

OHIO NORTHERN UNIVERSITY

Independent Auditor's Report and Consolidated Financial Statements
May 31, 2022 and 2021

Ohio Northern University

May 31, 2022 and 2021

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Independent Auditor's Report

Board of Trustees
Ohio Northern University
Ada, Ohio

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ohio Northern University (University), which comprise the consolidated statements of financial position as of May 31, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ohio Northern University, as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Financial Responsibility Supplemental Schedule Required by the U.S. Department of Education (supplemental schedule) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2022, 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.

FORVIS,LLP

Fort Wayne, Indiana
September 20, 2022

Ohio Northern University
Consolidated Statements of Financial Position
May 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 11,747,270	\$ 8,483,207
Student accounts receivable, net of allowance of \$796,000 in 2022 and \$864,000 in 2021	868,258	1,025,132
Contributions receivable, net of allowance of \$100,000 in 2022 and 2021	2,416,348	962,100
Other receivables	4,293,203	3,868,793
Cash equivalents and investments restricted for loans and long-lived asset purchases	5,210,159	7,962,882
Inventories	300,265	299,851
Prepaid expenses	2,147,443	1,574,088
Investments	216,367,120	198,984,621
Notes receivable, net of allowance of \$177,380 in 2022 and 2021	9,162,073	10,069,718
Assets held in charitable remainder trusts	800,899	900,197
Property and equipment	144,568,896	148,273,239
Cash value of life insurance	423,899	824,062
Beneficial interest in remainder trusts	2,293,047	3,105,641
Beneficial interest in perpetual trusts	16,716,004	18,634,808
	<u>\$ 417,314,884</u>	<u>\$ 404,968,339</u>
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 4,680,553	\$ 4,983,433
Accrued expenses	8,534,150	9,460,095
Deferred revenue and deposits	5,179,823	5,800,215
Long-term debt	90,480,056	91,642,451
Annuities and trusts payable	2,849,778	2,960,777
Postretirement medical benefits	2,824,893	3,354,027
Other	490,888	500,275
U.S. Government refundable advances	6,468,554	7,191,914
Total liabilities	<u>121,508,695</u>	<u>125,893,187</u>
Net Assets		
Without donor restrictions		
Undesignated	39,860,182	37,997,681
Designated by the Board for endowment	15,877,111	13,168,571
	<u>55,737,293</u>	<u>51,166,252</u>
With donor restrictions		
Perpetual in nature	115,031,052	107,852,975
Purpose restriction	101,098,349	94,268,205
Time-restricted for future periods	2,339,593	2,126,162
Trusts, charitable gift annuities, and other activities	21,621,656	23,712,315
Underwater endowments	(21,754)	(50,757)
	<u>240,068,896</u>	<u>227,908,900</u>
Total net assets	<u>295,806,189</u>	<u>279,075,152</u>
	<u>\$ 417,314,884</u>	<u>\$ 404,968,339</u>
Total liabilities and net assets		

Ohio Northern University
Consolidated Statement of Activities
Year Ended May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Income and Other Support			
Tuition and fees, net	\$ 53,755,259	\$ -	\$ 53,755,259
Gifts and bequests	4,449,775	1,514,980	5,964,755
Grants and contracts	7,203,892	976	7,204,868
Investment return designated for operations	7,961,114	1,726,116	9,687,230
Investment income from trusts held by others	755,837	25,156	780,993
Other investment income	52,787	-	52,787
Other	2,395,249	-	2,395,249
Auxiliary enterprises	22,531,305	-	22,531,305
Net assets released from restrictions for operating items	3,408,653	(3,408,653)	-
Total revenue, income and other support	<u>102,513,871</u>	<u>(141,425)</u>	<u>102,372,446</u>
Expenses			
Instruction	40,906,192	-	40,906,192
Sponsored programs	3,732,819	-	3,732,819
Academic support	4,145,626	-	4,145,626
Libraries	2,718,817	-	2,718,817
Student services	17,165,269	-	17,165,269
Auxiliary	21,042,099	-	21,042,099
Total educational activities	<u>89,710,822</u>	<u>-</u>	<u>89,710,822</u>
Institutional support	8,672,610	-	8,672,610
Fundraising	2,145,528	-	2,145,528
Total expenses	<u>100,528,960</u>	<u>-</u>	<u>100,528,960</u>
Change in Net Assets Before Other Revenue (Expenses)	<u>1,984,911</u>	<u>(141,425)</u>	<u>1,843,486</u>
Other Revenue (Expenses)			
Gifts restricted for endowment	1,371,473	7,858,239	9,229,712
Gifts restricted for acquisition of long-lived assets	-	2,252,362	2,252,362
Investment return less amounts designated for operations	649,306	6,453,651	7,102,957
Change in value of split-interest agreements	-	(1,736,838)	(1,736,838)
Actuarial adjustment to postretirement medical benefit liability	(615,479)	-	(615,479)
Change in asset retirement obligation	(36,434)	-	(36,434)
Change in beneficial interest in perpetual trusts	-	(1,308,729)	(1,308,729)
Satisfaction of capital acquisition restrictions	1,217,264	(1,217,264)	-
Total other revenue (expenses)	<u>2,586,130</u>	<u>12,301,421</u>	<u>14,887,551</u>
Change in Net Assets	4,571,041	12,159,996	16,731,037
Net Assets, Beginning of Year	<u>51,166,252</u>	<u>227,908,900</u>	<u>279,075,152</u>
Net Assets, End of Year	<u>\$ 55,737,293</u>	<u>\$ 240,068,896</u>	<u>\$ 295,806,189</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)
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 Functional Expenses

Years Ended May 31, 2022 and 2021

	Educational Activities						Supporting Activities				Total Expenses
	Instruction	Sponsored Programs	Academic Support	Libraries	Student Services	Auxiliary	Total Educational Activities	Institutional Support	Fundraising	Total Support	
2022											
Salary and wages	\$ 23,432,529	\$ 343,132	\$ 1,676,657	\$ 724,034	\$ 6,155,152	\$ 679,683	\$ 33,011,187	\$ 3,220,265	\$ 1,291,782	\$ 4,512,047	\$ 37,523,234
Fringe benefits	5,241,764	43,893	434,348	187,085	1,748,989	621,477	8,277,556	974,320	362,288	1,336,608	9,614,164
Total compensation and benefits	28,674,293	387,025	2,111,005	911,119	7,904,141	1,301,160	41,288,743	4,194,585	1,654,070	5,848,655	47,137,398
Interest and debt-related	1,072,850	-	40,152	185,956	40,792	2,090,695	3,430,445	167,617	-	167,617	3,598,062
Depreciation and amortization	3,905,974	-	322,265	227,861	954,228	3,504,226	8,914,554	276,313	6,724	283,037	9,197,591
Professional and contracted services	1,489,044	166,139	889,242	15,382	1,942,297	2,718,463	7,220,567	1,590,391	153,297	1,743,688	8,964,255
Hospitality and events	230,705	5,900	963	2,151	172,167	3,071	414,957	249,467	70,260	319,727	734,684
Student programming	423,395	3,090,041	24,419	-	288,101	28,061	3,854,017	279,247	35,069	314,316	4,168,333
Library acquisitions	-	-	-	884,424	-	-	884,424	(21,001)	-	(21,001)	863,423
Plant operation and maintenance	2,610,583	-	87,710	296,971	707,206	3,005,623	6,708,093	159,536	38,675	198,211	6,906,304
Repairs and maintenance	470,745	568	153,599	8,769	181,621	521,264	1,336,566	46,742	5,884	52,626	1,389,192
Supplies	777,495	44,774	97,938	111,450	471,747	93,865	1,597,269	140,694	25,175	165,869	1,763,138
Utilities and communications	18,566	-	29,942	-	41,761	1,139,891	1,230,160	5,512	911	6,423	1,236,583
Travel	730,946	31,372	12,369	3,961	1,125,180	17,850	1,921,678	34,004	69,143	103,147	2,024,825
Auxiliary cost of sales	-	-	-	-	-	4,463,079	4,463,079	-	-	-	4,463,079
The Inn	-	-	-	-	-	1,844,261	1,844,261	-	-	-	1,844,261
General expenses	501,596	7,000	376,022	70,773	414,031	310,590	1,680,012	1,549,503	86,320	1,635,823	3,315,835
Student relief payments	-	-	-	-	2,921,997	-	2,921,997	-	-	-	2,921,997
	<u>\$ 40,906,192</u>	<u>\$ 3,732,819</u>	<u>\$ 4,145,626</u>	<u>\$ 2,718,817</u>	<u>\$ 17,165,269</u>	<u>\$ 21,042,099</u>	<u>\$ 89,710,822</u>	<u>\$ 8,672,610</u>	<u>\$ 2,145,528</u>	<u>\$ 10,818,138</u>	<u>\$ 100,528,960</u>

	Educational Activities						Supporting Activities				Total Expenses
	Instruction	Sponsored Programs	Academic Support	Libraries	Student Services	Auxiliary	Total Educational Activities	Institutional Support	Fundraising	Total Support	
2021											
Salary and wages	\$ 23,959,128	\$ 628,732	\$ 1,722,083	\$ 759,889	\$ 5,948,871	\$ 1,175,579	\$ 34,194,282	\$ 3,001,793	\$ 1,048,519	\$ 4,050,312	\$ 38,244,594
Fringe benefits	4,948,982	46,448	431,560	215,454	1,600,664	74,286	7,317,394	981,879	244,768	1,226,647	8,544,041
Total compensation and benefits	28,908,110	675,180	2,153,643	975,343	7,549,535	1,249,865	41,511,676	3,983,672	1,293,287	5,276,959	46,788,635
Interest and debt-related	799,967	-	40,724	175,914	41,374	2,208,168	3,266,147	111,342	-	111,342	3,377,489
Depreciation and amortization	3,732,236	-	205,654	245,092	945,507	3,662,739	8,791,228	224,794	6,357	231,151	9,022,379
Professional and contracted services	1,272,072	154,245	1,012,411	122	1,450,007	2,813,495	6,702,352	1,451,617	184,609	1,636,226	8,338,578
Hospitality and events	77,862	1,344	10	935	63,929	435	144,515	61,705	22,317	84,022	228,537
Student programming	299,665	1,381,685	27,504	-	169,825	134	1,878,813	216,472	6,240	222,712	2,101,525
Library acquisitions	-	-	-	899,647	-	-	899,647	(132,117)	-	(132,117)	767,530
Plant operation and maintenance	2,529,869	-	84,998	287,789	685,340	2,912,695	6,500,691	154,603	37,480	192,083	6,692,774
Repairs and maintenance	469,861	1,394	230,758	45,322	214,873	321,419	1,283,627	200,253	21,462	221,715	1,505,342
Supplies	673,491	36,519	96,850	65,355	360,482	63,822	1,296,519	766,796	23,801	790,597	2,087,116
Utilities and communications	17,415	-	39,194	-	92,059	987,062	1,135,730	9,916	888	10,804	1,146,534
Travel	89,049	22,207	3,372	529	423,793	5,509	544,459	4,671	14,743	19,414	563,873
Auxiliary cost of sales	-	-	-	-	-	4,597,539	4,597,539	-	-	-	4,597,539
The Inn	-	-	-	-	39	1,575,870	1,575,909	-	-	-	1,575,909
General expenses	393,553	5,002	273,211	60,276	347,136	258,413	1,337,591	1,243,736	114,651	1,358,387	2,695,978
Student relief payments	-	-	-	-	1,254,639	-	1,254,639	-	-	-	1,254,639
	<u>\$ 39,263,150</u>	<u>\$ 2,277,576</u>	<u>\$ 4,168,329</u>	<u>\$ 2,756,324</u>	<u>\$ 13,598,538</u>	<u>\$ 20,657,165</u>	<u>\$ 82,721,082</u>	<u>\$ 8,297,460</u>	<u>\$ 1,725,835</u>	<u>\$ 10,023,295</u>	<u>\$ 92,744,377</u>

Ohio Northern University

Consolidated Statements of Cash Flows

Years Ended May 31, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 16,731,037	\$ 34,825,739
Items not requiring (providing) operating activities cash flows		
Depreciation	9,172,650	8,994,061
Amortization of bond origination costs	24,109	27,903
Expense of bond origination costs due to refinance	-	360,133
Amortization of bond discount	9,459	4,729
Change in allowance for doubtful accounts	(68,000)	(185,882)
Net realized and unrealized gains on investments	(12,958,091)	(35,808,764)
(Gain)/loss on sale of property and equipment	398,423	(223,772)
(Gain)/loss on beneficial interest in perpetual trust	1,918,804	(3,662,462)
Contributions received and payments received on contributions receivable restricted for long-term investment	(8,160,051)	(2,802,663)
Contributions received and payments received on contributions receivable restricted for acquisition of long-lived assets	(2,355,376)	(495,288)
Changes in		
Student accounts receivable	224,874	638,414
Contributions receivable	(1,454,248)	277,987
Other receivables	(424,410)	(2,415,573)
Inventories	(414)	(19,995)
Prepaid expenses and other assets	(573,355)	(195,865)
Beneficial interest in remainder trusts	911,892	493,376
Accounts payable	(585,165)	2,683,144
Accrued expenses	(925,945)	1,068,059
Deferred revenue and deposits	(620,392)	(917,838)
Annuities and trusts payable	(110,999)	(55,776)
Postretirement medical benefits	(529,134)	(509,285)
Other liabilities	(9,387)	149,711
Net cash provided by operating activities	<u>616,281</u>	<u>2,230,093</u>
Investing Activities		
Purchase of property and equipment	(5,602,569)	(2,921,645)
Decrease in notes receivable	907,645	566,474
Purchases of investments	(26,967,383)	(23,166,936)
Proceeds from sales and maturities of investments	22,542,975	26,093,430
Proceeds from sale of fixed assets	18,124	326,098
(Increase) decrease in cash equivalents and investments restricted for loans and long-lived asset purchases	2,752,723	(5,079,971)
(Increase) decrease in cash value of life insurance	400,163	(10,266)
Net cash used in investing activities	<u>(5,948,322)</u>	<u>(4,192,816)</u>
Financing Activities		
Principal payments on long-term debt	(1,195,963)	(1,130,594)
Issuance of new debt	-	5,933,048
Proceeds from contributions received and payments received on contributions receivable restricted for long-term investment	8,160,051	2,802,663
Proceeds from contributions received and payments received on contributions receivable restricted for acquisition of long-lived assets	2,355,376	495,288
Decrease in U.S. Government refundable advances	(723,360)	(640,643)
Net cash provided by financing activities	<u>8,596,104</u>	<u>7,459,762</u>
Net Increase in Cash and Cash Equivalents	3,264,063	5,497,039
Cash and Cash Equivalents, Beginning of Year	<u>8,483,207</u>	<u>2,986,168</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,747,270</u>	<u>\$ 8,483,207</u>

Ohio Northern University
Consolidated Statements of Cash Flows
Years Ended May 31, 2022 and 2021

	2022	2021
Supplemental Cash Flows Information		
Interest paid	\$ 3,540,686	\$ 3,270,939
Property and equipment purchases included in accounts payable	718,113	435,828
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	-	(20,235,000)
	\$ -	\$ 5,933,048
Net proceeds from issuance of 2020 bonds	\$ -	\$ 5,933,048

Ohio Northern University

Notes to Consolidated Financial Statements

May 31, 2022 and 2021

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, 2022 and 2021, cash equivalents consisted primarily of money market funds.

At May 31, 2022, the University's cash accounts, which are held at multiple financial institutions, exceeded federally insured limits by approximately \$11,300,000. 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.

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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, less external and direct internal investment expenses.

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 \$229,400 and \$446,900 at May 31, 2022 and 2021, 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.

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying value may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from

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the use and eventual disposition of the asset is less than the carrying value of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying value of a long-lived asset exceeds its fair value. No assets were impaired during the years ended May 31, 2022 and 2021.

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

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 2022 or 2021.

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.

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

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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 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

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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©(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 2019. 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, 2022 and 2021. 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, 2022 and 2021, the University had an accrual of \$918,848 and \$934,588, respectively, for unused vacation leave, which is included in accrued expenses in the statement of financial position. There is no accrual for sick pay.

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.

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Note 2: Contributions Receivable

Contributions receivable at May 31 consisted of the following:

Discount rates ranged from 0.55 percent to 2.58 percent for 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 883,566	\$ 552,846
Due one to five years	1,692,054	523,918
	<u>2,575,620</u>	<u>1,076,764</u>
Less allowance for uncollectible contributions	(100,000)	(100,000)
Less present value discount	<u>(59,272)</u>	<u>(14,664)</u>
	<u>\$ 2,416,348</u>	<u>\$ 962,100</u>

Note 3: Investments and Investment Return

Investments at May 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash and money market funds	\$ 5,036,456	\$ 2,033,264
Common stocks	6,295,418	5,510,131
U.S. Government and agency obligations	471,921	481,460
Corporate debt securities	866,834	1,043,158
Equity mutual funds		
International markets	26,052,422	28,559,543
Large cap blend and growth	46,336,563	47,574,630
Small and mid-cap	532,931	357,866
Fixed income mutual funds	37,995,939	34,769,199
Alternative investments		
Common trust funds	18,209,335	15,218,861
Multi-strategy hedge funds	10,107	10,107
Private equity funds	74,497,949	61,743,684
Real estate investment funds	-	1,621,473
Land held for sale	<u>61,245</u>	<u>61,245</u>
	<u>\$ 216,367,120</u>	<u>\$ 198,984,621</u>

The University's net assets with donor restrictions include various endowment funds established by donors. At May 31, 2022 and 2021, the fair value of the assets of some of these funds was \$21,754 and \$50,757, respectively, less than the level required by donor stipulation or law.

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Total investment return is comprised of the following:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Endowment income and gains distributed	\$ 7,961,114	\$ 1,726,116	\$ 9,687,230
Total operating	<u>7,961,114</u>	<u>1,726,116</u>	<u>9,687,230</u>
Non-operating			
Interest and dividend income (net of expenses)	3,832,096	-	3,832,096
Net realized and unrealized gains	4,778,324	8,179,767	12,958,091
Investment return designated for current operations	(7,961,114)	(1,726,116)	(9,687,230)
Total non-operating	<u>649,306</u>	<u>6,453,651</u>	<u>7,102,957</u>
Total return on investments	<u>\$ 8,610,420</u>	<u>\$ 8,179,767</u>	<u>\$ 16,790,187</u>
	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 losses	6,273,602	29,535,162	35,808,764
Investment return designated for current operations	(9,273,820)	(2,111,830)	(11,385,650)
Total non-operating	<u>(427,530)</u>	<u>27,423,332</u>	<u>26,995,802</u>
Total return (loss) on investments	<u>\$ 8,846,290</u>	<u>\$ 29,535,162</u>	<u>\$ 38,381,452</u>

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

	2022	2021
Capital projects and debt service	\$ 4,596,999	\$ 6,973,353
Loan funds	<u>613,160</u>	<u>989,529</u>
Total	<u>\$ 5,210,159</u>	<u>\$ 7,962,882</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, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private common trust funds (A)	\$ 18,209,335	\$ -	Monthly-Quarterly	30-90 days
Multi-strategy hedge funds (B)	10,107	-	Monthly-Quarterly	30-90 days
Private equity funds (C)	74,497,949	14,203,451	Nonredeemable	N/A

	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	-	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, 2022.
- (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, 2022.
- (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 \$14,203,451 and \$17,668,006 at May 31, 2022 and 2021, respectively. Subsequent to May 31, 2022, the University paid \$873,419 to fund capital calls.

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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 \$6,468,554 and \$7,191,914 as of May 31, 2022 and 2021, 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 1.6 percent and 1.8 percent of total assets as of May 31, 2022 and 2021, 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:

	2022	2021
Student loans receivable		
Federal government programs	\$ 7,040,744	\$ 7,614,935
Institutional programs	2,298,709	2,632,163
Total student loans receivable	9,339,453	10,247,098
Less allowance for doubtful accounts		
Balance, beginning of year	(177,380)	(85,963)
Provision charged to expense	-	(91,417)
Balance, end of year	(177,380)	(177,380)
Net loans receivable	\$ 9,162,073	\$ 10,069,718

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Note 5: Property and Equipment

Property and equipment are summarized as follows at May 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 8,159,275	\$ 8,159,275
Land improvements	13,323,316	11,608,016
Buildings	239,836,945	236,673,228
Equipment, furniture, fixtures and vehicles	28,226,769	26,132,827
Collections	1,864,029	1,864,029
Construction in progress	1,046,958	3,151,481
	<u>292,457,292</u>	<u>287,588,856</u>
Less accumulated depreciation	<u>(147,888,396)</u>	<u>(139,315,617)</u>
	<u>\$ 144,568,896</u>	<u>\$ 148,273,239</u>

The following construction commitments exist as of May 31:

	<u>2022</u>	<u>2021</u>
Energy Master Plan	\$ 497,192	\$ 2,045,589
Child Development Center	243,185	-
Stadium Press Box	72,713	-
	<u>\$ 813,090</u>	<u>\$ 2,045,589</u>

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 3.0 percent and 1.2 percent for May 31, 2022 and 2021, respectively, and applicable mortality tables. The estimated value of the expected future cash flows is \$2,293,047 and \$3,105,641 at May 31, 2022 and 2021, 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 \$16,716,004 and \$18,634,808, which represents the fair value of the trust assets at May 31, 2022 and 2021, respectively.

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Note 7: Long-Term Debt

Long-term debt consists of the following:

	2022	2021
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	\$ 65,253,067	\$ 66,204,030
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	26,290,000	26,535,000
Total bonds payable	91,543,067	92,739,030
Less: Unamortized discount	(269,572)	(279,031)
Less: Bond origination costs	(793,439)	(817,548)
Total bonds payable	\$ 90,480,056	\$ 91,642,451

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 \$514,887 and \$529,223 at May 31, 2022 and 2021, 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. The amount of bond origination costs associated with the Series 2020 bonds is \$278,552 and \$288,325 at May 31, 2022 and 2021, respectively. The amount of unamortized discount is \$269,572 and \$279,031 at May 31, 2022 and 2021, respectively.

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, 2022 and 2021, the amount of funds on deposit in the debt service reserve account was \$1,236,010 and \$927,008, 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, 2022 and 2021, the amount of funds on deposit in the debt service reserve account was \$1,637,141 and \$1,888,313, respectively.

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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 for the year ended May 31, 2021.

Aggregate annual principal payments required on bonds payable at May 31, 2022, are:

2023	\$	1,237,334
2024		1,279,740
2025		1,323,215
2026		1,607,794
2027		1,663,514
Thereafter		84,431,470
	\$	91,543,067

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, 2022 and 2021, management is not aware of any violations of these covenants.

Interest expense was \$3,598,062 and \$3,377,489 for the years ended May 31, 2022 and 2021, 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, 2022 and 2021, of \$2,169,378 and \$2,255,644, 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 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, 2022 and 2021, of \$680,400 and \$705,133, 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

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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:

	2022	2021
Accumulated postretirement benefit obligation	\$ (2,824,893)	\$ (3,354,027)
Fair value of Plan assets	<u>-</u>	<u>-</u>
Funded status	<u>\$ (2,824,893)</u>	<u>\$ (3,354,027)</u>

Liabilities recognized in the consolidated statements of financial position:

	2022	2021
Accrued benefit liability	<u>\$ (2,824,893)</u>	<u>\$ (3,354,027)</u>

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

	2022	2021
Net loss	\$ 485,936	\$ 1,076,150
Prior service credit	<u>(4,291,059)</u>	<u>(5,523,060)</u>
	<u>\$ (3,805,123)</u>	<u>\$ (4,446,910)</u>

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

	2022	2021
Amounts arising during the period		
Net (gain)/loss	\$ (219,840)	\$ 10,822
Amounts reclassified as components of net periodic benefit cost of the period		
Net loss	(370,374)	(678,996)
Net prior service cost	1,232,001	1,634,293

A reconciliation of the projected postretirement medical benefit obligation follows:

	2022	2021
Change in benefit obligation		
Obligation at June 1	\$ 3,354,027	\$ 3,863,312
Service cost	9,528	11,949
Interest cost	60,305	70,914
Actuarial (gain)/loss	(219,840)	10,822
Benefit payments	(379,127)	(602,970)
Plan amendments	<u>-</u>	<u>-</u>
Obligation at May 31	<u>\$ 2,824,893</u>	<u>\$ 3,354,027</u>

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Other significant balances and costs as of May 31 are:

	2022	2021
Net periodic benefit costs	\$ (791,794)	\$ (872,434)
Employer contributions	379,127	602,970
Benefits paid	(379,127)	(602,970)

Components of net periodic postretirement benefit cost:

	2022	2021
Service cost	\$ 9,528	\$ 11,949
Interest cost	60,305	70,914
Amortization of prior service credit	(1,232,001)	(1,634,293)
Amortization of net loss	370,374	678,996
	<u>\$ (791,794)</u>	<u>\$ (872,434)</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 \$101,723 and \$370,374, respectively.

The University expects to contribute \$265,000 to the Plan in fiscal year 2023. Shown below are the expected benefit payments, net of retiree contributions, for 2023 through 2027 and the five years thereafter:

2023	\$ 264,775
2024	245,561
2025	240,168
2026	231,148
2027	225,308
2028-2032	1,010,763

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:

	2022	2021
Discount rate	4.19%	2.70%
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>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose		
Unexpended property and equipment funds	\$ 8,145,505	\$ 6,842,127
Scholarships	1,294,725	1,249,241
Instruction, academic support and research	6,569,747	7,028,371
Loan program funds	3,731,647	3,914,344
	<u>19,741,624</u>	<u>19,034,083</u>
Subject to the passage of time		
Charitable trust agreements	1,214,013	1,415,968
Promises to give that are restricted by donors	799,498	687,994
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	326,082	22,200
	<u>2,339,593</u>	<u>2,126,162</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Scholarships	43,476,822	41,168,890
Instruction and academic support	37,728,198	33,913,527
Term endowments	151,705	151,705
Underwater endowments	(21,754)	(50,757)
	<u>81,334,971</u>	<u>75,183,365</u>
Subject to endowment spending policy and appropriation		
Scholarships	75,326,862	71,461,664
Instruction and academic support	39,704,190	36,391,311
	<u>115,031,052</u>	<u>107,852,975</u>
Total endowments	196,366,023	183,036,340
Trusts, charitable gift annuities, and other activities to support:		
Promises to give that are restricted by donors	1,290,767	251,905
Any activity of the University	827,814	910,201
Scholarships	12,722,044	14,120,145
Instruction and academic support	3,388,374	3,826,691
Trusts and charitable gift annuities, net of obligations	3,392,657	4,603,373
	<u>21,621,656</u>	<u>23,712,315</u>
Total net assets with donor restrictions	<u>\$ 240,068,896</u>	<u>\$ 227,908,900</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.

	2022	2021
Purpose restrictions accomplished		
Instruction, academic support and research	\$ 3,321,862	\$ 2,689,730
Scholarship and student relief	-	985
Trusts and charitable gift annuities	51,658	144,332
Other	35,133	57,770
 Total net assets released from restrictions for operations	 \$ 3,408,653	 \$ 2,892,817
 Property and equipment acquired and placed in service	 \$ 1,217,264	 \$ 1,315,239
 Total satisfaction of capital acquisition restrictions	 \$ 1,217,264	 \$ 1,315,239

Note 11: Endowment

The University's endowment consists of approximately 705 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, 2022 and 2021, was:

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 15,877,111	\$ -	\$ 15,877,111
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	115,031,052	115,031,052
Term endowments	-	151,705	151,705
Accumulated investment gains	-	81,183,266	81,183,266
Total endowment funds	\$ 15,877,111	\$ 196,366,023	\$ 212,243,134
	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

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Changes in endowment net assets for the years ended May 31, 2022 and 2021, were:

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 13,168,571	\$ 183,036,340	\$ 196,204,911
Investment return			
Investment income	3,701,776	-	3,701,776
Net appreciation	4,191,505	7,519,025	11,710,530
Total investment return	7,893,281	7,519,025	15,412,306
Contributions	-	7,536,774	7,536,774
Gifts designated by board for endowment	1,371,473	-	1,371,473
Transfer in	1,400,000	-	1,400,000
Appropriation of endowment assets for expenditure	(7,956,214)	(1,726,116)	(9,682,330)
Endowment net assets, end of year	<u>\$ 15,877,111</u>	<u>\$ 196,366,023</u>	<u>\$ 212,243,134</u>
	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>

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, 2022, funds with original gift values of \$2,396,364, fair values of \$2,374,610 and deficiencies of \$21,754, were 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. 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

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endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods, 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 \$2,400,000 and \$3,600,000 for the years ended May 31, 2022 and 2021, respectively. 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 \$865,065 and \$983,080 at May 31, 2022 and 2021, 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 \$2,313,650 and \$757,574 for the years ended May 31, 2022 and 2021, 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, 2022 and 2021:

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	2022			
	Fair Value Measurements Using			
	Fair Value	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	\$ 263,420	\$ 263,420	\$ -	\$ -
Investments				
Money market funds	4,773,036	4,773,036	-	-
Common stocks	6,295,418	6,081,880	-	213,538
U.S. Government and agency obligations	471,921	-	471,921	-
Corporate debt securities	866,834	-	866,834	-
Equity mutual funds				
International markets	26,052,422	26,052,422	-	-
Large cap blend and growth	46,336,563	46,336,563	-	-
Small and mid-cap	532,931	532,931	-	-
Fixed income mutual funds	37,995,939	37,995,939	-	-
Land held for sale	61,245	-	-	61,245
Alternative investments				
Common trust funds measured at net asset value (A)	18,209,335	-	-	-
Multi-strategy hedge funds measured at net asset value (A)	10,107	-	-	-
Private equity funds measured at net asset value (A)	74,497,949	-	-	-
Assets Held in Charitable Remainder Trusts	800,899	759,596	41,303	-
Beneficial Interest in Remainder Trusts	2,293,047	-	-	2,293,047
Beneficial Interest in Perpetual Trusts	16,716,004	-	-	16,716,004

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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

(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, 2022.

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.

In 2022, transfers out of Level 3 and into Level 1 occurred due to certain securities now being listed on an open, public exchange. There was no such transfer in 2021.

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, 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	2,068,514	61,245	3,105,641	18,634,808
Total realized and unrealized losses included in change in net assets	(2,501)	-	(812,594)	(1,308,729)
Distributions	-	-	-	(610,075)
Transfers	(1,852,475)	-	-	-
Balance, May 31, 2022	\$ 213,538	\$ 61,245	\$ 2,293,047	\$ 16,716,004
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, 2022	\$ (2,501)	\$ -	\$ (812,594)	\$ (1,308,729)
May 31, 2021	\$ -	\$ -	\$ 211,861	\$ 3,662,462

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, 2022	Valuation Technique	Unobservable Inputs	Range
Common stocks	\$ 213,538	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	2,293,047	Discounted cash flows	Discount rates Market return rates	2% - 6%
Beneficial interest in perpetual trusts	16,716,004	Discounted cash flows	Discount rates Market return rates	2% - 8%

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	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%

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:

	2022	2021
Financial assets, at year-end	\$ 235,692,199	\$ 213,323,853
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(16,009,977)	(15,119,739)
Subject to appropriation and satisfaction of donor restrictions	(187,988,003)	(173,364,270)
Investments related to split-interest agreements	(4,362,502)	(4,974,516)
Contributions receivable	(2,237,547)	(916,099)
Board designations:		
Quasi-endowment fund, primarily for long-term investing	(15,851,581)	(13,161,361)
Financial assets available to meet cash needs for general expenditures within one year	\$ 9,242,589	\$ 5,787,868

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 2023 of approximately \$8,800,000. This amount is netted against restrictions subject to appropriation and satisfaction of donor restrictions in the table above.

The board-designated endowments of \$15,877,111 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 incidence of COVID-19 had limited impact on the University's operations over the past year. Most University events and activities resumed in normal fashion with few being limited or cancelled during fiscal year 2022. The University plans on widespread return to on-campus and normal operations and activities in the fall of 2022. 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 financial relief to students and institutions who were impacted by the COVID-19 pandemic. The

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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, 2022 and 2021:

	May 31, 2022			May 31, 2021		
	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	1,094,855	2,160,887	3,255,742
HEERF III	2,884,979	2,884,979	5,769,958	2,884,979	2,884,979	5,769,958
	\$ 5,074,689	\$ 6,140,720	\$ 11,215,409	\$ 5,074,689	\$ 6,140,720	\$ 11,215,409

The University expensed the following funds for the years ending May 31, 2022 and 2021:

	May 31, 2022			May 31, 2021		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
Amounts expensed						
HEERF I	\$ -	\$ -	\$ -	\$ 196,802	\$ -	\$ 196,802
HEERF II	37,018	-	37,018	1,057,837	2,160,887	3,218,724
HEERF III	2,884,979	-	2,884,979	-	2,884,979	2,884,979
	\$ 2,921,997	\$ -	\$ 2,921,997	\$ 1,254,639	\$ 5,045,866	\$ 6,300,505

The University has expended all HEERF funds as of May 31, 2022.

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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, 2022:

	2022
Net assets with donor restrictions - restricted in perpetuity	\$ 136,652,708
Annuities with donor restrictions	523,649
Life income funds with donor restrictions	-
Property, plant and equipment, net of accumulated depreciation - pre-implementation	\$ 99,159,375
Property, plant and equipment, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	34,624,359
Property, plant and equipment, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	9,738,203
Construction in progress	1,046,959
Total property, plant and equipment, net	\$ 144,568,896
Long-term debt obtained for long-term purposes - pre-implementation	\$ 52,344,600
Long-term debt obtained for long-term purposes - post-implementation	32,688,467
Long-term debt obtained for long-term purposes - post-implementation not for capital	6,510,000
Total long-term debt	\$ 91,543,067
Total revenue and gains without donor restrictions	\$ 105,751,914
Total expenses and losses	\$ 100,565,394

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 \$54,462,556 and \$51,581,497 for the years ended May 31, 2022 and 2021, 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.

Ohio Northern University

Notes to Consolidated Financial Statements

May 31, 2022 and 2021

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, 2022 and 2021, the University has a liability for refunds or deposits from students recorded of approximately \$298,000 and \$349,000, 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.

Ohio Northern University
Notes to Consolidated Financial Statements
May 31, 2022 and 2021

Disaggregation of Revenue

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

	<u>2022</u>	<u>2021</u>
Net tuition and fees	\$ 53,755,259	\$ 49,497,918
Room	13,452,526	12,199,756
Board	6,577,178	5,607,685
Other auxiliary	2,501,601	1,716,179
Other revenue	1,962,851	717,143
	<u>\$ 78,249,415</u>	<u>\$ 69,738,681</u>
	<u>2022</u>	<u>2021</u>
Services transferred over time	\$ 67,207,785	\$ 61,697,674
Sales at point in time	11,041,630	8,041,007
	<u>\$ 78,249,415</u>	<u>\$ 69,738,681</u>

Contract Balances

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

	<u>2022</u>	<u>2021</u>
Contract Assets		
Accounts receivable, beginning of the year	\$ 1,025,132	\$ 1,386,247
Accounts receivable, end of the year	868,258	1,025,132
Contract Liabilities		
Deferred revenue, beginning of the year	1,365,039	1,522,437
Deferred revenue, end of the year	1,349,262	1,365,039

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 24 percent and 18 percent of all contributions were received from two donors and one donor in 2022 and 2021, respectively.

Ohio Northern University
Notes to Consolidated Financial Statements
May 31, 2022 and 2021

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 \$446,056 and \$457,697 at May 31, 2022 and 2021, respectively, and is included in other liabilities 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 20, 2022, which is the date the consolidated financial statements were issued.

Supplementary Information

Ohio Northern University
May 31, 2022
Financial Responsibility Supplemental Schedule
Required by the U.S. Department of Education

Ratio Element	Reference to Financial Statements and/or Notes	2022
Primary Reserve Ratio		
Expendable Net Assets		
Net assets without donor restrictions	Statement of Financial Position	\$ 55,737,293
Net assets with donor restrictions	Statement of Financial Position	240,068,896
Net assets with donor restrictions - restricted in perpetuity	Note 16	136,652,708
Annuities and life income funds with donor restrictions	Note 16	523,649
Term endowments with donor restrictions	Note 10	151,705
Life income funds with donor restrictions	Note 16	-
Unsecured related party receivables	Not applicable to the University	-
Intangible assets	Not applicable to the University	-
Post-employment and defined benefit pension plan liabilities	Statement of Financial Position	2,824,893
Property, plant and equipment, net of accumulated depreciation - pre-implementation	Note 16	\$ 99,159,375
Property, plant and equipment, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	Note 16	34,624,359
Property, plant and equipment, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	Note 16	9,738,203
Construction in progress	Note 16	1,046,959
Long-term debt obtained for long-term purposes - pre-implementation	Note 16	\$ 52,344,600
Long-term debt obtained for long-term purposes - post-implementation	Note 16	32,688,467
Long-term debt obtained for long-term purposes - post-implementation not for capital	Note 16	6,510,000
Total Expenses and Losses		
Total expenses and losses without donor restrictions	Note 16	\$ 100,565,394
Loss on interest rate swap	Not applicable to the University	-
Equity Ratio		
Modified Net Assets		
Net assets without donor restrictions	Statement of Financial Position	\$ 55,737,293
Net assets with donor restriction	Statement of Financial Position	240,068,896
Intangible assets	Not applicable to the University	-
Unsecured related party receivables	Not applicable to the University	-
Modified Assets		
Total assets	Statement of Financial Position	\$ 417,314,884
Intangible assets	Not applicable to the University	-
Unsecured related party receivables	Not applicable to the University	-
Net Income Ratio		
Change in net assets without donor restrictions	Statement of Activities	\$ 4,571,041
Total revenue and gains without donor restrictions	Note 16	105,751,914