rate of the trust is the interest rate utilized to discount future cash flows in a present value cash flow calculation. The discount rate used often represents the return market participants would demand on similar assets. Therefore, significant increases (decreases) in the discount rate used would result in (lower) higher fair value measurement.

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Note 14: Liquidity

Financial assets available for the 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:

	2021	2020
Financial assets, at year-end	\$ 213,323,853	\$ 173,168,073
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(15,119,739)	(15,085,563)
Subject to appropriation and satisfaction of donor restrictions	(173,364,270)	(142,508,803)
Investments related to split-interest agreements	(4,974,516)	(4,439,447)
Contributions receivable	(916,099)	(1,131,968)
Board designations:		
Quasi-endowment fund, primarily for long-term investing	(13,161,361)	(10,326,346)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,787,868	\$ (324,054)

The University's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Board of Trustees has authorized a distribution from the endowment to support operations for fiscal year 2021 of approximately \$9,700,000. This amount is netted against restrictions subject to appropriation and satisfaction of donor restrictions in the table above.

The board-designated endowments of \$13,168,571 are subject to an annual spending rate of 5.0 percent as described in Note 11. Although the University does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditures as part of the University's annual budget approval and appropriation), these amounts could be made available if necessary.

Note 15: Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus Events

The spread of the SARS-CoV-2 virus and the incident of COVID-19 impacted and disrupted the University's operations over the past year. Adhering to public safety measures and government mandates resulted in events and activities being limited or cancelled, including changes to how the University delivered educational and related auxiliary services during fiscal year 2021. The University plans on widespread return to on-campus and normal operations and activities in the fall of 2021. Given the uncertainty and the disruption caused by COVID-19, there may be continuing short and long-term implications to the University's operations, and the ultimate financial effects cannot be reasonably estimated at this time.

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

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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 May 31, 2021 and 2020:

	May 31, 2021			May 31, 2020		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
Awarded						
HEERF I	\$ 1,094,855	\$ 1,094,854	\$ 2,189,709	\$ 1,094,855	\$ 1,094,854	\$ 2,189,709
HEERF II	1,094,855	2,160,887	3,255,742	-	-	-
HEERF III	2,884,979	2,884,979	5,769,958	-	-	-
	\$ 5,074,689	\$ 6,140,720	\$ 11,215,409	\$ 1,094,855	\$ 1,094,854	\$ 2,189,709

The University expensed the following funds for the years ending May 31, 2021 and 2020:

	May 31, 2021			May 31, 2020		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
Amounts expensed						
HEERF I	\$ 196,802	\$ -	\$ 196,802	\$ 898,053	\$ 1,094,854	\$ 1,992,907
HEERF II	1,057,837	2,160,887	3,218,724	-	-	-
HEERF III	-	2,884,979	2,884,979	-	-	-
	\$ 1,254,639	\$ 5,045,866	\$ 6,300,505	\$ 898,053	\$ 1,094,854	\$ 1,992,907

Coronavirus Relief Funds

Additionally, the CARES Act created the Coronavirus Relief Fund (CRF) to provide State and Local governments with funding to navigate the impact of COVID-19. As a part of this program, the State of Ohio passed funding in the amount of \$2,530,898 to the University during the year ended May 31, 2021. These funds were to be used to offset additional costs incurred by the University as a result of the coronavirus, including additional mental health assistance.

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Note 16: U.S. Department of Education Financial Responsibility Ratio Information

The following information is required by the U.S. Department of Education for the year ended May 31, 2021:

	2021
Net assets with donor restrictions - restricted in perpetuity	\$ 131,565,290
Annuities with donor restrictions	588,948
Life income funds with donor restrictions	-
Property, plant and equipment, net of accumulated depreciation - pre-implementation	\$ 106,525,175
Property, plant and equipment, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	32,599,107
Property, plant and equipment, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	5,997,477
Construction in progress	3,151,481
Total property, plant and equipment, net	\$ 148,273,240
Long-term debt obtained for long-term purposes - pre-implementation	\$ 53,540,564
Long-term debt obtained for long-term purposes - post-implementation	32,688,466
Long-term debt obtained for long-term purposes - post-implementation not for capital	6,510,000
Total long-term debt	\$ 92,739,030
Total revenue and gains without donor restrictions	\$ 95,267,767
Total expenses and losses	\$ 93,248,700

Note 17: Revenue from Contracts with Students

Tuition, Housing and Meal Plan Services Revenue

Revenue from contracts with students for tuition, housing 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 \$51,581,497 and \$51,215,870 for the years ended May 31, 2021 and 2020, respectively.

Revenue is recognized as performance obligations are satisfied, which is primarily ratably over the academic term, with the exception of meal plans 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 during the academic term, the student is refunded based on the terms published in the student handbook. No refunds are awarded after the semester is 60 percent complete. The University determines the refund liability at year-end based on actual experience subsequent to year-end.

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Tuition, housing 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 May 31, 2021 and 2020, the University has a liability for refunds or deposits from students recorded of approximately \$349,000 and \$886,000, respectively, which is included in accounts payable on the statements of financial position.

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 has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the various payers that have different payment strategies.

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Disaggregation of Revenue

The composition of net student fees revenue by segment for the year ended May 31, 2021, is as follows:

	2021	2020
Net tuition and fees	\$ 49,497,918	\$ 49,993,177
Room	12,199,756	10,023,532
Board	5,607,685	4,868,330
Other auxiliary	1,716,179	1,887,086
Other revenue	717,143	1,527,262
	\$ 69,738,681	\$ 68,299,387
	2021	2020
Services transferred over time	\$ 61,697,674	\$ 60,016,709
Sales at point in time	8,041,007	8,282,678
	\$ 69,738,681	\$ 68,299,387

Contract Balances

The following table provides information about the University's receivables and contract liabilities from contracts with customers:

	2021	2020
Contract Assets		
Accounts receivable, beginning of the year	\$ 1,386,247	\$ 1,233,683
Accounts receivable, end of the year	1,025,132	1,386,247
Contract Liabilities		
Deferred revenue, beginning of the year	1,522,437	1,670,670
Deferred revenue, end of the year	1,365,039	1,522,437

Note 18: Significant Estimates, Concentrations, Commitments and Contingencies

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 18 percent and 37 percent of all contributions were received from one donor and two donors in 2021 and 2020, respectively.

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Postretirement Medical Benefit Obligations

The University has a postretirement medical benefit plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Accrued Asset Retirement Obligation

Determination of the recorded liability is based on a number of estimates and assumptions including discount rates, abatement cost estimates and estimates of dates of abatement. The University estimated its liability to be \$457,697 and \$313,507 at May 31, 2021 and 2020, respectively, and is included in the consolidated statements of financial position.

Litigation and Remediation

The University is subject to 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. Events could occur that would change this estimate materially in the near term.

Note 19: Risks and Uncertainties

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 the values of investment securities will occur in the near term and that such changes could materially affect the investment amounts reported in the consolidated statements of financial position.

Note 20: Subsequent Events

Subsequent events have been recorded through September 22, 2021, which is the date the consolidated financial statements were issued.