

METHODIST
UNIVERSITY

Investor Update

Series 2021 Bonds

JANUARY 29, 2024

Call Participants



- Dawn Ausborn, Vice President for Business Affairs and Chief Financial Officer
- Carol Plummer, AVP of Finance and Controller

Please note: Any information pertaining to FY23-24 financial data contained on the following slides is unaudited, whether it has been noted on the slide or not.

Methodist – By the Numbers

1182

Mean SAT of
Incoming Freshmen

1956

Founded

142

Full-Time Faculty

25

Mean ACT of
Incoming Freshmen



64.7%

Freshmen Retention
Rate

60+

Undergraduate
Programs

1768

Fall 2023
Total Headcount
(Prior to Term 2 enrollment)

3.53

Mean GPA of
Incoming Freshmen

Board of Trustees

The University's Board of Trustees exercises the corporate powers prescribed by law. The Board of Trustees determines the general, educational, and financial policies of the University and serves within the following five committees: Executive, Financial Affairs, University Affairs, External Relations, and Governance.

President

Dr. Stanley T. Wearden, President – Dr. Wearden became the University's fifth president in January 2019. He earned a bachelor's degree in English from Wheeling Jesuit University in West Virginia in 1975, and a Master of Science in Journalism from West Virginia University in 1981. Subsequently, he earned a doctorate in Mass Communication Research from the University of North Carolina at Chapel Hill in 1987. Dr. Wearden previously served as Dean of the College of Communication and Information at Kent State University in Kent, Ohio from 2009-2014, and thereafter as Senior Vice President and Provost of Columbia College Chicago from 2014-2018.

President's Cabinet

Dr. William Walker – *Vice President for Student Affairs & Dean of Students*

Ms. Dawn Ausborn – *Vice President for Business Affairs and Chief Financial Officer*

Mr. Greg Swanson – *Vice President for University Advancement & Senior Counsel*

Mr. Rick D. Lowe – *Vice President for Enrollment Services*

Dr. Suzanne Blum Malley – *Provost*

Mr. Dave Eavenson – *Vice President & Director of Athletics*

Ms. Sheila Carr Kinsey – *Vice President for Planning & Administration and Chief of Staff*

Rev. Kelli Taylor – *Vice President for Mission Integration and Student Well Being and University Chaplain*

Dr. Quincy Malloy, Sr. – *Chief Diversity Officer*

Mr. Jason Greene – *Chief Information Officer*

Mr. Mark Regensburger – *Faculty Representative*

FY23-24 Initiatives

- Continuing efforts with Credo Partnership and the Moving the Needle project (see next slide for details)
 - Have realized improvement in FTFT retention rate of 6.7 percentage points in past four years:
 - Cohort Year 2019 = 58.0% Cohort Year 2022 = 64.7%
- A to B Scholarships for transfer students – NC students who transfer with an associate degree and receive the NC Need Based scholarship and Pell Grant are eligible to receive the A to B scholarship to cover the remainder of their tuition costs. For FY 22-23, we admitted 15 students and netted \$180,000 in revenues. We have admitted 37 students for Fall 2023 and are projecting net revenues of approximately \$525,000 for FY23-24.
- Compensation Study – conducting a campus wide compensation study. Results to be presented to compensation committee early February 2024.
- Student Financial Services – merged the Office of Student Accounts with Financial Aid Counselors to provide one-stop financial assistance for students.
- Procurement Services – restructuring to develop a more centralized purchasing experience, for improved administrative efficiencies, economies of scale with purchases, and with negotiating for best prices.
- School of Medicine – the University is forming, in partnership with Cape Fear Valley Health as a major donor, a School of Medicine on the Cape Fear Valley campus. The first class of students is slated for enrollment in summer 2026.

FY23-24 Initiatives (cont.)

- Director of Institutional Compliance and Title IX Coordinator – in the past, these duties have been held by others as part of their other full-time duties, however, we believe that to have the most impact, these duties require someone’s full focus. This position was filled in October 2023.
- Capital Campaign – delayed start with the introduction of the new medical school, but contributions are coming in now under the silent phase.
 - Received \$1 million contribution in September 2023 for the new Medical School.
 - Additional commitments in excess of \$1 million have been received recently from trustees.
- Grant Income Received:
 - \$2,000,000 from State Budget for 2nd phase of Ravine project
 - \$1,000,000 from State Budget in Resiliency funding
- Construction projects:
 - Recently completed replacement of foot bridge to golf course and PGM academic building at a projected cost of \$535,000.
 - Construction of a Makers Space in Reeves Fine Arts Building – approximate cost of \$90,000
 - Phase 2 of Ravine project underway
- Pay increases of 2% and employer contribution to retirement of 1% effective January 1, 2024.
- Transitioning to Paid Time Off (PTO) model for employee leave effective February 1, 2024.

Moving the Needle Initiative



Goal

63% Retention Rate by Academic Year 2023-24

Already exceeded goal – 64.7% as of Academic Year 2023-24

Student Success and Advising

- Synthesizing academic advising and support into a synchronized pathway for student success.

Residential and Campus Engagement

- Exploring ways to engage with faculty, staff, and students in a robust learning environment inside and outside of the classroom.

Student Athlete Experience

- Strengthen and advance a culture of success for our student athletes.

Racial Awareness and Campus Equity

- Address systematic racism on campus, enact anti-racist policies and procedures, and examining how we can meet the needs of underrepresented students.

Student Facing Business Processes

- Improving and refining processes, systems, and practices for students to successfully meet requirements for continuous matriculation.

Tuition, Fees, and Room and Board



Undergraduate Tuition and Fees

	2020-21	2021-22	2022-23	2023-24	2024-25
Tuition	\$ 35,376	\$ 36,260	\$ 37,438	\$ 38,936	\$ 40,500
Room & Board	12,828	12,828	12,828	13,586	14,140
Fees	700	700	700	728	750
Total	\$ 48,904	\$ 49,788	\$ 50,966	\$ 53,250	\$ 55,390
<i>% Increase</i>	<i>3.28%</i>	<i>1.81%</i>	<i>2.37%</i>	<i>4.48%</i>	<i>4.02%</i>

- Methodist University is a competitively priced private institution.
- Many of Methodist's applicants also apply to other private and public colleges and universities in North Carolina.
- Comparable institutions are listed here (alphabetically).

	TUITION & FEES	ROOM & BOARD	2023-24 ANNUAL COST
PEER INSTITUTIONS			
Barton College	\$35,600	\$11,500	\$47,100
Campbell University	39,630	15,200	54,830
Catawba College	33,400	12,550	45,950
Davidson College	60,050	16,400	76,450
Elon University	44,536	16,121	60,657
Guilford College	40,400	12,900	53,300
High Point University	46,548	19,128	65,676
Lenoir-Rhyne University	30,900	12,900	43,800
Meredith College	43,936	12,920	56,856
Methodist University	39,664	13,586	53,250
Randolph-Macon College	46,460	13,510	59,970
Roanoke College	36,774	15,366	52,140
Shenandoah University	36,028	11,800	47,828
Queens University of Charlotte	40,790	14,900	55,690
Wingate University	40,296	10,420	50,716

Enrollment

Fall Semester	2019	2020	2021	2022	2023*
Undergraduate	1646	1426	1410	1252	1263
Professional	177	206	231	187	180
Graduate	145	141	143	120	118
MU Online	0	0	132	252	207
Total Headcount	1968	1773	1916	1811	1768
Undergraduate	1564	1355	1365	1233	1244
Professional	140	132	215	181	174
Graduate	177	198	134	120	118
MU Online		0	98	179	176
Total FTE	1881	1685	1812	1713	1712
Transfers (included in above numbers)	84	51	84	96	103

- Undergraduate enrollment increased by 11 students for Fall 2023
- MU Online enrollment doesn't include Term II, so the 207 will increase

*2023 enrollment does not include Term II enrollments, while the prior year enrollment data does.

Spring Census data is captured on 1/29/24. Preliminary numbers for Undergraduate enrollment reflect an increase of 38 students above budget.

The University's FY 2022-2023 audit was completed on December 15, 2023.

The auditors issued the financial statements with an unqualified opinion. They noted no material weaknesses or significant deficiencies in internal controls. There were no uncorrected audit adjustments noted during the audit. There were no significant findings for issues that arose during the audit.

As part of the annual audit, the auditors calculate the U.S. Department of Education's Financial Responsibility Composite Score. This is a composite of three ratios: primary reserve ratio, equity ratio, and net income ratio. The DOE score range is as follows:

>1.5	Institution is considered financially responsible
1.5 <1.0	Considered financially responsible, but requires additional oversight
<1.0	Not considered financially responsible.

Methodist University has consistently scored above 1.5 (typically closer to the max of 3.0).

At June 30, 2023, the University received a score of **2.44**.

Financial Statement Trends

Statement of Financial Position					
	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Assets					
Cash, Receivables & Prepaid Expenses	10,952,423	17,247,806	18,603,435	15,053,730	11,841,704
Investments	21,017,463	21,985,454	25,473,940	37,398,214	44,984,642
Loans Receivable & Other Assets	775,199	378,732	574,055	300,411	557,566
Property, Plant & Equipment, net	81,053,500	78,587,171	79,645,064	79,515,883	78,066,270
Total Assets	113,798,585	118,199,163	124,296,494	132,268,238	135,450,182
Liabilities and Net Assets					
Liabilities	6,059,220	7,654,470	6,465,924	5,834,691	5,783,936
Debt, net	32,103,255	35,279,069	27,950,730	27,337,394	25,182,956
Interest rate swap agreement	607,937	741,456	508,874	-	-
Total Liabilities	38,770,412	43,674,995	34,925,528	33,172,085	30,966,892
Net assets without donor restrictions	56,066,572	55,187,549	67,257,279	72,212,198	70,709,669
Net assets with donor restrictions	18,961,601	19,336,619	22,113,687	26,883,955	33,773,621
Total Net Assets	75,028,173	74,524,168	89,370,966	99,096,153	104,483,290
Total Liabilities and Net Assets	\$ 113,798,585	\$ 118,199,163	\$ 124,296,494	\$ 132,268,238	\$ 135,450,182
Statement of Activities					
	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Revenues:					
Tuition and Fees, net	\$ 34,634,400	\$ 32,787,647	\$ 33,259,083	\$ 33,711,029	\$ 31,709,694
Government Contracts and Grants	997,967	3,586,918	4,140,667	6,292,553	1,714,873
Contributions and Private Grants	1,690,814	2,384,250	2,320,637	12,542,512	6,715,675
Investment return	1,129,741	592,830	5,287,624	(3,999,855)	3,397,158
PPP Loan forgiveness	-	-	5,192,100	-	-
Other Income	979,919	489,881	792,651	535,001	695,058
Unrealized Gain on Swap Agreement	(111,156)	(133,519)	232,582	131,627	-
Auxiliary Income	10,204,977	8,801,171	9,074,332	10,107,806	9,784,751
Total Revenues, Gains and Other Support	49,526,662	48,509,178	60,299,676	59,320,673	54,017,209
Total Expenses	49,936,712	49,013,183	45,452,878	49,595,486	48,630,072
Change in net assets	(410,050)	(504,005)	14,846,798	9,725,187	5,387,137
Net Assets:					
Beginning	75,438,223	75,028,173	74,524,168	89,370,966	99,096,153
Ending	\$ 75,028,173	\$ 74,524,168	\$ 89,370,966	\$ 99,096,153	\$ 104,483,290

Unrestricted Revenues, Expenses, and Changes in Net Assets



FYE 6/30	2019	2020	2021	2022	2023
Revenues, Gains, and Other Support					
Tuition & fees, net	\$ 34,634,400	\$ 32,787,647	\$ 33,259,083	\$ 33,711,029	\$ 31,709,694
Government contracts and grants	997,967	2,034,719	2,824,575	3,684,013	1,657,353
Contributions and private grants	359,415	421,331	468,646	3,137,475	760,124
Investment return designated for operations	65,196	62,244	63,483	62,206	60,098
Other income	973,785	616,210	756,264	535,001	695,058
Sales and services of auxiliary enterprises	10,204,977	8,801,171	9,074,332	10,107,806	9,784,751
Net assets released from restrictions	2,094,621	2,319,572	2,722,163	1,322,581	1,621,326
Total revenues, gains and other support	49,330,361	47,042,894	49,168,546	52,560,111	46,288,404
Expenses and Losses					
Educational and general:					
Instruction	21,734,147	20,845,491	19,848,471	19,472,619	19,464,377
Academic support	2,248,639	2,181,424	2,157,235	2,097,224	2,291,754
Student services	10,162,624	9,696,152	8,449,440	10,073,928	10,696,379
Institutional support	7,335,340	7,555,031	6,304,789	7,385,852	8,147,512
Auxiliary enterprises	8,455,962	7,811,785	7,691,301	7,957,323	8,030,050
Total expenses	49,936,712	48,089,883	44,451,236	46,986,946	48,630,072
Change in Net Assets from Operations	(606,351)	(1,046,989)	4,717,310	5,573,165	(2,341,668)
Other Changes					
Federal aid for students - CARES Act	-	923,000	1,001,642	2,608,540	-
Federal aid disbursed for students - CARES Act	-	(923,000)	(1,001,642)	(2,608,540)	-
Investment return in excess of (less than) amounts designated for current operations	300,348	88,126	1,187,118	(1,234,717)	799,291
Net income of MUDC	39,895	44,789	46,376	47,073	50,093
PPP loan forgiveness	-	-	5,192,100	-	-
Net assets released from restrictions	43,646	322,600	838,276	568,584	87,925
Gain (loss) on sale of property and equipment	6,134	(126,329)	36,387	5,600	(4,126)
Unrealized gain (loss) on interest rate swap agreement	(111,156)	(133,519)	232,582	131,627	0
Transfers	(15,305)	(27,701)	(180,419)	(136,413)	(94,044)
Change in net assets	(342,789)	(879,023)	12,069,730	4,954,919	(1,502,529)
Net Assets					
Beginning	56,409,361	56,066,572	55,187,549	67,257,279	72,212,198
Ending	\$ 56,066,572	\$ 55,187,549	\$ 67,257,279	\$ 72,212,198	\$ 70,709,669

Financial Covenant: Days Cash on Hand



Days Cash on Hand FYE 6/30

	2019	2020	2021	2022	2023
Cash and Cash Equivalents	\$ 3,559,056	\$ 4,713,071	\$ 13,142,583	\$ 7,640,790	\$ 4,078,564
Plus: Investments	21,017,463	21,985,454	25,473,940	37,398,213	44,984,642
Less: Permanently Restricted Net Asset	(13,546,254)	(14,162,180)	(14,922,324)	(23,519,963)	(28,645,282)
TOTAL	\$ 11,030,265	\$ 12,536,345	\$ 23,694,199	\$ 21,519,040	\$ 20,417,924
Operating Expense	46,020,827	44,329,438	40,756,278	43,074,521	44,721,475
Daily Operating Expense (Total Operating Expense/365)	126,084	121,451	111,661	118,012	122,525
Days Cash on Hand	87	103	212	182	167

Liquidity Covenant:

- Days Cash on Hand – Minimum 50 days; tested annually

Financial Covenant: Debt Service Coverage Ratio



Debt Service Coverage FYE 6/30						Adjusted *
	2019	2020	2021	2022	2023	2023
Change in Unrestricted Net Assets	\$ (342,789)	\$ (879,023)	\$ 12,069,730	\$ 4,954,919	\$ (1,502,530)	\$ (1,502,530)
Plus: Depreciation and Amortization	3,915,885	3,760,445	3,694,958	3,912,425	3,875,489	3,875,489
Plus: Interest Expense	1,448,559	1,120,180	1,092,688	763,300	814,167	814,167
Plus: Unusual, non-recurring costs						390,149
Less: Net Realized Gains	(260,665)	126,329	(36,387)	(5,600)	4,126	4,126
Less: Net Unrealized Gains	257,673	62,155	(1,438,301)	1,140,981	(435,387)	(435,387)
Net Income Available for Debt Service	\$ 5,018,663	\$ 4,190,086	\$ 15,382,688	\$ 10,766,025	\$ 2,755,865	\$ 3,146,014
Total Historical Debt Service	3,586,476	3,447,429	3,408,977	3,209,615	2,837,564	2,837,564
Debt Service Coverage Ratio (DSCR)	1.40 x	1.22 x	4.51 x	3.04 x	0.97 x	1.11 x
DSCR Requirement					1.20 x	

* Recalculated DSCR without the unusual, non-recurring expenses that incurred in FY22-23 covered by Cash Reserves:
Including: School of Medicine legal start-up costs, unusual legal fees, compensation study, search expenses for PA director, implementation of new data warehouse, expenses for retention initiatives

Debt Service Covenant:

Debt Service Coverage Ratio - 1.20x; tested annually

Additional Debt is permitted under the MTI

In response to the DSCR falling below 1.20 as of June 30, 2023, the University retained an Independent Consultant as required by the Series 2021 bond covenants to deliver a report to the Master Trustee that includes recommendations with respect to increasing Methodist's income and decreasing its operating expenses, and other financial matters relevant to Methodist regaining compliance with its LTDSCR.

With the engagement of an independent consultant and because the University had sufficient other resources available from its cash reserves to service the annual debt payments, there is no event of default for the year ended June 30, 2023.

Budget Reductions



To ensure the University meets the DSCR of 1.20 as of June 30, 2024, the Administration has implemented reductions of \$1.75 million to the current FY23-24 budget, most of which will be realized during the spring semester.

Difficult decisions were implemented to realign University resources to meet its current and future strategic goals. In addition to general operating expense reductions, adjustments included a reduction in force of approximately 30 positions (17 staff, 8 faculty, and 5 vacant or retiring positions not to be replaced) and the discontinuance of certain academic programs with historical trends of low enrollment and student market demand.

Cost savings identified for fiscal year 23-24 are:

Reductions made to program budgets:	\$ 691,315
Reductions in wages and benefit budgets:	<u>\$ 1,058,838</u>
	\$ 1,750,153

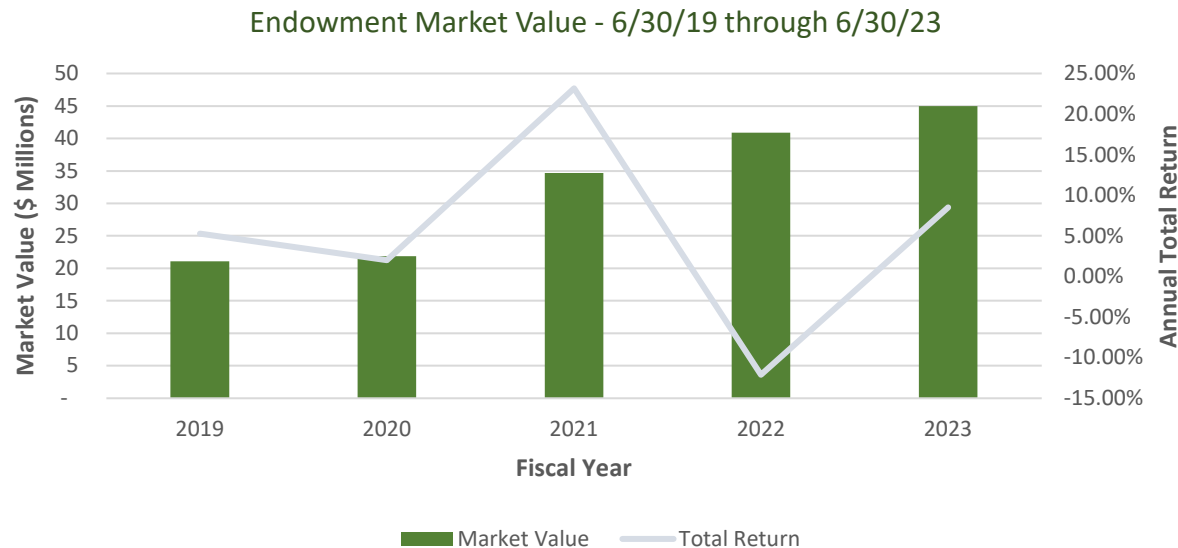
Operating Revenues over Expenses as of December 31st



YTD 12/31	2022	2023
Revenues:		
Tuition & fees, net	\$ 14,927,319	\$ 15,437,631
Auxiliary enterprises	5,137,926	5,570,439
Other	1,333,051	1,531,291
Total Revenues	21,398,296	22,539,361
Expenses:		
Salaries and benefits	15,069,549	15,627,210
Operating expenses	7,113,218	7,237,853
Capital outlay	351,559	195,126
Debt service	2,146,459	2,171,472
Transfers	4,187	(500)
Total expenses	24,684,972	25,231,161
Net Loss	\$ (3,286,676)	\$ (2,691,800)

Endowment

- Methodist's Endowment is invested in a diversified portfolio of equities (60% target weighting; 60% actual weighting as of 6/30/23), fixed income (25%, 26%), and alternative investments (15%, 10%). Methodist currently holds about 4% of its endowment in cash and US Treasuries.
- As of June 30, 2023, the market value of the University's endowment had grown to more than \$45.5 million (a growth of 115% since 2019).
- As of December 31, 2023, the market value of the University's endowment was \$47,481,216 (including cash reserves of \$8,813,021).

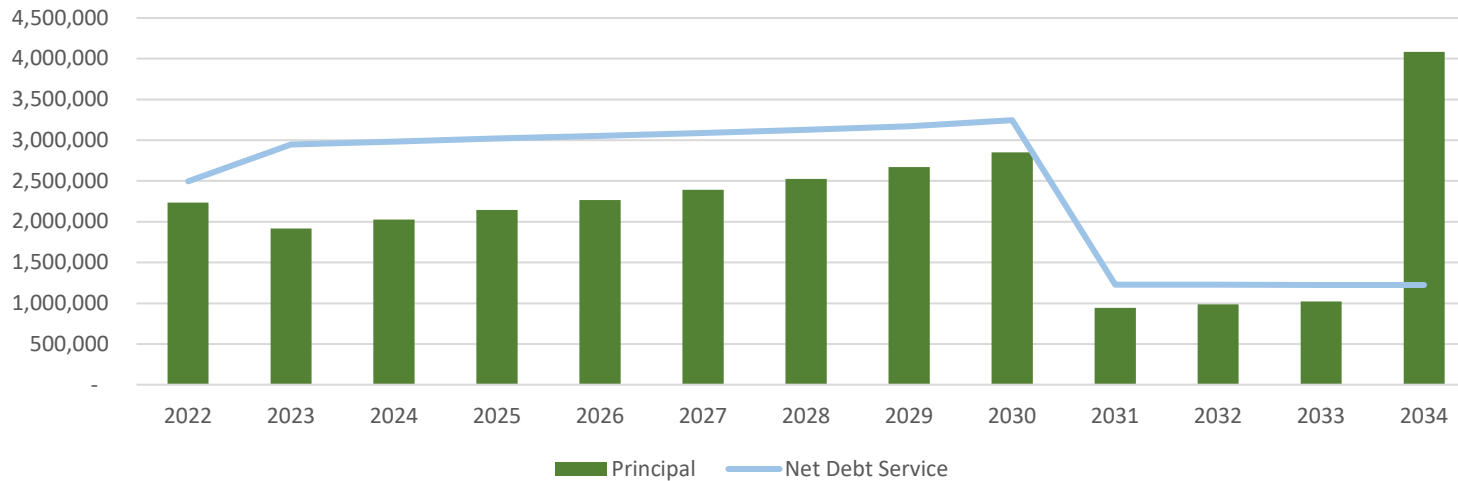


FYE 6/30	2019	2020	2021	2022	2023
Market Value	21,081,128	21,884,004	34,664,556	40,925,875	45,459,558
Total Return	5.28%	1.99%	23.17%	-12.10%	8.49%
Cash Reserves Included in Endowment	2,469,763	2,447,649	10,257,791	11,940,503	9,278,582

Debt Service Profile

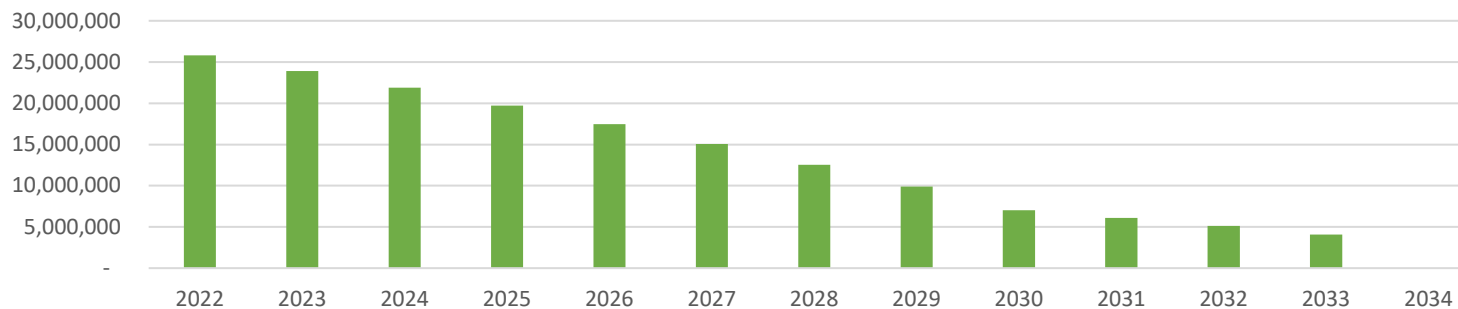


The Methodist University Net Debt Service



* In 2034 the Debt Service Reserve Fund will release and help fund the annual debt service payment.

Outstanding Bond Debt



Admissions Snapshot – Fall 2024 Undergraduate Recruitment Funnel



U.S. applicant funnel	Fall 2024	Fall 2023
U.S. applications	2029	1946
Total net accepts	1502	1422
Application to accept yield %	74.02%	73.07%
Enrollment deposit paid	68	61
Enrollment deposit waived	14	27
Enrollment deposit (WD)	2	3
Total net enrollment deposits	80	85

UWC applicant funnel	Fall 2024	Fall 2023
UWC applications	78	90
UWC accepts	62	61
Application to yield %	79.48%	67.77%
UWC deposits	0	0

Application data for key pipelines	Fall 2024	Fall 2023
First-year students	1905	1834
Transfer students	116	107
Military related students	284	279
Cumberland County students	382	387

Admissions: Top demand academic and athletic pipelines as measured by applications

Academic Programs	Athletic Programs
Pre-Nursing	Football
Biology	Men's Soccer
Business Administration	Baseball
Kinesiology	Men's Basketball
Engineering	Men's Track
Business Management	Volleyball
Sport Management	Cheerleading
Psychology	Men's Lacross
PGA Golf Management	Women's Basketball
Computer Science	Women's Track