

2024 FINANCIAL REPORT



CASE WESTERN RESERVE
UNIVERSITY

TABLE OF CONTENTS

Discussion of Financial Results (unaudited)	1
Selected Financial Data (unaudited)	7
Report of Independent Auditors	8
Statements of Financial Position	10
Statement of Activities	11
Statements of Cash Flows	12
Notes to Financial Statements	13

DISCUSSION OF FINANCIAL RESULTS

Case Western Reserve University (the “University”) achieved a 17th consecutive year of positive operating activity on a Generally Accepted Accounting Principles (“GAAP”) basis using the *Statement of Activities*. Net operating activity of \$92 million combined with non-operating activity of \$138 million increased net assets by \$230 million. That represents an increase of \$65 million over the prior year’s growth. Total assets are \$4.5 billion.

The financial results were similarly positive on a modified-cash basis using the *Statement of Operations (operating budget)*. The University’s surplus was \$18 million after reserves and contingencies. Reserves and contingencies funded an additional \$19 million of strategic capital initiatives.

FY24 FINANCIAL HIGHLIGHTS

Statement of Activities – (GAAP Basis)

The University’s management of its resources produced a net operating activity of \$92 million, or a 6.9% operating margin. All categories of revenue totaled \$1.3 billion, an increase of \$73 million or 5.8%. Revenue increases over the prior year were research activity (\$21 million), gifts and pledges (\$20 million), and operating investment returns (\$13 million).

All categories of expense totaled \$1.2 billion, an increase of \$56 million or 4.8%. Expense increases over the prior year were instructional (\$32 million) and sponsored research (\$20 million).

Non-operating activities totaled \$137 million, an increase of \$48 million or 54% over the prior year. The increase was due primarily to non-operating investment returns and improvements in pension plan funding.

The combined result of net operating and non-operating activity is a \$230 million increase in net assets for 2024, or a 17.2% total margin.

There was no new debt issued during 2024. The new South Campus second-year student dormitories were completed in Q1 FY25. This was a 600-bed, \$110 million capital project. The Inter-disciplinary Science and Engineering Building (ISEB), a \$300 million project with a 2026 completion date, was initiated.

Statement of Operations – Modified Cash Basis

The FY24 operating surplus of \$18 million, a 6% increase over FY23, is \$1 million more than the FY24 operating budget and the prior year. All categories of revenue totaled \$1.502 billion, an increase of \$100 million or 7.1%. The largest revenue increases were in tuition (\$37 million), research and training (\$20 million), endowment (\$9 million), auxiliaries (\$8 million), and restricted gifts (\$6 million).

All categories of expense totaled \$1.489 billion, an increase of \$101 million or 7.2%. Instructional and sponsored research expense represent the majority of the growth. Expense increases over the prior year were restricted expense (\$34 million, matched with revenue increase), salary and fringe benefits (\$32 million), and student aid (\$30 million, offset with increased tuition revenue).

The FY24 operating budget maintained the University’s disciplined expense management. The budget reflected a planned surplus of \$17 million and included a \$4 million reserve for strategic investments.

Overall, the University’s operating results of \$18 million were better than expected and are net of \$12.4 million in strategic operating investments and \$19 million in strategic capital investments.

Other Financial Activity

Total assets grew by \$225 million or 5%. Cash and cash equivalents remain strong at \$279 million. Long-term investments and operating investments were \$1.9 billion and \$604 million, respectively. Investment returns were 8.1% for FY24. No new debt was issued, and pension liabilities improved to \$26 million. Financial ratios and credit ratings remain strong and stable with a Standard & Poors rating of (AA-) and an (Aa3) rating from Moody’s. Financial ratios continue to reflect the strength and stability of Ohio’s largest private research university.

Following are additional comments related to the University’s operations and financial results, with *Selected Financial Data* shown on page 7.

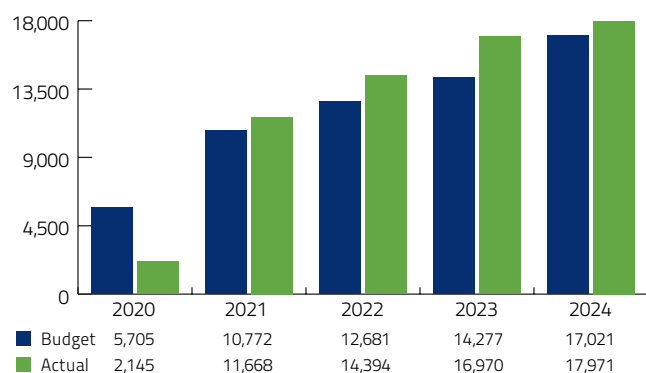
STATEMENT OF OPERATIONS *unaudited*

The University manages its daily operations using a *Statement of Operations* (management view) that is prepared on a modified cash basis and presented by natural account class; it is unaudited. The *Statement of Operations* measures and reports the organization's management center-based activities. It excludes non-operating transactions, depreciation expense, differs in its treatment of capital, and excludes most restricted funds transactions (e.g. restricted gift revenue).

The University produced a total surplus of \$18 million in FY24, compared to a budgeted surplus of \$17 million and a \$17 million surplus in FY23. FY24 marked the seventeenth consecutive year of positive operating results.

UNIVERSITY SURPLUS/(DEFICIT)

in thousands of dollars



The FY24 operating results reflect increases in all revenue categories offset by corresponding increases in direct and indirect expenses.

MANAGEMENT CENTER OPERATING REVENUES

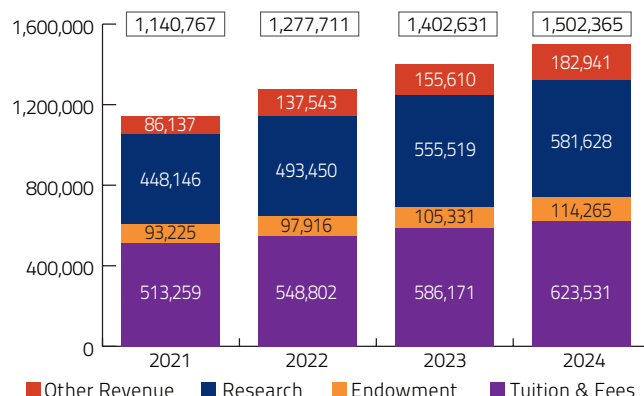
Operating revenues are classified in four categories: Tuition and Fees, Endowment, Research, and Other Revenue. The University reported \$1.502 billion in total revenue, a \$100 million or 7% increase over FY23.

Gross tuition and fees revenue was \$624 million, a \$37 million or 6% increase over FY23. Gross undergraduate tuition was \$361 million, a \$34 million or 10% increase over FY23. The increase is the result of a 5.0% undergraduate rate increase and a 3% increase in undergraduate enrollment. Professional and graduate program gross tuition, along with summer programs and fees, of \$263 million, reflects a \$3.5 million increase over FY23.

Endowment revenue increased 8%. Research revenues (Research & Training, Overhead Recovery, and Restricted Gifts) were \$582 million, a \$26 million or 5% increase over FY23.

OPERATING REVENUE

in thousands of dollars



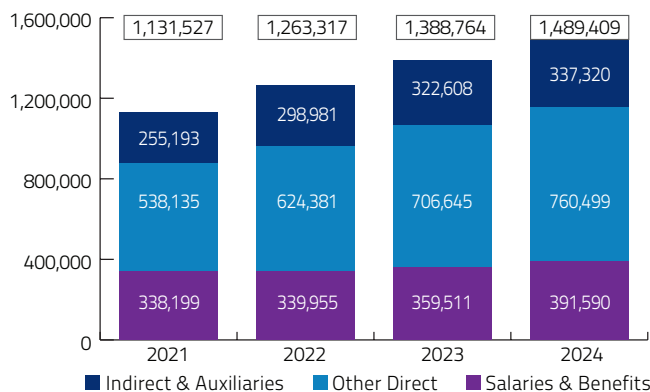
Other revenue was \$183 million, an increase of \$27 million or 18% over FY23. The increase was primarily \$8 million in Auxiliaries and \$17 million in Deferred Revenue-Strategic Plan.

MANAGEMENT CENTER OPERATING EXPENSES

Operating expenses were \$1.489 billion, a \$101 million or 7% increase over FY23. Expenses are categorized as Salaries and Benefits, Other Direct, Indirect and Auxiliaries.

OPERATING EXPENSES

in thousands of dollars



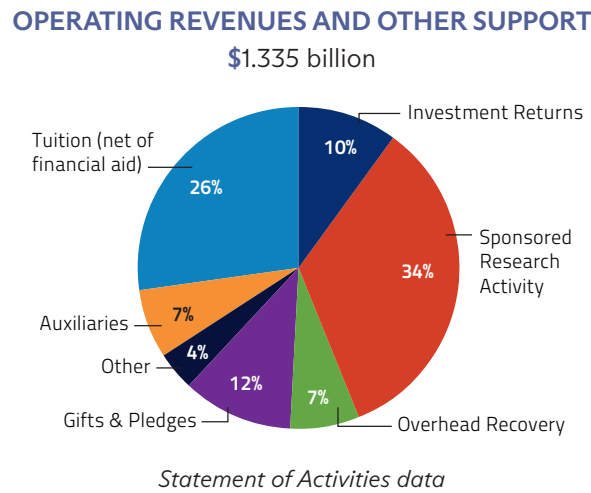
Salaries and benefits were \$392 million, a \$32 million or 9% increase over FY23. Other direct expense was \$760 million, a \$54 million or 8% increase over FY23. Indirect expense and auxiliaries were \$337 million, a \$15 million or 5% increase over FY23.

STATEMENT OF ACTIVITIES AND OTHER SUPPORT

The *Statement of Activities* (GAAP Basis) includes results from the University’s operating and non-operating activities which produced a \$230 million increase in net assets. Net operating activity contributed \$92 million to net assets while net long-term investments activities increased net assets by \$204 million. In FY23, net operating activity contributed \$76 million to net assets.

OPERATING REVENUES AND OTHER SUPPORT

Total operating revenues and other support were \$1.335 billion, an increase of \$73 million or 6% over FY23. The components of the University’s revenues are shown below and additional detail of operating revenue follows.



Tuition income

Gross tuition income of \$640 million increased \$38 million or 6% over FY23, and includes fees and undergraduate, graduate, summer, and professional tuition. Gross tuition income is offset in part by financial aid awarded; the financial aid offset for FY24 was \$295 million, resulting in net tuition of \$345 million, or 26% of operating revenues.

The net tuition and fees income of \$345 million represents a \$8 million or 2% increase over FY23, with increased revenues generated primarily by an increase in tuition rates.

Investment returns

Investment returns included \$82 million in returns distributed from the long-term investment pool, \$42 million in returns on operating investments, and \$15 million in

distributions from funds held in trust by others (“FHBO”) for endowment spending. Investment returns, which represent 10% of operating revenues, totaled \$139 million, or an 11% increase over FY23.

Grants and contracts

Grants and contracts revenue includes awards to the University and also its affiliates, most notably the Cleveland Clinic Lerner College of Medicine (“CCLCM”).

Grants and contracts received for research and training purposes totaled \$451 million, including \$148 million in CCLCM awards. This amount reflects an increase of \$17 million, or 4% over FY23. The total represents 34% of overall University operating revenues.

Overhead cost recovery

Facilities and administrative cost recovery applicable to federally sponsored projects and all other sponsored activity was \$95 million in FY24, a \$4 million or 5% increase over FY23. Overhead recovery represents 7% of operating revenues.

Gifts and pledges

Gifts and pledges income was \$155 million, an increase of \$20 million or 14% over FY23. Gifts and pledges, which represent 12% of operating revenues, are recorded in the appropriate asset category when received.

Other revenue

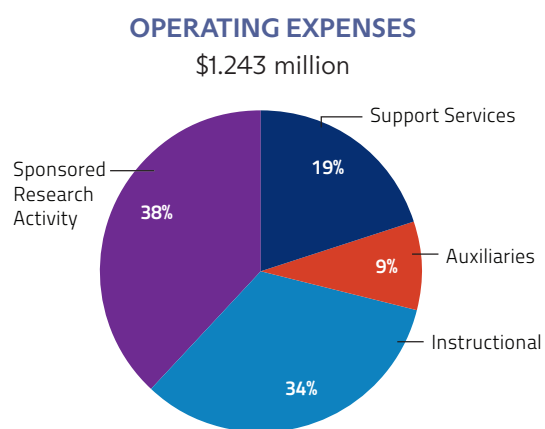
Other revenue of \$53 million increased \$4 million or 9% over FY23. Other revenue represents 4% of operating revenues and includes the State of Ohio appropriation, Organized Activities, and Other Sources.

Auxiliaries

Auxiliaries revenue of \$98 million increased \$7 million or 8% over FY23 due to the return to normal levels of on-campus activity. Auxiliaries revenue is categorized as either “Student,” which is largely Housing, Food, and Health Services, totaling \$89 million, or “Other,” including Rental Properties and Parking, totaling \$9 million for FY24. Auxiliaries revenue represents 7% of operating revenues.

OPERATING EXPENSES

Total expenses of \$1.243 billion increased \$56 million or 5% over FY23. The components of the University's expenses are shown below, and additional detail of operating expenses follows.



Statement of Activities data

Instructional costs of \$428 million represents 34% of operating expenses and increased by \$32 million or 8% over FY23. Included in direct instructional costs are faculty and staff salaries and benefits.

Sponsored research activity of \$475 million, representing 38% of operating expenses, increased \$20 million or 4% over FY23. Sponsored research activity includes sponsored research and training, other sponsored projects, and CCLCM research and training expenses.

Support services costs of \$236 million, represents 19% of operating expenses, including libraries, student services, and university services, increased \$5 million or 2% over FY23. The increase is primarily in student services.

Auxiliaries expenses of \$104 million represents 9% of operating expenses. This expense decreased \$1 million or 1% from FY23.

NON-OPERATING ACTIVITIES

Non-operating activities increased net assets by \$138 million compared to a \$90 million increase in FY23. The FY24 increase includes investment income of \$122 million and pension plan changes other than periodic benefit costs of \$15 million.

THE UNIVERSITY'S ENDOWMENT

Case Western Reserve University's investment pool consist of a group of funds, including the endowment funds, funds functioning as endowments (also referred to as *quasi-endowment*), Board-designated funds, and operating funds, that are invested in a broadly diversified portfolio. The total investment return for the investment pool, net of external manager fees, approximated 8.08% (2024) and 6.98% (2023). Additional detail on the investment pool is shown in *Footnote 7*.

The University's combined endowment, the purpose of which is to generate revenue in perpetuity, is comprised of funds invested and managed by the University, that includes endowment funds and quasi-endowments (referred to as the *endowment pool*) and funds invested and managed outside the University (referred to as *funds held in trust*). The University's combined endowment on June 30, 2024 and 2023 is shown in the table below:

<i>(in thousands)</i>	2024	2023
Endowment Pool:		
Donor-restricted	\$ 1,554,130	\$ 1,486,584
Donor-purpose restricted	377,972	347,866
Quasi-endowment	135,746	122,163
Funds held in trust	328,810	303,992
Total combined endowment	\$ 2,396,658	\$ 2,260,605
Change in market value	6.02 %	3.31 %

Activities and total investment return for the combined endowment for the years ended June 30, 2024 and 2023 are shown in the table below:

<i>(in thousands)</i>	2024	2023
Beginning combined endowment	\$ 2,260,605	\$ 2,188,161
Additions	54,333	28,296
Spending distribution	(97,185)	(89,215)
Operating support	(16,120)	(16,855)
Appreciation and investment income	195,025	150,218
Ending combined endowment	\$ 2,396,658	\$ 2,260,605
Combined endowment investment return	8.97 %	7.48 %

CHANGE IN NET ASSETS

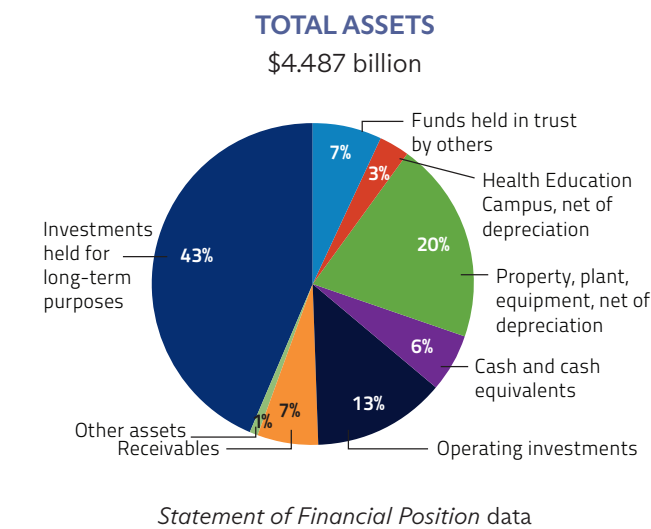
The combined net operating activity of \$92 million and net non-operating activity of \$138 million resulted in an increase in net assets of \$230 million or 7.5% over FY23.

STATEMENTS OF FINANCIAL POSITION

The University’s *Statements of Financial Position* reflect total assets of \$4.487 billion with a primarily sizable cash and investment balance of \$3.13 billion.

ASSETS

Total assets increased \$225 million or 5% over FY23. Total cash and investments of \$3.13 billion, including cash and cash equivalents, operating investments, investments held for long-term purposes and funds held in trust by others, combined total 70% of the University’s assets. Property, plant, equipment and books represent an additional \$876 million or 20% of assets.



Cash and cash equivalents

The University actively manages its cash and cash equivalents to maintain targeted levels of working capital in highly liquid assets to meet daily operating requirements. Working capital and Board-designated funds in excess of the liquidity target are retained in operating investments to produce a higher investment return.

The University’s cash position on June 30 was \$279 million, a decrease of \$74 million from FY23 due to strategic investments. Cash equivalents include all highly liquid investments with original purchase maturity of 90 or fewer days, and appropriated endowment income which may be spent on demand.

Operating investments

The University’s operations were supported by \$604 million of operational investments in addition to cash and cash equivalents. These investments generally have a maturity of greater than 90 days but may be liquidated on demand. Operating investments increased \$29 million or 5% over FY23.

Receivables

Receivables include net accounts and loans receivable as well as net pledges receivable. In total, the University had \$304 million in receivables, which represent 7% of assets. Receivables increased \$31 million or 11% over FY23.

Investments, held for long-term purposes

Long-term investments of \$1.922 billion increased \$102 million or 6% over FY23. Because a majority of the University’s long-term investments are endowments or similar funds, the Board of Trustees’ annually-approved endowment spending allocation and support for certain development-related activities had an impact of approximately \$88 million on long-term investments in FY24.

Funds held in trust by others

Funds held in trust by others of \$329 million increased \$25 million or 8% over FY23.

Health Education Campus

The University has shared interests in the Health Education Campus (“HEC”) with the Cleveland Clinic Foundation. Occupancy began in spring 2019. The University’s basis of \$145 million is a \$4 million or 2% decrease from FY23.

Property, plant, equipment, and books

Property, plant, equipment, and books, net of depreciation, constitute 20% of the University’s assets, totaling \$876 million for FY24. Net plant assets increased \$114 million or 15% over FY23.

LIABILITIES

Total liabilities of \$1.204 billion decreased \$5 million from FY23. The decrease is comprised of (*in thousands*):

Accrued pension liability	\$ 25,709
Accounts payable	(21,853)
Other	828
Decrease in liabilities	<u>\$ 4,684</u>

Retirement plans

The University provides defined benefit and defined contribution pension plans for its faculty and staff.

The pension plan discount rate for the defined benefit plan of 5.70% in FY24 is updated from 5.45% in FY23.

The University's accrued pension liability decreased \$26 million from FY23, to a total accrued pension liability of \$26 million in FY24.

Debt

Total liability on notes and bonds payable, including the line of credit and unamortized bond premium and issuance costs, increased \$19 million over FY23 to \$928 million. The increase was primarily due to line of credit borrowings of \$45 million and was offset partly by scheduled principal payments.

The University's entire variable rate debt of \$35 million is synthetically fixed with one floating-to-fixed rate swap. During FY23, the floating rate component of the swap transitioned from a LIBOR-based rate to a SOFR-based rate.

The University has committed revolving lines of credit with two financial institutions in the amount of \$150 million. The University has one uncommitted line of credit with a financial institution in the amount of \$75 million to provide short-term liquidity to the investment pool.

There were no changes to either the S&P or Moody's credit ratings. A formal review with Moody's Investors Services will take place in FY25.

NET ASSETS

In FY24, the University's total net assets increased \$230 million or 8% over FY23 to \$3.28 billion due primarily to positive net operating activity coupled with strong investment income and positive mark-to-market valuation adjustments to long-term investments. Net operating activity increased net assets by \$92 million. Net non-operating activity increased net assets by \$137 million, including \$143 million of net appreciation in long-term investments.

CHANGE IN NET ASSETS

(in thousands)	2024	2023
Beginning net assets	\$ 3,053,214	\$ 2,887,990
Increase (decrease) in net assets	229,779	165,224
Ending net assets	\$ 3,282,993	\$ 3,053,214

Net assets without donor restrictions

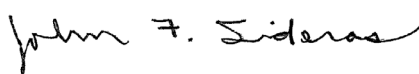
Net assets without donor restrictions increased \$42 million or 10% over FY23 to \$480 million. Net operating activity added \$39 million and net non-operating activity increased net assets by \$4 million.

Net assets with donor restrictions

Net assets with donor restrictions increased \$187 million or 7% over FY23 to \$2.8 billion, driven by \$157 million in investment income. The University received \$120 million of new restricted gifts and pledges, and net assets released from restrictions of \$66 million is in net operating activity. Non-operating activity increased net assets with donor restrictions by \$134 million.

PROSPECTIVE DISCUSSION

The University expects to maintain a positive operating position as reflected in its FY25 operating budget surplus of \$15 million. The budget includes a 4% salary pool increase to attract and retain faculty and staff. The emphasis remains on focused strategic investment and unrestricted expense management. Senior leadership is focused on its three priorities of elevating academic excellence, growing the research enterprise and enhancing community engagement.



John F. Sideras, CPA

Executive Vice President and Chief Financial Officer

SELECTED FINANCIAL DATA *unaudited*

Fiscal Years Ended June 30

in thousands of dollars

	2024	2023	2022	2021
STATEMENT OF OPERATIONS HIGHLIGHTS – Management View				
Total revenue	\$ 1,502,365	\$ 1,402,631	\$ 1,277,711	\$ 1,140,767
Total expense	1,489,409	1,388,764	1,263,317	1,131,527
Operating margin	12,956	13,867	14,394	9,240
Retained surplus use	5,015	3,103		2,428
Surplus	\$ 17,971	\$ 16,970	\$ 14,394	\$ 11,668

STATEMENT OF ACTIVITIES HIGHLIGHTS – GAAP Basis

Tuition and fees (net of student aid)	\$ 344,601	\$ 336,719	\$ 329,362	\$ 318,662
Investment, FHBO, and operational returns	138,930	125,722	91,484	115,658
Grants and contracts	450,910	434,168	391,690	351,668
Facilities and administrative cost recovery	94,908	90,510	79,994	73,334
Gifts and pledges	154,542	135,019	114,840	151,848
Other revenue	53,213	49,000	45,234	46,471
Auxiliary services	98,011	90,880	79,679	43,436
Total operating revenues and other support	1,335,115	1,262,018	1,132,283	1,101,077
Instructional expenses	427,703	395,945	363,047	330,401
Sponsored research activity	474,726	454,942	412,901	372,899
Support services	236,232	230,765	184,041	187,800
Auxiliary services	104,150	104,697	88,074	76,733
Total operating expense	1,242,811	1,186,349	1,048,063	967,833
Net operating activity	\$ 92,304	\$ 75,669	\$ 84,220	\$ 133,244
Long-term investment activities	204,025	146,560	(191,847)	575,295
Other non-operating activities	(66,550)	(57,005)	(32,914)	(29,408)
Net non-operating activities	\$ 137,475	\$ 89,555	\$ (224,761)	\$ 545,887
Change in net assets	\$ 229,779	\$ 165,224	\$ (140,541)	\$ 679,131

FINANCIAL POSITION HIGHLIGHTS

Cash and cash equivalents	\$ 278,654	\$ 352,722	\$ 551,939	\$ 145,314
Operating investments, at market	603,604	574,138	260,961	287,818
Receivables, net	304,240	273,643	247,213	269,636
Investments (held for long-term purposes)	1,921,654	1,819,441	1,764,237	1,915,558
Funds held in trust by others	328,810	303,992	297,453	349,816
Health Education Campus	145,494	149,088	146,202	148,663
Property, plant, equipment, and books, net of depreciation	875,799	761,747	717,407	736,443
Prepaid expenses and other assets	28,656	27,045	20,619	19,739
Total assets	\$ 4,486,911	\$ 4,261,816	\$ 4,006,031	\$ 3,872,987
Total liabilities	\$ 1,203,918	\$ 1,208,602	\$ 1,118,041	\$ 844,456
Total net assets	\$ 3,282,993	\$ 3,053,214	\$ 2,887,990	\$ 3,028,531

OTHER FINANCIAL INFORMATION

Net investments (including FHBO), at fair value	\$ 2,854,068	\$ 2,697,571	\$ 2,322,651	\$ 2,553,192
Investments payout in support of operations	\$ 97,185	\$ 89,215	\$ 84,094	\$ 81,428
Total gifts and pledges (attainment)	\$ 210,841	\$ 183,826	\$ *153,232	\$ 171,766
Total gifts – cash basis	\$ 141,839	\$ 121,002	\$ 138,783	\$ 136,288

*FY22 attainment net of \$22 million pledge write-off

STUDENTS

Enrollment**				
Undergraduate	6,124	5,943	5,705	5,334
Post-Baccalaureate	5,390	6,184	5,760	5,458

**Enrollment for fall semester of fiscal year in FTEs



Report of Independent Auditors

To the Board of Trustees
Case Western Reserve University

Opinion

We have audited the accompanying financial statements of Case Western Reserve University (the “University”), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities for the year ended June 30, 2024 and of cash flows for the years ended June 30, 2024 and 2023, including the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, the changes in its net assets for the year ended June 30, 2024, and its cash flows for the years ended June 30, 2024 and 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

We previously audited the statement of financial position as of June 30, 2023, and the related statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 20, 2023, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with US GAAS, we:

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Discussion of Financial Results and Selected Financial Data, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in dark ink, appearing to read "Ryan H. Cooper" followed by the letters "CP" in a stylized, cursive script.

Cleveland, Ohio
October 25, 2024

STATEMENTS OF FINANCIAL POSITION

<i>In thousands of dollars</i>	June 30	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 278,654	\$ 352,722
Operating investments	603,604	574,138
Accounts and loans receivable, net	103,626	104,752
Pledges receivable, net	200,614	168,891
Prepaid expenses and other assets	8,680	9,658
Right-of-use assets – operating leases	19,976	17,387
Investments, held for long-term purposes	1,921,654	1,819,441
Funds held in trust by others (“FHBO”)	328,810	303,992
Health Education Campus, net	145,494	149,088
Property, plant, equipment and books, net	875,799	761,747
TOTAL ASSETS	\$ 4,486,911	\$ 4,261,816
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 107,614	\$ 85,761
Deferred income and other liabilities	57,093	81,530
Operating lease obligations	19,976	17,387
Annuities payable	29,428	32,155
Refundable advances	20,117	14,598
Accrued pension liability	26,316	52,025
Notes and bonds payable	928,003	908,909
Refundable federal student loans	15,371	16,237
TOTAL LIABILITIES	\$ 1,203,918	\$ 1,208,602
NET ASSETS		
Without donor restrictions	\$ 479,735	\$ 437,257
With donor restrictions	2,803,258	2,615,957
TOTAL NET ASSETS	\$ 3,282,993	\$ 3,053,214
TOTAL LIABILITIES AND NET ASSETS	\$ 4,486,911	\$ 4,261,816

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

STATEMENT OF ACTIVITIES

with summarized financial information for the year ended June 30, 2023

			For the year ended June 30	
	Without Donor Restrictions	With Donor Restrictions	2024	2023
<i>In thousands of dollars</i>				
OPERATING REVENUES AND OTHER SUPPORT				
Student tuition and fees, net of student aid of \$295,071 and \$265,386, respectively	\$ 344,601		\$ 344,601	\$ 336,719
Investment returns distributed for operations	82,033		82,033	72,751
FHBO returns distributed	15,080	\$ 72	15,152	16,464
Investment returns on operating investments	41,745		41,745	36,507
Grants and contracts	303,075		303,075	290,843
Cleveland Clinic Lerner College of Medicine (“CCLCM”) grants and contracts	147,835		147,835	143,325
Gifts and pledges	24,606	119,703	144,309	124,738
Contributed non-financial assets	10,233		10,233	10,281
State of Ohio appropriation	2,672		2,672	2,590
Facilities and administrative cost recovery	94,908		94,908	90,510
Organized activities	13,058		13,058	12,677
Other sources	37,360	123	37,483	33,733
Auxiliary services – students	88,846		88,846	82,597
Auxiliary services – other	9,165		9,165	8,283
Net assets released from restrictions	66,362	(66,362)	-	
TOTAL OPERATING REVENUES AND OTHER SUPPORT	\$ 1,281,579	\$ 53,536	\$ 1,335,115	\$ 1,262,018
OPERATING EXPENSES				
Instructional	\$ 427,703		\$ 427,703	\$ 395,945
Sponsored research and training	291,549		291,549	279,101
Other sponsored projects	35,342		35,342	32,516
CCLCM research and training	147,835		147,835	143,325
Libraries	24,407		24,407	23,867
Student services	41,236		41,236	37,014
University services	170,589		170,589	169,884
Auxiliary services – students	86,461		86,461	88,300
Auxiliary services – other	17,689		17,689	16,397
TOTAL OPERATING EXPENSES	\$ 1,242,811	\$ -	\$ 1,242,811	\$ 1,186,349
NET OPERATING ACTIVITY	\$ 38,768	\$ 53,536	\$ 92,304	\$ 75,669
NON-OPERATING ACTIVITIES				
Long-term investment activities				
Investment income	\$ 6,406	\$ 55,037	\$ 61,443	\$ 70,822
Net appreciation	40,587	101,995	142,582	75,738
Total long-term investment activities	46,993	157,032	204,025	146,560
Investment returns distributed for operations	(82,033)		(82,033)	(72,751)
Change in liabilities due under life-income agreements		752	752	121
Loss on disposal of plant assets	(440)		(440)	(348)
Pension plan changes other than periodic benefit costs	15,171		15,171	15,973
Net assets released from restrictions	24,019	(24,019)	-	
NET NON-OPERATING ACTIVITY	\$ 3,710	\$ 133,765	\$ 137,475	\$ 89,555
CHANGE IN NET ASSETS				
Beginning net assets	437,257	2,615,957	3,053,214	2,887,990
ENDING NET ASSETS	\$ 479,735	\$ 2,803,258	\$ 3,282,993	\$ 3,053,214

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

STATEMENTS OF CASH FLOWS

<i>In thousands of dollars</i>	For the year ended June 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 229,779	\$ 165,224
<i>Adjustments to reconcile change in net cash (used for) operating activities:</i>		
Depreciation	76,675	75,360
Amortization of bond issuance costs	353	396
Amortization of bond premiums	(5,542)	(5,081)
Amortization of right-of-use assets - operating leases	4,117	2,296
Realized and unrealized net gains on investments	(197,888)	(155,170)
Realized and unrealized net gains on funds held in trust by others	(24,818)	(6,539)
Decrease to annuities payable resulting from actuarial adjustments	(752)	(121)
Gifts of property and equipment	(574)	(206)
Loss on disposal of plant assets	440	348
Contributions for long-term investment	(52,561)	(24,513)
Increase in accounts and loans receivable, net	(2,421)	(12,191)
Increase in pledges receivable, net	(31,723)	(15,165)
Decrease in prepaid expenses and other assets	978	321
Increase in accounts payable and accrued expenses	19,345	653
Decrease in deferred income and other liabilities	(14,437)	(200)
Decrease in operating lease obligations	(4,117)	(2,296)
Increase in refundable advances	5,519	730
Decrease in accrued pension liability	(25,709)	(9,302)
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	\$ (23,336)	\$ 14,544
CASH FLOWS FROM INVESTING ACTIVITIES		
Student loans		
Collected	\$ 5,934	\$ 4,578
Issued	(2,387)	(3,652)
Increase in cash for long-term investment	(910)	(1,002)
Proceeds from the sale of investments	1,107,121	1,401,080
Purchase of investments	(1,040,912)	(1,614,291)
Increase in Health Education Campus	(11,410)	(17,573)
Proceeds from the sale of plant assets	456	183
Purchases of property, plant, equipment and books	(183,536)	(102,846)
NET CASH USED FOR INVESTING ACTIVITIES	\$ (125,644)	\$ (333,523)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in federal advances for student loans	\$ (866)	\$ (1,429)
Contributions for long-term investment	40,733	15,278
Proceeds from the sale of investments received as gifts	12,737	10,237
Proceeds from short-term debt	113,000	
Repayment of short-term debt	(68,000)	
Proceeds from notes and bonds payable		115,893
Repayment of notes and bonds payable	(20,717)	(18,753)
Increase to annuities payable resulting from new gifts	141	621
Decrease to annuities payable resulting from payments	(2,116)	(2,085)
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 74,912	\$ 119,762
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (74,068)	\$ (199,217)
Cash and cash equivalents, beginning of year	352,722	551,939
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 278,654	\$ 352,722
SUPPLEMENTAL DATA:		
Interest paid in cash	\$ 39,404	\$ 39,482
Construction-in-progress payments included in accounts payable	20,562	18,053
Noncash activity:		
Commencement of new operating lease obligation	6,705	10,194
Write-off of existing operating lease obligation		1,150

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Case Western Reserve University (“the University”) is an Ohio not-for-profit corporation that operates a private research university in Cleveland, Ohio. The financial statements of the University as of June 30, 2024 and 2023, and for the years then ended, have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, the accompanying financial statements have been prepared on the accrual basis of accounting.

Net Asset Categories

Standards for external financial reporting by not-for-profit organizations require that resources be classified for reporting purposes into two net asset categories according to donor-imposed restrictions (Note 17):

Without Donor Restrictions are those net assets not subject to donor-imposed restrictions. All revenues, gains and losses that are not restricted by donors are included in this classification. All operating expenses are reported as decreases in net assets without donor restrictions.

Contributions not subject to donor-imposed restrictions and donor-restricted contributions that are received and either spent, or deemed spent, for the restricted purpose within the same year are reported as increases to net assets without donor restrictions.

Net assets without donor restrictions include certain funds that are Board-designated as functioning as endowment and a liquidity reserve.

With Donor Restrictions are those net assets subject to donor-imposed time or purpose restrictions that are expected to be met and those subject to donor-imposed perpetual restrictions. These net assets include donor-restricted endowment, unconditional pledges, certain funds restricted for capital projects, split-interest agreements, and interests in perpetual trusts held by others.

For donor-imposed time or purpose restrictions, the University meets such donor restrictions through the passage of time, the appropriation of endowment earnings, placing gift-funded capital projects into service, and/or the University incurring expenses. When such restrictions are met, the related net assets are reported as *Net assets released from restrictions* in the statement of activities.

Contributions

Contributions, including unconditional pledges to give and irrevocable trusts held by others with the University as the beneficiary, are recognized as revenues in the period received or promised. They are classified as net assets without donor restrictions or with donor restrictions depending upon the donor’s intent.

Contributions restricted for the acquisition of land, buildings and equipment are reported as revenues with donor restrictions. These contributions are reclassified to net assets without donor restrictions when the assets are placed in service. Promises to give that are subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in net assets with donor restrictions.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value at the date of gift. Contributions scheduled to be received after one year are discounted using a market rate (Note 4).

Grants and Contracts (Government and Private)

Government and private grant contracts are reviewed to determine whether they constitute an exchange transaction or a contribution, and whether conditions are present that would affect the timing of revenue recognition. Those determined to be contributions without conditions will have revenue recognized in the period the grant or contract is entered into and those determined to have conditions will have revenue recognized once the condition has been met. The University had conditional government grants of \$287,583 (2024) and \$299,948 (2023). Those determined to be exchange transactions will have revenue recognized when the performance obligations of the grant or contract funding have been met. Sponsored support for which restrictions are met in the same year are reflected in revenues without donor restrictions. Any payment received prior to qualifying expenses being incurred is recorded as a refundable advance. Once recognition is allowed, projects funded by grants and contracts that incur expenses prior to payment receipts are recorded as revenue with a corresponding receivable.

Investment Returns on Operating Investments

The University has invested excess operating funds and certain Board-designated funds with the University's investment pool. The operating funds are invested alongside other funds and receive a pro-rata portion of income, expenses, gains, and losses of the pool.

Cash and Cash Equivalents

The University considers all highly liquid investments with an original maturity of 90 days or less when purchased as cash and cash equivalents, except those amounts managed by investment managers as part of the investment pool that do not belong to operations, or unspent bond proceeds, which are classified as investments. The University maintains operating cash and reserves for replacement balances in financial institutions which, from time to time, may exceed federally insured limits. The University periodically assesses the financial condition of these institutions and believes that the risk of loss is minimal.

Operating Investments

Operating investments are stated at fair value and include all other current investments with original maturities greater than 90 days that are used to support operations. These investments may include obligations of triple A-rated banks, various United States Government agencies, other investments, and internal operating funds invested in the University's investment pool. Although the pool primarily invests in mid- to long-term investments, the pool maintains a sufficient investment mix that allows operating assets to be liquidated upon demand.

Leases

The University determines if an arrangement is a lease at inception. The University has both leases under which it is obligated as a lessee and leases for which it is a lessor. Operating leases as a lessee are included in *Right-of-use assets – operating leases* and *Operating lease obligations* in the statements of financial position. Right-of-use assets represent the University's right to use an underlying asset for the lease term. Lease obligations represent the University's liability to make lease payments arising from the lease. Operating lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term and discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date. The value of an option to extend a lease is reflected to the extent it is reasonably certain management will exercise that option.

Investments

Investments (Note 8) are made within guidelines authorized by the University's Board of Trustees ("the Board"). Investments are initially recorded at cost at date of acquisition or fair value at date of donation in the case of gifts.

Ownership of marketable securities is recognized as of the trade date. Endowment returns are calculated net of internal and external investment management expenses.

Investments are stated at fair value as defined by Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures." Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability, i.e., an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national securities exchanges. As a practical expedient, the alternative investments, which are not readily marketable, are carried at estimated fair values based on the University's proportional share of the net asset value of the total fund as provided by the investment managers. The University reviews and evaluates the values provided by the investment managers including the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. The fair value of investments valued at net asset value as a practical expedient are excluded from the fair value hierarchy.

Realized gains and losses on investments are included in *Investment income* in the statement of activities. Average cost is generally used to determine gains or losses on securities sold. Unrealized changes in the fair value of investments are shown as net unrealized appreciation or depreciation.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 – Quoted unadjusted prices in active markets for identical assets or liabilities. An active market is one in which transactions occur with sufficient frequency and volume to produce pricing information on an ongoing

basis. Market price data are generally obtained from exchange or dealer markets.

Level/ 2 – Pricing inputs other than Level 1 that are observable, either directly or indirectly, 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 same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.

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.

Collections

The University's collections of historically significant artifacts, scientific specimens, and art objects are held for education, research, scientific inquiry, and public exhibition. They are neither disposed of for financial gain nor encumbered in any manner. Accordingly, their value is not reflected in the University's financial statements.

Funds Held in Trust by Others

Funds held in trust by others are assets held and administered by outside trustees from which the University derives income or residual interest. Funds held in trust by others are reported at their fair value as of June 30, 2024 and 2023.

Income received from funds held in trust by others is classified as net assets with donor restrictions until those amounts are appropriated and expended by the University. Income appropriated within the same year earned/received is classified as without donor restrictions. Unrealized changes in the fair value of investments are shown as net unrealized appreciation or depreciation in net assets with donor restrictions.

Health Education Campus

The University currently has shared interests in the Health Education Campus ("HEC") with the Cleveland Clinic Foundation ("CCF"). Commencing in fiscal year 2014, the University and CCF began a joint effort to raise funds for the construction of the HEC project. Occupancy of the HEC, which includes an academic building and separate dental clinic, began in spring 2019 and the University's basis is determined on cash transfers toward the HEC project.

Upon the completion of fundraising and final funding of the project, the parties are committed to joint ownership of the above described properties (Note 9).

Fixed Assets

When capital assets are sold or disposed, the carrying value of such assets and any accumulated depreciation are removed from the asset accounts. Any resulting gain or loss on disposal is recognized in the non-operating portion of the statement of activities.

Expenditures for construction-in-progress are capitalized as incurred and depreciated over the estimated life of the asset when placed into service. All identifiable direct costs including other costs incurred to ready the asset for its intended use are included in the cost of the project. The University capitalizes interest on borrowings to finance facilities, net of any investment income earned through the temporary investment of project borrowings, during construction until the project has been substantially completed.

Split-Interest Agreements

The University has split-interest agreements consisting primarily of pooled income funds, charitable gift annuities and charitable remainder unitrusts and annuities. Contributions are recognized at the date the trusts and annuities are established, net of a liability for the present value of the estimated future cash outflows to beneficiaries, using a discount rate of 4.47% and 3.87% for June 30, 2024 and 2023, respectively. These assets are invested and payments are made to donors and beneficiaries in accordance with the respective agreements.

Allocation of Certain Expenses

The statement of activities presents expenses by function. Some expenses – such as depreciation, amortization, and expenses related to the operation of the physical plant – are allocated by square footage. Interest expense is allocated to the functions that derive the greatest benefit from the facilities financed (Note 16).

Retirement Plans

The University accounts for its defined benefit postretirement plan in accordance with ASC 715, "Compensation – Retirement Benefits." The University recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statements of financial position in the year in which

the change occurs, with an offsetting impact to net assets without donor restriction.

Use of Estimates

Financial statements using U.S. GAAP rely on estimates. At June 30, management makes certain estimates and assumptions, which affect assets and liabilities, disclosures of contingent assets and liabilities, and reported revenues and expenses during the period. Actual results may differ from these estimates.

Comparative Information

The statement of activities includes prior year summarized comparative information in total, but not by net asset category. Such information does not include enough detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2023, from which it was derived.

Income Taxes

The University is exempt from federal income tax to the extent provided under section 501(c) (3) of the Internal Revenue Code ("IRC"). The University is classified as an organization that is not a private foundation under section 509(a) of the IRC, and as such, gifts to the University qualify for deduction as charitable contributions. The University is exempt from federal income tax; however, it is required to pay federal income tax on unrelated business income. The University did not have any material income tax liabilities for the years ended June 30, 2024 and 2023. ASC 740, "Income Taxes," prescribes a recognition threshold and measurement requirements for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, ASC 740 provides guidance on recognition, classification and disclosure requirements for uncertain tax provisions. The University has no financial reporting requirements associated with ASC 740 for the years ended June 30, 2024 and 2023.

Revenue Recognition

The University appropriately reflects the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Significant judgments, such as the timing of satisfaction of performance obligation

and associated transaction prices, may be required in the recognition of revenue, and certain economic factors, such as varying student class sizes, may affect revenue recognized in future years. Student tuition and fees are recorded as revenues during the year the related academic services are provided and are displayed net of student aid on the statement of activities. Student tuition and fees received in advance of services provided are recorded as deferred income. The University's significant revenue sources, shown in disaggregated form, for the fiscal years ended June 30, 2024 and 2023 are as follows:

	2024	2023
STUDENT TUITION AND FEES		
Undergraduate tuition	\$ 373,610	\$ 340,134
Less: Student aid	(207,487)	(186,833)
	166,123	153,301
Graduate and professional tuition	254,495	251,062
Less: Student aid	(87,584)	(78,553)
	166,911	172,509
Fees	11,567	10,909
TOTAL NET STUDENT TUITION AND FEES	\$ 344,601	\$ 336,719
AUXILIARY SERVICES REVENUE		
Food Services	\$ 27,582	\$ 25,479
Housing and greek life	52,899	49,262
Health services	7,621	6,980
Parking	5,652	5,570
Other	4,257	3,589
TOTAL AUXILIARY SERVICES REVENUES	\$ 98,011	\$ 90,880

New Pronouncements

In June 2016, the FASB issued ASU 2016-13: "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. The standard was effective for fiscal years beginning after December 31, 2022, and has been adopted by the University in the current fiscal year and did not have a material effect on the financial statements.

In March 2020, the FASB issued ASU 2020-04: "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The standard provides temporary optional expedients and

exceptions to U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Inter-Bank Offered Rate (“LIBOR”) and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. The original standard was effective March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU 2022-06: “Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848.” The updated standard expanded the temporary optional expedients and exceptions to U.S. GAAP guidance noted above as the UK Financial Conduct Authority (“FCA”) announced in March 2021 that the intended cessation date of the overnight 1-, 3-, 6-, and 12-month tenors of USD LIBOR would be June 30, 2023, which was beyond the prior

sunset date of Topic 848. The standard has been adopted by the University in the current fiscal year and did not have a material effect on the financial statements.

In June 2022, the FASB issued ASU 2022-03: “Fair Value Measurement (Topic 820) – Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions.” The standard looks to clarify guidance when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and to introduce new disclosure requirements. The standard is effective for fiscal years beginning after December 31, 2024. The University is evaluating the impact this will have on financial statements for the fiscal year ending June 30, 2026, the first year in which the standard is effective.

2. LIQUIDITY

The University manages its financial assets and liquidity resources in order to provide cash for payment of general expenditures, such as operating expenses, construction costs, and obligations related to debt. Financial assets classified below as available for general expenditure within one year are those that are considered both convertible to cash and free of donor-imposed and/or contractual

restrictions that would limit or prevent the use of such cash to fund general expenditures.

As of June 30, 2024 and 2023, the University's financial assets and liquidity resources available for general expenditure within one year are as follows:

	2024	2023
Financial assets available within one year:		
Cash and cash equivalents	\$ 278,654	\$ 352,722
Operating investments	367,677	349,916
Accounts and notes receivable, net	67,973	65,473
Expected pledge payments available for operations	24,317	19,530
Other assets	514	857
Fiscal year 2025 and 2024 pooled endowment and similar funds spending allocation, respectively	76,700	76,500
TOTAL FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR	\$ 815,835	\$ 864,998
Liquidity resources:		
Committed lines of credit (Note 11)	50,000	50,000
Less: current borrowings under lines of credit	(45,000)	
Total	5,000	50,000
TOTAL FINANCIAL ASSETS AND LIQUIDITY RESOURCES AVAILABLE WITHIN ONE YEAR	\$ 820,835	\$ 914,998

Additionally, the University has Board-designated funds of \$223,070 and \$210,014, including a liquidity reserve of \$87,324 and \$87,851, as of June 30, 2024 and 2023, respectively. Although the University does not intend to spend from these investment funds, other than amounts appropriated by the Board for fiscal year 2025, amounts from its Board-designated funds could be made available, if necessary. The University also has additional committed revolving lines of credit with two financial institutions in the amount of \$100,000 as of June 30, 2024 and 2023, respectively, to finance working capital. The \$25,000 line was renewed in January 2024 and is subject to review and renewal in January 2025 and the \$75,000 line was renewed in March 2024 and is subject to review and renewal in March 2025.

In June 2022, the University issued Series 2022C taxable century bonds. As of June 30, 2024 and 2023, respectively, \$55,027 and \$63,540 were included in *Cash and cash equivalents* and \$239,632 and \$241,274 were in *Operating investments*. The bonds were issued for strategic purposes including partial funding for a new interdisciplinary science

and engineering building and the creation of an internal bank to fund various strategic initiatives.

In addition to the financial assets above, a significant portion of the University's annual expenditures will be funded by current year operating revenues including tuition, grant and contract income and auxiliary services income. The University's cash flows have seasonal variations during the year primarily attributable to student billings and the concentration of contributions received at calendar and fiscal year ends. As part of the University's liquidity management, the University invests cash in excess of daily requirements in various short-term investment instruments.

Under the University's cash management policies, cash received from endowment spending related to either funds functioning as endowment or donor-restricted endowments is available for general expenditure. Endowment spending distributed from donor-restricted endowments is reflected in the University's net assets with donor restrictions until the expenditures actually are incurred; such expenditures are funded by available liquidity resources at the time they are paid.

3. ACCOUNTS AND LOANS RECEIVABLE

Accounts and loans receivable of the University at June 30, 2024 and 2023 were as follows:

	2024	2023
ACCOUNTS RECEIVABLE, NET		
Grants, contracts and others	\$ 67,453	\$ 64,370
Students	2,825	3,190
STUDENT LOANS, NET	33,348	37,192
ACCOUNTS AND LOANS RECEIVABLE, NET	\$ 103,626	\$ 104,752

Allowance for doubtful accounts:

Accounts receivable	\$ 5,617	\$ 8,813
Loans receivable	\$ 1,256	\$ 1,240

The student loans receivable is subject to significant restrictions and, accordingly, is not practicable to determine the fair value of such amounts.

Management regularly assesses the adequacy of the allowance for doubtful accounts by performing ongoing evaluations of the various components of the accounts receivable and student loan portfolios, including such

factors as the differing economic risks associated with each category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, and the past history of the various borrowers and the University.

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the various receivables and loans, and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's analysis.

Management considers the allowance for doubtful accounts to be prudent and reasonable. Furthermore, the University's allowance is general in nature and is available to absorb losses from any loan category.

Management believes that the allowance for doubtful accounts at June 30, 2024 is adequate to absorb credit losses inherent in the portfolio as of that date.

4. PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Multi-year pledges are recorded after discounting based on the market rate to the present value of expected future cash flows. The discount rate utilized for fiscal 2024 and 2023 was 5%.

Unconditional promises to give at June 30, 2024 and 2023 are expected to be realized in the following periods:

	2024	2023
Less than one year	\$ 75,617	\$ 58,604
Between one year and five years	149,774	117,546
More than five years	30,981	29,941
	256,372	206,091
Less: Discount	(17,667)	(13,326)
Less: Allowance	(38,091)	(23,874)
TOTAL PLEDGES RECEIVABLE, NET	\$ 200,614	\$ 168,891

Management follows a similar approach as described in Note 3 for accounts and loans receivable in evaluating the adequacy of the allowance for doubtful accounts for

pledges receivable. Management considers the allowance for doubtful accounts to be prudent and reasonable. Management believes that the allowance for doubtful accounts at June 30, 2024 is adequate to absorb any uncollectible pledges as of that date.

Pledges receivable at June 30, 2024 and 2023 had the following restrictions:

	2024	2023
Department programs and activities	\$ 83,225	\$ 65,634
Endowments for scholarships and department programs and activities	56,431	52,010
Building construction	60,958	51,247
TOTAL PLEDGES RECEIVABLE, NET	\$ 200,614	\$ 168,891

Uncollectible pledges totaling \$3,696 (2024) and \$28,173 (2023) were written off against the allowance for uncollectible pledges. The University had unsecured related party pledges of \$12,903 (2024) and \$14,602 (2023) and conditional pledge commitments totaling \$15,265 (2024) and \$19,026 (2023).

5. LEASING

The University is committed to minimum annual rent payments under several operating leases for educational and commercial space through fiscal year 2038. The components of lease expense are as follows:

LEASE COST	2024	2023
Operating lease expense	\$ 4,886	\$ 4,065
Short-term lease expense	1,023	1,361
TOTAL LEASE EXPENSE	\$ 5,909	\$ 5,426

OTHER INFORMATION:

Weighted-average remaining lease term in years – operating leases	7.7 years	8.8 years
Weighted-average discount rate – operating leases	3.83%	3.69%

Payments due include options to extend operating leases through fiscal year 2038 and are summarized below as of June 30, 2024:

Year	
2025	\$ 3,812
2026	3,833
2027	3,858
2028	2,649
2029	2,065
Thereafter	7,046
	23,263
Less: amounts representing interest	(3,287)
TOTAL OPERATING LEASE OBLIGATION	\$ 19,976

The University is the lessor in one lease for commercial space through fiscal year 2041 and 11 leases for commercial space through fiscal year 2025. Future minimum rental revenue due is summarized below as of June 30, 2024:

Year	
2025	\$ 1,168
2026	1,032
2027	1,032
2028	1,032
2029	1,032
Thereafter	11,865
TOTAL	\$ 17,161

6. LONG-TERM INVESTMENTS

The University holds long-term investments for endowment funds with donor restrictions, donor-restricted funds, annuity assets, Board-designated funds and excess operating assets that are able to be invested in longer term investments.

The University invests through traditional investments as well as operating an investment pool that works similar to a mutual fund (Note 7). The University's long-term investments at June 30, 2024 and 2023 were as follows:

	2024	2023
Equity securities	\$ 444,158	\$ 396,039
Fixed-income securities	441,210	371,405
Limited partnerships and Other		
Venture capital	20,228	21,557
Private equity	844,855	857,441
Real estate	56,790	55,207
Absolute return	690,542	666,085
Other	27,394	25,764
Equity real estate	81	81
TOTAL INVESTMENTS	\$ 2,525,258	\$ 2,393,579

	2024	2023
Operating investments	\$ 603,604	\$ 574,138
Investments, held for long-term purposes	1,921,654	1,819,441
TOTAL INVESTMENTS	\$ 2,525,258	\$ 2,393,579

7. ENDOWMENT AND SIMILAR FUNDS

Endowment Funds

The purpose of endowment funds is to generate in perpetuity revenue to support specific activities or for general institutional use. Endowments represent only those net assets that are under the control of the University. Gift annuities, interests in funds held in trust by others, and pledges designated for the endowment but not yet received are not considered components of the endowment.

The state of Ohio has enacted legislation that incorporates the provisions outlined in the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). UPMIFA stipulates that unless directed otherwise in the gift instrument, donor-restricted assets in an endowment fund are restricted assets until appropriated for expenditure by the institution. Accordingly, the following items are recorded as net assets with donor restrictions:

- The original value of initial gifts donated to the permanent endowment
- The original value of subsequent gifts to the permanent endowment

- For those endowment funds with donor-specified reinvestment provisions, accumulations to the permanent endowment made in accordance with the gift instrument at the time the accumulation is added to the fund

Similar Funds

The Board has designated certain funds to function as endowments and has co-invested as such. Donor purpose-restricted funds were not given to the University with the understanding that the gift amount would be maintained in perpetuity; these funds are classified as net assets with donor restrictions. Even though the Board has elected to treat these funds in the same fashion as an endowment fund, at its option, the Board may elect to change that treatment and spend these funds in accordance with the intentions of the donor, if any, without the constraints of the University endowment spending formula. All other Board-designated funds are classified as net assets without donor restrictions and include quasi-endowments and a liquidity reserve (Note 17).

The breakdown of these classifications are:

June 30, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Endowments		\$ 1,554,130	\$ 1,554,130
Purpose-restricted funds functioning as endowments		377,972	377,972
Board-designated funds	\$ 135,746		135,746
TOTAL ENDOWMENT AND SIMILAR FUNDS	\$ 135,746	\$ 1,932,102	\$ 2,067,848

June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowments		\$ 1,486,584	\$ 1,486,584
Purpose-restricted funds functioning as endowments		347,866	347,866
Board-designated funds	\$ 122,163		122,163
TOTAL ENDOWMENT AND SIMILAR FUNDS	\$ 122,163	\$ 1,834,450	\$ 1,956,613

Investment Pool

The Board’s interpretation of its fiduciary responsibilities for endowment and similar funds is to preserve inter-generational equity to the extent possible. This principle holds that future beneficiaries should receive at least the same level of economic support that the current generation enjoys. To that end, investment goals are formulated to earn returns over the long term that equal or exceed the Board-approved distribution rates plus the impacts of inflation.

The University’s endowment and similar funds are invested in a broadly diversified portfolio designed to produce long-term rates of return that sustain or increase the real spending contribution from endowed and similar assets and to mitigate downturns in a single sector.

Unless otherwise directed in the gift instrument, both endowment and similar funds are pooled for efficient investment purposes.

The pool is accounted for on a dollarized method of accounting similar to a money market fund and accounted for on an account basis. The total investment return for the pooled investments, net of external manager fees, approximated 8.08% (2024) and 6.98% (2023).

Spending Policy

The Board has approved an endowment spending policy for pooled investments based on a rolling ten-year and twelve-quarter average methodology. This approach takes into consideration the long-term effect of total return, spending, university support and inflation. The objective of this approach is to provide support for operations, preserve intergenerational equity, and insulate programming supported by endowment and similar funds from short-term fluctuations in the investment markets.

Specific appropriation for expenditure of funds under the policy occurs each spring when the Board approves both a dollar allocation and spending rate, based on beginning market value, for the following year's operating budget. The fiscal year 2024 and 2023 pooled endowment and similar funds spending allocation and rate approved by the Investment Committee of the Board were \$76,500 at a rate of 4.80% and \$73,700 at a rate of 4.80%, respectively. As new funds, which have met the criteria of the endowment spending policy, are continuously added to the pooled endowment and similar funds throughout the fiscal year, the actual dollar amount allocated to spend will most likely increase from the approved dollar allocation. The fiscal year 2024 and 2023 actual amount allocated was \$76,304 and \$77,226, respectively.

While the policy provides guidance for the level of spending permitted (allocation), the actual spending will vary from the spending allocation based on the timing of actual expenditures. Funds are transferred from the investment pool to the University's operating account after they have been spent in accordance with the endowment and similar funds requirements. The actual movement of cash and investments between the investment pool and operating accounts occurs on a periodic basis as determined by the University and its processes to maintain the proper balance between liquidity and the remaining invested.

For years where actual investment return exceeds actual approved spending, the difference remains in net assets with donor restrictions; years in which the actual endowment and similar funds return is less than distributions under the policy, the shortfall is covered by realized returns from prior years. Both fiscal years 2024 and 2023 pooled endowment and similar funds distribution were funded from a combination of current year investment income and prior year accumulated realized gains.

In addition to the general distribution described above, the Board has authorized a supplemental distribution of previously reinvested income and realized appreciation to support certain administrative-related activities. This distribution totaled \$12,126 in 2024 and \$12,535 in 2023.

Changes in endowment and similar funds net assets for fiscal year 2024 and 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
ENDOWMENT AND SIMILAR FUNDS NET ASSETS, JUNE 30, 2022	\$ 116,119	\$ 1,774,589	\$ 1,890,708
Investment income	5,062	61,766	66,828
Realized and unrealized gains	2,784	40,748	43,532
TOTAL INVESTMENT RETURN	7,846	102,514	110,360
Contributions	1,954	26,342	28,296
Current year expenditures	(3,756)	(68,995)	(72,751)
ENDOWMENT AND SIMILAR FUNDS NET ASSETS, JUNE 30, 2023	\$ 122,163	\$ 1,834,450	\$ 1,956,613
Investment income	4,738	52,444	57,182
Realized and unrealized gains	4,282	77,471	81,753
TOTAL INVESTMENT RETURN	9,020	129,915	138,935
Contributions	9,267	45,066	54,333
Current year expenditures	(4,704)	(77,329)	(82,033)
ENDOWMENT AND SIMILAR FUNDS NET ASSETS, JUNE 30, 2024	\$ 135,746	\$ 1,932,102	\$ 2,067,848

Occasionally, the fair market value of assets associated with individual donor-restricted endowment funds falls below the value of the original gift amounts. These deficits resulted from unfavorable market fluctuations that occurred after the investment of recently established endowments and additions, and authorized appropriation that was deemed prudent. The aggregate deficiencies in fair value relative to

historical cost for underwater endowments as of June 30 were as follows:

	2024	2023
Aggregate historical value	\$ 24,565	\$ 50,497
Aggregate fair value	22,296	47,247
AGGREGATE DEFICIENCY	\$ (2,269)	\$ (3,250)

8. FAIR VALUE MEASUREMENTS

Financial instruments carried at fair market value as of June 30, 2024 and 2023 by the ASC 820 valuation hierarchy are as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Total
June 30, 2024					
INVESTMENTS					
Equity securities	\$ 332,817	\$ 54		\$ 111,287	\$ 444,158
Fixed-income securities	427,251	13,959			441,210
Limited partnerships and Other					
Venture capital				20,228	20,228
Private equity				844,855	844,855
Real estate				56,790	56,790
Absolute return				690,542	690,542
Other			\$ 21,371	6,023	27,394
Equity real estate			81		81
TOTAL INVESTMENTS	\$ 760,068	\$ 14,013	\$ 21,452	\$ 1,729,725	\$ 2,525,258
FUNDS HELD IN TRUST BY OTHERS	\$ -	\$ -	\$ 328,810	\$ -	\$ 328,810
PENSION PLAN ASSETS					
Cash and cash equivalents	\$ 11,149				\$ 11,149
Equity securities	139,670				139,670
Fixed-income securities	51,637	\$ 1,472			53,109
Limited partnerships and Other					
Absolute return				\$ 22,721	22,721
Other				12,112	12,112
Equity real estate				6,970	6,970
TOTAL PENSION PLAN ASSETS (Note 12)	\$ 202,456	\$ 1,472	\$ -	\$ 41,803	\$ 245,731
ASSETS AT FAIR VALUE	\$ 962,524	\$ 15,485	\$ 350,262	\$ 1,771,528	\$ 3,099,799
Interest rate swaps payable (Note 15)	\$ -	\$ 2,822	\$ -	\$ -	\$ 2,822
LIABILITIES AT FAIR VALUE	\$ -	\$ 2,822	\$ -	\$ -	\$ 2,822

June 30, 2023	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Total
INVESTMENTS					
Equity securities	\$ 308,028	\$ 54		\$ 87,957	\$ 396,039
Fixed-income securities	348,129	23,276			371,405
Limited partnerships and Other					
Venture capital				21,557	21,557
Private equity				857,441	857,441
Real estate				55,207	55,207
Absolute return				666,085	666,085
Other			\$ 19,863	5,901	25,764
Equity real estate			81		81
TOTAL INVESTMENTS	\$ 656,157	\$ 23,330	\$ 19,944	\$ 1,694,148	\$ 2,393,579
FUNDS HELD IN TRUST BY OTHERS	\$ -	\$ -	\$ 303,992	\$ -	\$ 303,992
PENSION PLAN ASSETS					
Cash and cash equivalents	\$ 6,799				\$ 6,799
Equity securities	122,410				122,410
Fixed-income securities	42,601	\$ 2,503			45,104
Limited partnerships and Other					
Absolute return				\$ 20,816	20,816
Other				12,724	12,724
Equity real estate				7,856	7,856
TOTAL PENSION PLAN ASSETS (Note 12)	\$ 171,810	\$ 2,503	\$ -	\$ 41,396	\$ 215,709
ASSETS AT FAIR VALUE	\$ 827,967	\$ 25,833	\$ 323,936	\$ 1,735,544	\$ 2,913,280
Interest rate swaps payable (Note 15)	\$ -	\$ 3,876	\$ -	\$ -	\$ 3,876
LIABILITIES AT FAIR VALUE	\$ -	\$ 3,876	\$ -	\$ -	\$ 3,876

Level 3 Investment Information

Investments included in Level 3 consist primarily of the University's funds held in trust by others that are assets held and administered by outside trustees from which the University derives income or residual interest.

The University's interests are reported at estimated fair value, based on the value of the underlying assets, which approximates the present value of future income from these trusts.

A roll forward of the statements of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy is as follows:

	Equity Real Estate	Other	Funds Held by Others	Total
June 30, 2022	\$ 81	\$ 18,835	\$ 297,453	\$ 316,369
Investment income		121		121
Unrealized gains		755	6,539	7,294
Settlements		(480)		(480)
Transfers		632		632
June 30, 2023	\$ 81	\$ 19,863	\$ 303,992	\$ 323,936
Investment income		88		88
Unrealized gains		1,467	24,818	26,285
Settlements		(187)		(187)
Transfers		140		140
June 30, 2024	\$ 81	\$ 21,371	\$ 328,810	\$ 350,262

The net realized and unrealized gains in the table above are included in the University's statement of activities in one of two financial statement lines: *Investment income* or *Net appreciation*.

The pricing inputs and methods described above could produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The University is permitted under U.S. GAAP to estimate the fair value of an investment at the measurement date using the reported net asset value ("NAV") without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. The University's investments in equity securities, certain venture capital, certain private

equity, real estate and certain hedge funds in the absolute return portfolio are fair value based on the most current NAV.

The University performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with U.S. GAAP. The University has assessed factors including, but not limited to, managers' compliance with the Fair Value Measurement standard, price transparency at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

The guidance also requires additional disclosures to enable users of the financial statements to understand the nature and risk of the University's investments.

The table below illustrates the fair value of the University's investments measured at NAV and the commitments that have been made for future purchases:

Category	Redemption Frequency	Redemption Notice Period	Fair Value	Unfunded Commitments
Equity securities (a)	monthly, quarterly, annually	30-90 days	\$ 111,287	
Limited partnerships and Other				
Venture capital (b)	see below		20,228	\$ 82,139
Private equity (c)	see below		844,855	106,013
Real estate (d)	see below		56,790	71,390
Absolute return (e)	monthly, quarterly, annually	30-90 days	713,263	41,891
Other (f)	see below		18,135	
Equity real estate (g)	quarterly	30-90 days	6,970	
TOTAL			\$ 1,771,528	\$ 301,433

(a) **Equity securities** include funds invested in equity securities domiciled in the United States and countries outside of the United States including developed and emerging markets. Approximately 88% of the net asset value is accessible within one year.

(b) **Venture capital** includes several private equity funds that invest primarily in technology, health care or clean technology industries. While the portfolio is U.S. centric, there are small allocations to companies in foreign markets. The funds typically provide money and resources to entrepreneurs to finance a start-up company or product, with the hope that the company experiences exceptional growth and therefore would produce a successful investment. The funds invest at different stages of a company's growth, some very early and others at a later stage where the company may already produce revenues. It is estimated that the underlying investments within the funds would be fully liquidated over the next 7-12 years.

(c) **Private equity** includes several private equity funds that invest across all industries. While the portfolio is U.S. centric, there has been an increasingly larger allocation to companies in foreign markets. The funds typically invest capital into more mature companies for a minority or majority of ownership and through operational and financial expertise, generate a return of capital greater than the original amount invested. It is estimated that the underlying investments within the funds would be fully liquidated over the next 7-12 years.

(d) **Real estate** includes private real estate funds that invest primarily in the United States. Some of these private partnerships also make investments internationally, primarily in Europe, India and Brazil. The private funds make investments in various real estate types, such as office, industrial, retail and multi-family properties. It is estimated that the underlying investments within the funds would be fully liquidated over the next 5-7 years.

(e) **Absolute return** includes hedge fund investments across a multitude of strategies including long/short equity, long/short commodity, global macro, multi-strategy, event-driven,

credit, fund of hedge funds, and emerging markets. The vast majority of these investments are U.S. based, but some may invest internationally. Investment managers may make investment decisions based on top-down macro-economic analysis or bottom-up company or theme specific analysis; managers may shift portfolios from net long to net short positioning but on balance tend to carry a net long exposure within their portfolios. The estimated fair values of the investments are received on a monthly basis from the fund administrators. Final valuations are typically received around mid-month for most funds, but in some instances funds will report final valuations on a quarterly basis in accordance with the reporting period specified in the fund legal documents. Fund liquidity varies across the absolute return category from monthly, quarterly, annually, and up to a maximum of three years for traditional hedge fund vehicles and 5-10 years for private credit vehicles. Approximately 42% of the net asset value in this asset class is accessible within one year or less and 77% within three years. Over the course of the last twenty four months less liquid, private credit funds with 5-10 year hold periods have been added to the portfolio for diversification purposes. The private credit funds have reduced the liquidity in the absolute return asset class, but portfolio liquidity is still maintained at manageable levels.

(f) **Other** includes various investments that do not fall within the other categories listed. Examples would include liquid multi-asset strategy investments with 5-10 year hold periods.

(g) **Equity real estate** includes liquid real estate securities and indices domiciled in both the United States and countries outside of the United States including developed and emerging markets.

The valuations for the venture capital, private equity and real estate investments have been estimated using the managers' fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. As these investments age in duration, distributions will be received from these funds as the underlying properties, and portfolio companies, are sold at the market.

9. HEALTH EDUCATION CAMPUS

In fiscal year 2014, the University and CCF began a joint effort to raise funds for the construction of the HEC project estimated to be approximately \$509,000 as of June 30, 2024. The University and CCF have entered into an agreement with a perpetual term to provide for the operation and joint use of the HEC, which includes an academic building and a separate dental clinic. The HEC provides a unified educational space for programs of the School of Medicine, including the Cleveland Clinic Lerner College of Medicine (“CCLCM”), the

School of Dental Medicine and the Frances Payne Bolton School of Nursing. Occupancy occurred in spring 2019. CCF provided interim funding of the construction costs, while the University and CCF collaborate on fundraising to cover the capital costs of the HEC. As the total costs of the HEC, were not raised by 2020, the University has agreed to provide up to \$50,000 over the five-year period beginning in 2021, of which \$40,000 was paid as of June 30, 2024. Components of the HEC are as follows:

	2024	2023
Cash transferred to CCF and gift-in-kind	\$ 156,489	\$ 145,079
Less: Accumulated depreciation	(20,995)	(15,991)
	\$ 135,494	\$ 129,088
University obligation	10,000	20,000
TOTAL HEALTH EDUCATION CAMPUS, NET	\$ 145,494	\$ 149,088

The University has pledges receivable for the HEC project of \$4,967 (2024) and \$6,477 (2023).

As the University occupies approximately 83% of the HEC, but has only transferred cash and gifts for approximately 31% of the total estimated HEC project costs, the

University has free use of a portion of the HEC. The contributed revenue from the free use of space, recorded in *Contributed non-financial assets*, and the corresponding expense, recorded in *Instructional*, was \$9,659 (2024) and \$10,075 (2023).

10. PROPERTY, PLANT, EQUIPMENT AND BOOKS

Property, plant, equipment and books are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life of 10 to 30 years for land improvements, 10 to 50 years for building

and building improvements, 5 to 15 years for equipment, and 10 years for books. Components of property, plant, equipment and books are as follows:

	2024	2023
Land and land improvements	\$ 90,105	\$ 88,109
Building and building improvements	1,541,296	1,505,603
Equipment and software	407,229	387,566
Library books	47,693	48,079
Construction-in-progress	221,815	104,062
	2,308,138	2,133,419
Less: Accumulated depreciation	(1,432,339)	(1,371,672)
TOTAL PROPERTY, PLANT, EQUIPMENT AND BOOKS, NET	\$ 875,799	\$ 761,747

The above assets include \$552,401 leased from the Ohio Higher Educational Facility Commission (“OHEFC”). The University may purchase each of the leased assets for a nominal amount at the end of the lease period. Therefore, these assets have been capitalized and are included in the above listing. The corresponding liability is included in *Notes and bonds payable* on the statements of financial position.

Capitalized interest added to construction-in-progress was \$11,933 (2024) and \$10,980 (2023).

The expected cost to complete construction-in-progress was \$32,264 (2024) and \$197,585 (2023).

Depreciation expense included in the statement of activities was \$76,675 (2024) and \$75,360 (2023).

11. NOTES AND BONDS PAYABLE

Notes and bonds payable are as follows:

		Interest Rate(s)	Maturity	2024	2023
OHEFC revenue notes and bonds ¹ :					
Fixed-rate bonds:	Series 2006	5.25%	2024-2027	\$ 6,840	\$ 6,840
	Series 2012A	5.00%	2024		3,450
	Series 2013A	5.00%	2024		12,935
	Series 2015A	5.00%	2024-2030	13,580	15,730
	Series 2016	3.00 - 5.00%	2024-2041	114,680	114,680
	Series 2018	5.00%	2024-2031	81,755	83,380
	Series 2019B	5.00%	2032-2041	30,550	30,550
	Series 2019C	1.63%	2027-2035	35,815	35,815
	Series 2021A	4.00%	2026-2045	28,455	28,455
Variable-rate bonds:	Series 2021B	4.11-4.24% ²	2027	35,000	35,000
Taxable Notes Payable ³ :	Series 2022A	2.58%	2037	56,040	56,040
	Series 2022B	3.30%	2053	115,915	115,915
Taxable Bonds Payable:	Series 2022C	5.41%	2122	350,000	350,000
Compass Group USA, Inc.		-n/a-	2024-2030	4,461	5,019
TOTAL LIABILITY				\$ 873,091	\$ 893,809
Line of credit				45,000	
Unamortized bond premium				15,427	20,968
Unamortized bond issuance cost				(5,515)	(5,868)
TOTAL NOTES AND BONDS PAYABLE				\$ 928,003	\$ 908,909

¹Terms of the respective bonds are disclosed in the year of issuance.

²The OHEFC Series 2021B beginning and ending rate - the weighted average is 3.78%.

³Taxable Notes Payable includes bonds from New York Life and the Century Bonds.

The University has committed revolving lines of credit with two financial institutions in the amount of \$150,000 to finance working capital. The \$25,000 line was renewed in January 2024 and is subject to review and renewal in January 2025. The \$75,000 line was renewed in March 2024 and is subject to review and renewal in March 2025. The remaining \$50,000 was renewed in September 2024 and is subject to review and renewal in September 2025. The amount outstanding was \$45,000 (2024) and \$0 (2023).

The University has one uncommitted line of credit with a financial institution in the amount of \$75,000 to provide short-term liquidity to the investment pool. The line was renewed in January 2024 and is subject to review and renewal in January 2026 and was not utilized during the fiscal year.

Principal payment requirements for bonds and notes for the next five fiscal years and thereafter are as follows:

Year	Total Scheduled Principal Payments
2025	\$ 63,673
2026	18,503
2027	18,418
2028	18,288
2029	18,983
Thereafter	780,226
TOTAL	\$ 918,091

12. RETIREMENT PLANS

The University has both defined benefit and defined contribution pension plans for its employees. In accordance with provisions of the Employee Retirement Income Security Act of 1974, the University has established a trust to hold plan assets for its defined benefit plan. The funded status of the University's defined benefit plan is as follows:

	2024	2023
Funded status at June 30 of prior fiscal year	\$ (52,025)	\$ (61,327)
Service cost	(6,387)	(6,771)
Interest cost	(14,503)	(13,590)
Expected return on assets	16,767	16,434
Actuarial gain	13,446	13,229
Employer contributions	16,386	
FUNDED STATUS AT JUNE 30	\$(26,316)	\$(52,025)

Accumulated benefit obligation \$271,920 \$ 267,598

Benefit plan costs for the defined benefit plan are as follows:

	2024	2023
Net periodic benefit cost	\$ 5,848	\$ 6,671
Employer contributions	16,386	
Benefits paid	10,018	9,720

Estimated benefits expected to be paid under the defined benefit plan for the next five fiscal years are as follows:

2025	\$ 10,366
2026	11,016
2027	12,132
2028	12,866
2029	13,960

Amounts expected to be paid between 2030 and 2034 total \$81,696. The University's estimated employer contribution for the defined benefit plan in fiscal 2025 will depend on the results of the July 1, 2024 actuarial valuation and is estimated to be \$12,257.

Weighted-average assumptions used to determine the benefit obligation and benefit plan costs are as follows:

	2024	2023
BENEFIT OBLIGATION		
Discount rate	5.70%	5.45%
Rate of compensation increase	3.25%	2.25%
Measurement date	6/30/24	6/30/23
Census date	7/1/23	7/1/22

NET PERIODIC BENEFIT COST

Discount rate	5.45%	5.00%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	2.25%	2.25%

The expected long-term rate of return for the defined benefit plan was estimated using market benchmarks for equities and bonds applied to the plan's target asset allocation. Management estimated the rate by which the plan assets would outperform the market in the future based on historical experience adjusted for changes in asset allocation and expectations compared to past periods.

The investment objective for the defined benefit plan is to maximize total return with tolerance for slightly above average risk, in order to meet the obligations that the University has to its plan beneficiaries. To accomplish this objective, the University has established a broadly-diversified target asset allocation strategy that includes equity investments (57%), fixed income (21%), absolute return strategies (combination of fixed income and equity securities) (9%), private credit (5%), real estate (3%), and cash (5%). The weightings of the investments relative to each other in the total portfolio fluctuate as market conditions vary; they are adjusted regularly to remain within acceptable ranges.

The weighted-average asset allocation for the defined benefit plan is as follows:

	2024	2023
Equity securities	57%	54%
Fixed-income securities	26%	25%
Real estate	3%	5%
Other	14%	16%
TOTAL ASSET ALLOCATION	100%	100%

The amounts recognized in the University's statements of financial position and in net assets without donor restrictions related to the defined benefit plan are as follows:

	2024	2023
Benefit obligation at June 30	\$ 272,047	\$ 267,734
Fair value of plan assets at June 30	245,731	215,709
NET LIABILITY	\$ (26,316)	\$ (52,025)
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Accumulated actuarial losses	34,250	49,421
AMOUNT RECOGNIZED AS REDUCTION OF NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 34,250	\$ 49,421

Components of the net periodic benefit cost and other changes in plan assets that are recognized in the statement of activities are as follows:

	2024	2023
Change in actuarial gain	\$ (15,171)	\$ (15,973)
TOTAL GAIN RECOGNIZED, NET ASSETS WITHOUT DONOR RESTRICTIONS	(15,171)	(15,973)
Service cost	6,387	6,771
Interest cost	14,503	13,590
Expected return on assets	(16,767)	(16,434)
Net loss amortization	1,725	2,744
Net periodic benefit cost	5,848	6,671
TOTAL GAIN RECOGNIZED, STATEMENT OF ACTIVITIES	\$ (9,323)	\$ (9,302)

Benefit plan costs for the defined contribution plan are \$29,133 (2024) and \$25,954 (2023).

13. COMMITMENTS AND CONTINGENCIES

In its normal operations, the University is subject to various claims and lawsuits. In management's opinion, the resolution of these contingencies will not have a significant adverse effect on the University's financial position, operations, or cash flows.

In May 2002, the University entered into an agreement with CCF to form a new medical education and research program, CCLCM. Beginning in 2004, research grants from the National Institutes of Health to support work by CCF-based investigators were awarded to and administered through the University by CCLCM, which operates as an academic unit of the School of Medicine. Expenditures for research conducted under this joint agreement totaled \$147,835 (2024) and \$143,325 (2023).

In April 2006, the Boards of University Hospitals Health System and the University approved an affiliation agreement

between the School of Medicine and University Hospitals of Cleveland ("UHC"). This agreement created the Case Medical Center, a virtual entity that encompasses certain teaching, research, and clinical activities of the School of Medicine and UHC. In September 2016, the affiliation agreement was renewed with the exception of the Case Medical Center designation. Even though the virtual entity was dissolved, there will be continued collaboration in education and research.

The University is self-insured for workers compensation and employee and student medical coverage. Property is commercially insured with an aggregate deductible of \$700. The University also carries general liability insurance with a deductible of \$500 per occurrence. The University believes its reserves for self-insured risks and the deductible portion of insured risks are sufficient.

14. RELATED PARTY TRANSACTIONS

In 1998, the University entered into a thirty-year agreement with the Medical Center Company (a cooperative utility company formed by and serving institutions in the University Circle area) to purchase steam, chilled water, and other utilities for several University buildings. The amounts purchased were \$18,534 (2024) and \$18,416 (2023). No obligation associated with this agreement is recorded in the accompanying financial statements.

In February 2022, the Medical Center Company approved an additional energy efficiency grant in the amount of \$723 of which \$723 was used. The payback terms related to this project are 36 months beginning February 2023. The obligation related to this project recorded in *Deferred income and other liabilities* is \$442 (2024) and \$643 (2023).

15. DERIVATIVES

The University uses floating-to-fixed interest rate swap agreements of various durations to manage both its funding cost and the interest rate risk associated with variable rate debt. Under these swap agreements, the University pays a fixed rate and receives from its counterparty a variable rate payment, each calculated by reference to specified notional principal amounts during the agreement period. Operations are charged the variable rate interest on the corresponding bonds; the difference between the fixed and variable interest amounts under the swap agreements is recorded in non-operating revenues and expenses as *Investment income*.

The University follows accounting guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements about fair value measurements, including derivatives. The University's interest rate swaps are valued by an independent swap consultant that uses the mid-market levels, as of the

close of business, to value the agreements. The valuations provided are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions and the University's credit worthiness. The University's interest rate swap arrangements have inputs that can generally be corroborated by market data and are classified as Level 2 in the fair value hierarchy. Under one agreement in effect at June 30, 2024, the counterparty pays a variable interest rate equal to a percentage of the one-month SOFR.

The following table provides detailed information on the interest rate swap at June 30, 2024, with comparative fair values for June 30, 2023. Information related to the interest rate swap agreements and the liability recognized in the statements of financial position in *Deferred income and other liabilities* are as follows:

Notional Amount	Interest Rate	Commencement	Termination Date	June 30, 2024 Basis	June 30, 2023 Basis	2024	2023
						Level 2 Fair Market Value	
\$ 35,000	3.81%	Aug. 4, 2004	Aug. 1, 2034	SOFR	LIBOR	\$ (2,822)	\$ (3,876)
TOTAL INTEREST RATE SWAP AGREEMENT LIABILITY						\$ (2,822)	\$ (3,876)

Changes in the fair value of derivative instruments are recorded in non-operating revenues and expenses as *Investment income*. The provisions of the swap agreements require that on a weekly basis the University place into an escrow fund collateral sufficient to limit the counterparty's financial exposure to the University to no more than

\$20,000. The University had placed \$0 (2024 and 2023) into such a fund.

Interest expense recorded for the swap agreements in the non-operating activities for the year ended June 30 was \$8 (2024) and \$580 (2023).

16. NATURAL AND FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses are reported in the statement of activities by functional categories and include allocations of depreciation expense, interest on indebtedness and plant operation and maintenance costs.

Operating expenses by nature and function are summarized as follows for the years ended June 30, 2024 and 2023:

June 30, 2024	Instructional	Sponsored projects	Libraries	Student services	University services	Auxiliaries	Total operating expenses
Salaries and wages	\$ 227,738	\$ 179,253	\$ 7,221	\$ 19,877	\$ 68,974	\$ 12,344	\$ 515,407
Fringe benefits	69,686	40,481	2,352	6,300	22,850	3,788	145,457
Other operating expense	88,656	220,330	3,883	12,472	51,126	44,940	421,407
Allocations							
Depreciation	18,756	15,076	6,222	1,180	14,578	20,863	76,675
Interest	2,822	4,570	794	374	3,066	16,005	27,631
Plant operations and maintenance	20,045	15,016	3,935	1,033	9,995	6,210	56,234
TOTAL	\$ 427,703	\$ 474,726	\$ 24,407	\$ 41,236	\$ 170,589	\$ 104,150	\$ 1,242,811

June 30, 2023	Instructional	Sponsored projects	Libraries	Student services	University services	Auxiliaries	Total operating expenses
Salaries and wages	\$ 208,990	\$ 167,249	\$ 6,138	\$ 17,810	\$ 58,498	\$ 11,513	\$ 470,198
Fringe benefits	63,637	41,675	1,996	5,644	19,573	3,630	136,155
Other operating expense	82,224	211,449	4,862	10,558	63,665	43,019	415,777
Allocations							
Depreciation	16,888	14,637	6,231	1,193	14,635	21,776	75,360
Interest	2,911	4,914	791	377	3,192	16,316	28,501
Plant operations and maintenance	21,295	15,018	3,849	1,432	10,321	8,443	60,358
TOTAL	\$ 395,945	\$ 454,942	\$ 23,867	\$ 37,014	\$ 169,884	\$ 104,697	\$ 1,186,349

17. NET ASSETS

The University's net assets as of June 30 were as follows:

	2024	2023
Without donor restrictions:		
Board-designated:		
Quasi-endowments	\$ 135,746	\$ 122,163
Liquidity reserve	87,324	87,851
TOTAL BOARD-DESIGNATED	223,070	210,014
Unrestricted	256,665	227,243
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 479,735	\$ 437,257
With donor restrictions:		
Endowments	\$ 1,554,130	\$ 1,486,584
Split-interest agreements	25,619	20,526
Other for purpose or time:		
Purpose-restricted funds functioning as endowments	377,972	347,866
Pledges receivable	190,366	159,575
Funds held in trust by others	334,281	309,391
Student loan funds	40,805	40,465
Purpose-restricted funds	280,085	251,550
	1,223,509	1,108,847
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 2,803,258	\$ 2,615,957

18. SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through October 25, 2024, the date on which the financial statements were issued.



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