




# **John Carroll University**

## **Independent Auditor's Report and Consolidated Financial Statements**

May 31, 2024 and 2023



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## Independent Auditor's Report

Board of Directors  
John Carroll University  
University Heights, Ohio

### ***Opinion***

We have audited the consolidated financial statements of John Carroll University (University) and subsidiaries, which comprise the consolidated statements of financial position as of May 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of John Carroll University and subsidiaries, as of May 31, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Consolidated Financial Statements***

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

**Forvis Mazars, LLP**

Fort Wayne, Indiana  
September 4, 2024

**John Carroll University**  
**Consolidated Statements of Financial Position**  
**May 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,044,040	\$ 11,283,620
Cash and cash equivalents, restricted for investment in plant	4,307,610	3,310,388
Short-term investments, restricted for investment in plant	49,714,431	77,078,082
Student accounts receivable, net of allowance of \$950,000 in 2024; \$838,000 in 2023	1,195,269	1,457,309
Grants receivable	-	113,989
Prepaid expenses and other assets	2,320,631	1,567,904
Investments	278,441,054	257,730,620
Student notes receivable, net of allowance of \$99,900 in 2024; \$134,000 in 2023	898,805	1,206,413
Property and equipment, net	249,556,044	226,779,851
Beneficial interests in perpetual trusts	4,208,816	3,798,980
	<u>\$ 602,686,700</u>	<u>\$ 584,327,156</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 11,105,822	\$ 9,312,632
Accrued salaries and wages	5,804,992	5,646,711
Deposits and advance payments	1,213,930	1,048,614
Deferred revenue	836,145	812,223
Asset retirement obligations	3,606,148	3,567,646
Debt	176,380,728	177,608,752
U.S. Government refundable advances	412,102	324,410
	<u>199,359,867</u>	<u>198,320,988</u>
<b>Net Assets</b>		
Without donor restrictions	166,070,386	174,157,773
With donor restrictions	237,256,447	211,848,395
	<u>403,326,833</u>	<u>386,006,168</u>
<b>Total net assets</b>	<u>403,326,833</u>	<u>386,006,168</u>
<b>Total liabilities and net assets</b>	<u>\$ 602,686,700</u>	<u>\$ 584,327,156</u>

**John Carroll University**  
**Consolidated Statement of Activities**  
**Year Ended May 31, 2024**

		2024	
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Net tuition and fees	\$ 49,085,643	\$ -	\$ 49,085,643
Residence and dining fees	16,987,856	-	16,987,856
Net student fees	66,073,499	-	66,073,499
Contributions and private grants	2,491,176	14,437,858	16,929,034
Governmental grants and contracts	-	1,958,706	1,958,706
Investment return designated for operations	6,401,358	9,265,802	15,667,160
Interest income	431,012	-	431,012
Rental income	3,634,710	-	3,634,710
Other	1,400,993	-	1,400,993
Net assets released from restrictions	19,072,096	(19,072,096)	-
Total revenue, gains, and other support	99,504,844	6,590,270	106,095,114
Expenses			
Instruction	40,771,719	-	40,771,719
Sponsored programs	1,942,879	-	1,942,879
Academic support	10,164,618	-	10,164,618
Student services	18,766,309	-	18,766,309
Institutional support	16,672,949	-	16,672,949
Auxiliary enterprises	15,986,892	-	15,986,892
Rental properties expense	3,962,829	-	3,962,829
Total expenses	108,268,195	-	108,268,195
Increase (Decrease) Before Other Activities	(8,763,351)	6,590,270	(2,173,081)
Other Activities			
Loss on decommissioned building	(1,816,210)	-	(1,816,210)
Change in value of split-interest agreements	-	419,204	419,204
Investment return less than amounts designated for operations	4,280,235	16,991,068	21,271,303
Other expense	(380,551)	-	(380,551)
Change in donor-imposed restrictions	(1,407,510)	1,407,510	-
Total other activities	675,964	18,817,782	19,493,746
Change in Net Assets	(8,087,387)	25,408,052	17,320,665
Net Assets, Beginning of Year	174,157,773	211,848,395	386,006,168
Net Assets, End of Year	\$ 166,070,386	\$ 237,256,447	\$ 403,326,833

**John Carroll University**  
**Consolidated Statement of Activities**  
**Year Ended May 31, 2023**

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, Gains, and Other Support</b>			
Net tuition and fees	\$ 48,583,003	\$ -	\$ 48,583,003
Residence and dining fees	15,842,746	-	15,842,746
Net student fees	64,425,749	-	64,425,749
Contributions and private grants	2,184,286	12,931,767	15,116,053
Governmental grants and contracts	-	1,817,711	1,817,711
Investment return designated for operations	3,850,803	8,587,718	12,438,521
Interest income	331,545	-	331,545
Rental income	4,103,187	-	4,103,187
Other	4,599,798	-	4,599,798
Net assets released from restrictions	18,193,319	(18,193,319)	-
Total revenue, gains, and other support	97,688,687	5,143,877	102,832,564
<b>Expenses</b>			
Instruction	39,563,498	-	39,563,498
Sponsored programs	1,827,774	-	1,827,774
Academic support	10,292,122	-	10,292,122
Student services	18,189,820	-	18,189,820
Institutional support	14,913,111	-	14,913,111
Auxiliary enterprises	14,564,737	-	14,564,737
Rental properties expense	3,419,954	-	3,419,954
Total expenses	102,771,016	-	102,771,016
<b>Increase (Decrease) Before Other Activities</b>	<b>(5,082,329)</b>	<b>5,143,877</b>	<b>61,548</b>
<b>Other Activities</b>			
Change in value of split-interest agreements	-	(334,617)	(334,617)
Investment return in excess of amounts designated for operations	(3,498,510)	(7,900,590)	(11,399,100)
Other Expense	(280,743)	-	(280,743)
Total other activities	(3,779,253)	(8,235,207)	(12,014,460)
<b>Change in Net Assets</b>	<b>(8,861,582)</b>	<b>(3,091,330)</b>	<b>(11,952,912)</b>
<b>Net Assets, Beginning of Year</b>	<b>183,019,355</b>	<b>214,939,725</b>	<b>397,959,080</b>
<b>Net Assets, End of Year</b>	<b>\$ 174,157,773</b>	<b>\$ 211,848,395</b>	<b>\$ 386,006,168</b>

**John Carroll University**  
**Consolidated Statement of Functional Expenses**  
**Year Ended May 31, 2024**

	Program Activities						2024	Support Activities		2024
	Instruction	Sponsored Programs	Academic Support	Student Services	Auxiliary Enterprises	Rental Activities	Total Program	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 19,774,131	\$ 789,848	\$ 3,803,472	\$ 6,701,475	\$ 2,590,714	\$ -	\$ 33,659,640	\$ 4,520,575	\$ 1,589,693	\$ 39,769,908
Fringe benefits	7,771,208	218,461	1,527,415	2,758,267	1,008,525	-	13,283,876	1,603,551	707,189	15,594,616
Total compensation and benefits	27,545,339	1,008,309	5,330,887	9,459,742	3,599,239	-	46,943,516	6,124,126	2,296,882	55,364,524
Depreciation and amortization	3,417,491	210,904	1,685,544	1,488,548	2,941,033	762,434	10,505,954	739,344	-	11,245,298
Contract services	1,071,270	80,566	331,588	500,478	5,250,926	-	7,234,828	502,412	141,976	7,879,216
Travel and professional development	2,275,877	229,992	346,778	2,945,815	83,392	-	5,881,854	324,255	545,754	6,751,863
Rental expense	965,130	31,193	158,365	724,829	74,413	-	1,953,930	310,803	99,698	2,364,431
Professional fees	1,806,871	38,509	94,586	1,153,452	7,909	-	3,101,327	3,848,588	15,904	6,965,819
Maintenance and repairs	1,092,516	60,430	208,866	520,751	645,752	797,186	3,325,501	265,314	6,507	3,597,322
Interest	800,065	11,907	97,370	82,435	1,967,955	-	2,959,732	39,420	-	2,999,152
Property taxes and insurance	596,097	37,020	111,566	331,567	15,698	887,260	1,979,208	162,566	-	2,141,774
Supplies	498,695	53,244	82,968	983,352	221,333	-	1,839,592	79,469	26,200	1,945,261
Utilities	622,000	53,331	254,623	509,913	722,331	327,521	2,489,719	366,090	-	2,855,809
Library media	-	-	764,600	-	-	-	764,600	-	-	764,600
Other	80,368	127,474	696,877	65,427	456,911	1,188,428	2,615,485	572,898	204,743	3,393,126
Totals	<u>\$ 40,771,719</u>	<u>\$ 1,942,879</u>	<u>\$ 10,164,618</u>	<u>\$ 18,766,309</u>	<u>\$ 15,986,892</u>	<u>\$ 3,962,829</u>	<u>\$ 91,595,246</u>	<u>\$ 13,335,285</u>	<u>\$ 3,337,664</u>	<u>\$ 108,268,195</u>



**John Carroll University**  
**Consolidated Statement of Functional Expenses**  
**Year Ended May 31, 2023**

	Program Activities						2023	Support Activities		2023
	Instruction	Sponsored Programs	Academic Support	Student Services	Auxiliary Enterprises	Rental Activities	Total Program	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 18,391,221	\$ 765,326	\$ 3,881,886	\$ 7,106,927	\$ 2,437,139	\$ -	\$ 32,582,499	\$ 3,622,109	\$ 1,380,922	\$ 37,585,530
Fringe benefits	7,505,147	207,043	1,634,760	2,783,507	1,033,358	-	13,163,815	1,605,926	661,879	15,431,620
Total compensation and benefits	25,896,368	972,369	5,516,646	9,890,434	3,470,497	-	45,746,314	5,228,035	2,042,801	53,017,150
Depreciation and amortization	3,436,570	212,824	1,784,531	1,449,619	2,597,188	719,356	10,200,088	764,489	-	10,964,577
Contract services	1,039,994	117,543	315,364	550,295	4,809,360	-	6,832,556	485,468	45,855	7,363,879
Travel and professional development	2,069,069	129,208	520,426	1,877,833	59,507	-	4,656,043	535,359	476,086	5,667,488
Rental expense	833,517	30,511	172,510	581,042	72,383	-	1,689,963	300,889	92,730	2,083,582
Professional fees	1,639,579	139,839	184,115	1,127,678	16,668	-	3,107,879	3,033,366	55,897	6,197,142
Maintenance and repairs	1,526,923	59,047	307,280	820,678	367,546	892,256	3,973,730	458,223	30,545	4,462,498
Interest	651,150	2,410	20,631	16,096	1,864,054	-	2,554,341	8,279	-	2,562,620
Property taxes and insurance	530,563	32,991	111,935	311,735	11,888	833,356	1,832,468	143,972	39	1,976,479
Supplies	779,526	31,202	79,861	858,918	265,938	-	2,015,445	81,056	52,467	2,148,968
Utilities	1,064,928	65,031	330,706	657,043	523,292	394,038	3,035,038	428,472	814	3,464,324
Library media	-	-	722,619	-	-	-	722,619	-	-	722,619
Other	95,311	34,799	225,498	48,449	506,416	580,948	1,491,421	488,445	159,824	2,139,690
Totals	<u>\$ 39,563,498</u>	<u>\$ 1,827,774</u>	<u>\$ 10,292,122</u>	<u>\$ 18,189,820</u>	<u>\$ 14,564,737</u>	<u>\$ 3,419,954</u>	<u>\$ 87,857,905</u>	<u>\$ 11,956,053</u>	<u>\$ 2,957,058</u>	<u>\$ 102,771,016</u>

**John Carroll University**  
**Consolidated Statements of Cash Flows**  
**Years Ended May 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Operating Activities</b>		
Change in net assets	\$ 17,320,665	\$ (11,952,912)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	10,087,809	9,763,811
Change in allowance for doubtful accounts	77,900	(99,000)
Net realized and unrealized (gains) losses on investments	(34,926,724)	439,573
(Gain) Loss on beneficial interest in perpetual trusts	(409,836)	328,078
Loss on sale of property and equipment	1,816,208	-
Contributions received and payments received on contributions receivable restricted to endowed funds and acquisition of capital assets	(6,130,714)	(3,074,651)
Changes in		
Student accounts receivable	150,040	1,029,642
Other receivables	455,697	267,468
Prepaid expenses and other assets	(823,263)	42,806
Accounts payable and accrued expenses (net of reorganization accruals)	(484,689)	(2,323,027)
Deferred revenue and deposits	189,238	(218,263)
Other liabilities	126,194	27,065
Net cash used in operating activities	<u>(12,551,475)</u>	<u>(5,769,410)</u>
<b>Investing Activities</b>		
Purchases of property and equipment	(33,401,538)	(39,308,384)
Purchases of investments	(45,887,063)	(13,025,212)
Proceeds from sale of investments	<u>87,467,004</u>	<u>56,134,617</u>
Net cash provided by investing activities	<u>8,178,403</u>	<u>3,801,021</u>
<b>Financing Activities</b>		
Proceeds from contributions received and payments on contributions receivable restricted to endowed funds and acquisition of capital assets	<u>6,130,714</u>	<u>3,074,651</u>
Net cash provided by financing activities	<u>6,130,714</u>	<u>3,074,651</u>
<b>Increase in Cash and Cash Equivalents</b>	<u>1,757,642</u>	<u>1,106,262</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>14,594,008</u>	<u>13,487,746</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 16,351,650</u></u>	<u><u>\$ 14,594,008</u></u>
<b>Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 12,044,040	\$ 11,283,620
Cash and cash equivalents, restricted for investment in plant	<u>4,307,610</u>	<u>3,310,388</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 16,351,650</u></u>	<u><u>\$ 14,594,008</u></u>
<b>Supplemental Cash Flows Information</b>		
Interest paid, net of capitalized interest	\$ 3,187,326	\$ 3,262,874
Fixed assets in accounts payable	\$ 4,258,060	\$ 1,821,903

## **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

### ***Nature of Operations***

John Carroll University (University) is a privately controlled, coeducational, Catholic and Jesuit university located in University Heights, Ohio, a suburb of Cleveland. Founded in 1886, it provides programs in the liberal arts, sciences, and business at the undergraduate level and in selected areas at the master's level. The University's primary sources of revenue and support are tuition and fees, residence and dining fees, contributions, and investment income.

### ***Principles of Consolidation***

The consolidated financial statements are comprised of the University's operations and six wholly-owned subsidiaries. These include: 1886 Company, Ltd., Ignatius, LLC, Loyola, LLC, Manresa, LLC, Inigo, LLC, and Cura Personalis, LLC; which were each formed to hold title to and lease certain real property.

All significant interorganizational accounts and transactions have been eliminated in consolidation.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

### ***Cash and Cash Equivalents***

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2024 and 2023, cash equivalents consisted primarily of money market funds. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts are not considered to be cash and cash equivalents.

At May 31, 2024, the University's cash accounts, including cash and cash equivalents restricted for investment in plant, exceeded federally insured limits by approximately \$19,827,000.

### ***Restricted Cash, Cash Equivalents, and Short-Term Investments***

Restricted cash, cash equivalents, and short-term investments consist of funds from the 2022 and 2020 bond issuances set aside by the University for future capital projects.

### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at fair value. Investment return includes dividend, interest, and other investment income; and realized and unrealized gains and losses on investments carried at fair value.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities as net assets with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

**John Carroll University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2024 and 2023**

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The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual endowment accounts based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

***Student Accounts and Notes Receivable***

Student accounts receivable are stated at the amount of consideration from students, of which the University has an unconditional right to receive. The University provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. Tuition is generally due at the beginning of the term unless the student has a payment plan. Charges that are past due without payments for three consecutive months, and have had no response to the collection process, are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Notes receivable consist primarily of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amounts, net of allowance for credit losses. The federal government guarantees all or a significant portion of loans issued under the Program. Loans are made based on demonstrated financial need and satisfaction of federal eligibility requirements. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful notes which is based on a review of outstanding loans, historical collection information, and existing economic conditions. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluations and specific circumstances of the borrower. Loans with a delinquent balance and still accruing interest amounted to approximately \$159,000 and \$223,000 at May 31, 2024 and 2023, respectively.

***Property and Equipment***

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

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

Buildings	30-70 years
Land improvements	12 years
Equipment, furniture, fixtures, and vehicles	3-12 years
Library books	20 years

The University capitalizes interest costs as a component of construction in progress, based on the interest rates paid for long-term borrowing. Total interest incurred at May 31 was:

	<u>2024</u>	<u>2023</u>
Interest costs capitalized	\$ 2,505,095	\$ 2,973,902
Interest costs charged to expense	<u>2,999,152</u>	<u>2,562,620</u>
Total interest incurred	<u>\$ 5,504,247</u>	<u>\$ 5,536,522</u>

### ***Long-Lived Assets***

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may have been impaired. No asset impairment was recognized during the years ended May 31, 2024 and 2023.

### ***Bond Origination Costs and Debt Premium***

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

### ***Asset Retirement Obligations***

Asset Retirement Obligations (ARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value, and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are depreciated over the useful lives of the related assets. Subsequent to initial recognition, the University records year-to-year changes in the ARO liability resulting from the passage of time. Expense of \$56,103 and \$53,534 was recorded in the fiscal years 2024 and 2023, respectively. There were no additional changes in the ARO liability in fiscal 2024 or 2023.

### ***Deferred Revenue***

Deferred revenue consists primarily of student tuition, housing, and other fees received prior to the beginning of an academic term.

### ***Tuition and Auxiliary Services Revenue***

Tuition revenue is recognized over the term of the semester as the University provides services to students. Revenue is reported at the amount of consideration which the University expects to be entitled in exchange for providing tuition and auxiliary services. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships and other price concessions provided to students.

### ***Government Grants***

Support funded by grants is recognized as the University meets the conditions prescribed by the grant agreement, performs the contracted services, or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

### ***Net Assets***

The University's consolidated financial statements have been prepared with a focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Net assets and revenues, gains, and losses are classified based on the existence or absence of donor restrictions:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment which totaled \$76,416,944 and \$75,311,245 at May 31, 2024 and 2023, respectively.

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*Net Assets With Donor Restrictions* – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Contributions**

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the University overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

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***Income Taxes***

The University is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. 1886 Company, Ltd., Ignatius, LLC, Loyola, LLC, Manresa, LLC, Inigo, LLC, and Cura Personalis, LLC are wholly-owned limited liability companies that have elected to be treated as disregarded entities for U.S. tax purposes. The University files tax returns in the U.S. federal jurisdiction. With a few exceptions, the University is no longer subject to U.S. federal examinations by tax authorities for years before 2022.

***Self-Insurance***

The University has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The University has purchased insurance that limits its exposure for individual claims to \$250,000.

***Functional Allocation of Expenses***

The costs of supporting various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the programs, management, and general and fundraising categories based on estimates of time spent by University personnel.

**Note 2. Investments and Investment Return**

Investments at May 31 consisted of the following:

	<b>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 25,780,919	\$ 39,107,839
Mutual funds and pooled investment funds		
Fixed income	15,868,522	676,157
Large capitalization blend and growth*	93,216,812	81,729,196
International and emerging markets*	20,555	8,055,472
Small and mid-capitalization funds*	19,164,556	24,051,457
Fixed income securities		
Corporate bonds	4,060,323	5,260,821
U.S. Treasury and agency bonds	2,129,612	2,994,725
Mortgage-backed securities	3,044,476	1,503,807
Asset-backed securities	3,581,319	2,526,178
Alternative investments		
Multi-strategy hedge funds	40,819,650	44,506,925
Hedged equity funds	55,439,992	34,388,926
Private equity funds	15,314,318	12,929,117
	<b>\$ 278,441,054</b>	<b>\$ 257,730,620</b>

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Short-term investments at May 31 consisted of the following:

	<u>2024</u>	<u>2023</u>
U.S. Treasury and agency bonds	\$ 42,259,811	\$ 32,894,850
Corporate bonds	<u>7,454,620</u>	<u>44,183,232</u>
	<u>\$ 49,714,431</u>	<u>\$ 77,078,082</u>

\* These categories include investments in private fund trusts or partnerships that invest primarily in publicly traded U.S. Common stocks and bonds and international common stocks. The University does not have any unfunded commitments to fund these trusts and partnerships and the investments can either be redeemed at any time, monthly or quarterly per the respective investment agreements.

Total investment return is comprised of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividend income, net of fees	\$ 2,011,739	\$ 1,478,994
Net realized and unrealized losses	<u>34,926,724</u>	<u>(439,573)</u>
Total return on investments	36,938,463	1,039,421
Investment return designated for current operations	<u>(15,667,160)</u>	<u>(12,438,521)</u>
Net investment return in excess of (less than) amounts designated for current operations	<u>\$ 21,271,303</u>	<u>\$ (11,399,100)</u>

**Alternative Investments**

The fair value of alternative investments that have been estimated using the net asset value per share (or its equivalent) as a practical expedient consists of the following at May 31:

	<b>May 31, 2024</b>			
	<u>Fair Value</u>	<u>Unfunded</u>	<u>Redemption</u>	<u>Redemption</u>
Multi-strategy hedge funds (A)	\$ 40,819,650	\$ 375,000	quarterly/annually	30 - 90 days
Hedged equity funds (B)	55,439,992	-	quarterly/annually	30 - 90 days
Private equity funds (C)	15,314,318	6,602,243	N/A	N/A



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	May 31, 2023			
	Fair Value	Unfunded	Redemption	Redemption
Multi-strategy hedge funds (A)	\$ 44,506,925	\$ 375,000	quarterly/annually	30 - 90 days
Hedged equity funds (B)	34,388,926	-	quarterly/annually	30 - 90 days
Private equity funds (C)	12,929,117	5,562,049	N/A	N/A

(A) This category includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes investments in various U.S. common stock, international common stock, debt securities, and private investment funds that employ various long/short, macro-driven, absolute return, arbitrage, and event-driven strategies. These investments can be redeemed on the normal terms of the investment agreements.

(B) This category includes investments in hedge funds that invest primarily in U.S. and international common stocks and private securities. Management of these funds can employ a variety of strategies; however, the funds generally are designed to track certain broad market indices with reduced volatility. There are certain withdrawal or redemption restrictions in place for five of the funds into the amount and timing of redemptions.

(C) This category includes several private equity funds that invest in early stage, high-growth private companies, growth equity financing, leverage buyouts, securities, and other obligations of distressed businesses and financially troubled companies. These investments are not eligible for elective redemptions. Instead, the nature of the investments in this category is that distributions are received through liquidation of the underlying assets of the fund. It is estimated the underlying assets of the funds will be liquidated over the next 1 – 6 years.

### **Note 3. Property and Equipment**

Property and equipment is comprised of the following at May 31:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Land and land improvements	\$ 27,304,333	\$ 26,912,790
Buildings	300,364,756	283,806,379
Furniture, fixtures, equipment, and vehicles	77,835,570	73,542,931
Library books	22,020,528	21,936,499
Construction in progress	<u>31,269,876</u>	<u>22,792,778</u>
	458,795,063	428,991,377
Less accumulated depreciation	<u>(209,239,019)</u>	<u>(202,211,526)</u>
	<u><u>\$ 249,556,044</u></u>	<u><u>\$ 226,779,851</u></u>

The University has entered into contracts for the construction and renovation of certain facilities. Remaining contract payments total approximately \$52,000,000 at May 31, 2024.

### **Note 4. Beneficial Interests in Perpetual Trusts**

The University is the beneficiary under various perpetual trusts administered by outside parties. Under the terms of the trusts, the University has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$4,208,816 and \$3,798,980, which represents the fair value of the trust assets at May 31, 2024 and 2023, respectively. The income from these trusts was \$196,712 and \$219,945 for May 31, 2024 and 2023, respectively.

### **Note 5. Line of Credit**

The University had a \$7,500,000 unsecured revolving bank line of credit that expired in January 2023. During the fiscal year 2023, there were no borrowings against this line. Interest on advances was payable monthly and varied with the one-month LIBOR rate plus 1%.

On January 30, 2023, the University entered into a bank agreement for an uncommitted and payable on demand line of credit note for \$10,000,000. During the fiscal years 2024 and 2023, there were no borrowings against this line. Interest on advances is payable monthly and varies with the one-month SOFR rate plus 1.10%. The one-month SOFR rate was 5.34% and 5.08% on May 31, 2024 and 2023, respectively.

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**Note 6. Debt**

Debt consisted of the following at May 31:

	<u>2024</u>	<u>2023</u>
2016 State of Ohio Higher Education Facility Refunding Revenue Bonds original issue \$22,320,000, interest at fixed rates ranging from 3.88% to 4.07%, depending on term of bonds, principal due in annual installments on April 1 from \$1,265,000 in 2029 to \$2,670,000 in 2041. Unamortized debt issuance costs were \$181,889 and \$196,603 at May 31, 2024 and 2023, respectively.	\$ 22,320,000	\$ 22,320,000
2020 State of Ohio Higher Education Facility Refunding Revenue Bonds original issue \$33,570,000, interest at a fixed rates ranging from 4.0% to 5.0%, principal due in annual installments beginning on October 1, from \$665,000 in 2025 to \$9,730,000 in 2050. The remaining principal amount of \$2,105,000 is payable at maturity on October 1, 2050. Unamortized debt issuance costs were \$396,272 and \$410,949 at May 31, 2024 and 2023, respectively.	33,570,000	33,570,000
2022 State of Ohio Higher Education Facility Refunding Revenue Bonds original issue \$105,555,000, interest at fixed rates ranging from 4.00% to 5.00% depending on term of bonds, principal due in annual installments on October 1 from \$2,700,000 in 2027 to principal due of \$39,225,000 in 2052. Unamortized debt issuance costs were \$647,486 and \$670,610 at May 31, 2024 and 2023, respectively.	105,555,000	105,555,000
	161,445,000	161,445,000
Plus unamortized premium	16,161,375	17,441,914
Less unamortized debt issuance costs	(1,225,647)	(1,278,162)
	<u>\$ 176,380,728</u>	<u>\$ 177,608,752</u>

In connection with the issuance of the 2016 bonds, the trustee, as lessor, and the University, as lessee, have entered into a lease for various facilities. Under the terms of the lease, the University is required to make rental payments in amounts sufficient to pay the principal, interest, and any premium on the bonds whether at maturity, upon accelerations, or upon redemption. In order to secure the University's commitment to pay the trustee the lease payments, the trustee has a security interest in the various facilities.

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Aggregate annual principal payments required on debt as of May 31, 2024 are as follows by fiscal year:

2025	\$	-
2026		665,000
2027		700,000
2028		3,435,000
2029		3,580,000
Thereafter		<u>153,065,000</u>
	\$	<u><u>161,445,000</u></u>

## **Note 7. Net Assets With Donor Restriction**

Net assets with donor restrictions at May 31, 2024 and 2023 are restricted for the following purposes or periods:

	<b>2024</b>	<b>2023</b>
Subject to expenditure for specified purpose		
Scholarships	\$ 4,995,488	\$ 4,137,126
Instruction	2,790,359	2,145,839
Academic support, research, and other	14,764,062	14,067,961
	<u>22,549,909</u>	<u>20,350,926</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Scholarships, instruction, and academic support	66,189,528	49,198,460
Subject to endowment spending policy or appropriation		
Restricted by donors for		
Scholarships	78,871,600	74,730,341
Instruction and academic support	47,803,614	47,450,345
Other	17,197,387	15,905,226
Total endowments	<u>210,062,129</u>	<u>187,284,372</u>
Not subject to endowment spending policy or appropriation		
Beneficial interest in perpetual trusts	4,208,816	3,798,980
Other	435,593	414,117
	<u>4,644,409</u>	<u>4,213,097</u>
Total net assets with donor restrictions	<u><u>\$ 237,256,447</u></u>	<u><u>\$ 211,848,395</u></u>

## **Net Assets Released From Restrictions**

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

	<b>2024</b>	<b>2023</b>
Purpose restrictions accomplished		
Scholarship and instruction	\$ 8,490,442	\$ 6,677,235
Academic support, research and other	9,558,806	8,372,862
Property and equipment acquired and placed in service	1,022,848	3,143,222
Total net assets released from restriction	<u><u>\$ 19,072,096</u></u>	<u><u>\$ 18,193,319</u></u>

## **Note 8. Endowed Funds**

The University's endowed funds consist of approximately 375 individual funds established for a variety of purposes. The endowed funds include both donor-restricted endowed funds and funds designated by the governing body to function as endowed funds (board-designated endowed funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowed funds, including board-designated endowed funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's governing body has interpreted the State of Ohio Uniform Prudent Management of Institutional Funds Act (Ohio UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowed funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions. In accordance with Ohio UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowed funds:

- Duration and preservation of the fund
- Purposes of the University and the fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from investment income and appreciation or depreciation of investments
- Other resources of the University
- Investment policies of the University

The composition of net assets by type of endowed fund at May 31, 2024 and 2023 was:

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted	\$ -	\$ 210,062,129	\$ 210,062,129
Board-designated	76,416,944	-	76,416,944
<b>Total</b>	<b>\$ 76,416,944</b>	<b>\$ 210,062,129</b>	<b>\$ 286,479,073</b>
	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted	\$ -	\$ 187,284,372	\$ 187,284,372
Board-designated	75,311,245	-	75,311,245
<b>Total</b>	<b>\$ 75,311,245</b>	<b>\$ 187,284,372</b>	<b>\$ 262,595,617</b>

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Changes in endowed net assets for the years ended May 31, 2024 and 2023 were:

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 75,311,245	\$ 187,284,372	\$ 262,595,617
Investment return			
Investment income	2,070,784	-	2,070,784
Net realized and unrealized appreciation	<u>6,840,483</u>	<u>26,256,870</u>	<u>33,097,353</u>
Total investment return	8,911,267	26,256,870	35,168,137
Contributions	3,300	4,379,179	4,382,479
Appropriation of endowment assets for expenditure	(6,401,358)	(9,265,802)	(15,667,160)
Change in donor-imposed restrictions	<u>(1,407,510)</u>	<u>1,407,510</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 76,416,944</u>	<u>\$ 210,062,129</u>	<u>\$ 286,479,073</u>
<b>2023</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 79,016,454	\$ 192,231,224	\$ 271,247,678
Investment return			
Investment income	1,478,994	-	1,478,994
Net realized and unrealized appreciation (depreciation)	<u>(1,398,175)</u>	<u>687,128</u>	<u>(711,047)</u>
Total investment return	80,819	687,128	767,947
Contributions	64,775	2,953,738	3,018,513
Appropriation of endowment assets for expenditure	<u>(3,850,803)</u>	<u>(8,587,718)</u>	<u>(12,438,521)</u>
Endowment net assets, end of year	<u>\$ 75,311,245</u>	<u>\$ 187,284,372</u>	<u>\$ 262,595,617</u>

### ***Underwater Endowments***

The governing body of the University has interpreted Ohio UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the University considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The University has interpreted Ohio UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At May 31, 2024, funds with original gift values of \$936,068; fair values of \$923,365; and deficiencies of \$12,703, were reported in net assets with donor restrictions. At May 31, 2023, funds with original gift values of \$6,589,577; fair values of \$6,130,441; and deficiencies of \$459,136, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The University has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations. The amount appropriated for expenditure from underwater endowments for both 2024 and 2023 was insignificant.

The University has adopted investment and spending policies for endowed assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowed funds. Endowed assets include those assets of donor-restricted endowed funds the University must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowed funds. Under the University's policies, endowed assets are invested in a manner that is intended to produce results that exceeds inflation by 5.0% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital (depreciation) appreciation (both realized and unrealized). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has a policy (the spending policy) of appropriating for expenditure 5.0% for 2024 and 2023 of its endowed fund's average fair value over the prior three years. In establishing this policy, the University considered the long-term expected return on its endowed funds. Accordingly, over the long-term, the University expects the current spending policy to allow its endowed funds to grow at an average of 0.75% above inflation annually. This is consistent with the University's objective to maintain the purchasing power of endowed assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

For 2024, the John Carroll University Board of Directors approved a supplemental draw from the board-designated endowment in the amount of \$2,500,000 to support the University's strategic growth initiatives. The funds were used for the start-up and build-out of the new College of Health.



## **Note 9. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of May 31, 2024 and 2023, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 12,086,678	\$ 10,817,580
Accounts receivable	1,195,269	1,571,298
Investments	7,877,684	13,355,911
Appropriations from the endowment in accordance with the spending policy	13,697,454	13,810,578
Distributions from beneficial interests in perpetual trusts	<u>200,000</u>	<u>220,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 35,057,085</u>	<u>\$ 39,775,367</u>

The University's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$76,416,944 and \$75,311,245 as of May 31, 2024 and 2023, respectively, is subject to an annual spending rate of approximately 5% as described in Note 8. Although the University does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the University has a committed line of credit in the amount of \$10,000,000, which it could draw upon.

The University manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The University has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 60 to 90 days of expected expenditures. To achieve these targets, the University forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually.

## **Note 10. Revenue From Contracts With Students**

### ***Tuition, Residential Services, and Meal Plan Services Revenue***

Revenue from contracts with students for tuition, residential services, and meal plan services is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and housing, food, and other services. These amounts are due from students, third-party payers, and others and are net of scholarships and institutional aid of \$64,720,422 and \$66,858,723 for the years ended May 31, 2024 and 2023, respectively.

Revenue is recognized as performance obligations are satisfied, which is primarily ratably over the academic term with the exception of certain meal plans that are recognized at a point in time. Generally, the University bills students prior to the beginning of the semester, and student accounts receivable are due in full before classes begin.

If a student withdraws within the first week of the beginning of the academic term, the student is entitled to a full refund. If a student withdraws during the second week of the academic term, the student is entitled to a 67% refund. If a student withdraws during the third week of the academic term, the student is entitled to a 33% refund. No refunds are awarded after the end of the third week of the academic term. The University determines the refund liability at year-end based on actual experience subsequent to year-end. The amounts of refunds given are approximately 0.3% of gross tuition and fees, annually.

Tuition, residential services, and meal plan services revenue are considered to be separate performance obligations. The University allocates the fees charged to students to tuition and housing, food, and other services based on standalone charges to students for tuition and those other services.

### ***Transaction Price and Recognition***

The University determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid in accordance with the University's policies for granting certain merit based aid. The University determines its estimates of explicit price concessions based on its discount policies and merit awards.

From time to time the University will incur student credit balances and student deposits which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of May 31, 2024 and 2023, the University has a liability for refunds or deposits from students recorded of approximately \$1,027,902 and \$931,399, respectively.

The University has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payers (for example, students' governmental programs and others) that have different reimbursement and payment methodologies
- Demographic and enrollment trends
- Institutional aid and federal and state aid programs

### ***Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations***

Because all of its performance obligations relate to contracts with a duration of less than one year, the University has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing instruction to students. The performance obligations for these contracts are generally completed when the academic term is completed.

The University expects to recognize revenue of \$836,145 of tuition revenue in fiscal 2025 when the summer 2024 academic term is completed.

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***Disaggregation of Revenue***

The composition of net student fees revenue by segment for the years ended May 31, 2024 and 2023 is as follows:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Net tuition and fees	\$ 49,085,643	\$ 48,583,003
Room	9,589,657	8,853,279
Meal plan	7,398,199	6,989,467
	<u><u>\$ 66,073,499</u></u>	<u><u>\$ 64,425,749</u></u>

The composition of revenue based on timing of revenue recognition for the years ended May 31, 2024 and 2023 are as follows:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Services transferred over time	\$ 58,675,300	\$ 57,436,282
Sales at point in time	7,398,199	6,989,467
	<u><u>\$ 66,073,499</u></u>	<u><u>\$ 64,425,749</u></u>

***Contract Balances***

The following table provides information about the University's receivables and contract liabilities:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Accounts receivable, beginning of the year	\$ 1,457,309	\$ 2,386,936
Accounts receivable, end of the year	1,195,269	1,457,309

	<u><b>June 1, 2022</b></u>	<u><b>Revenue Recognized</b></u>	<u><b>Additions</b></u>	<u><b>Balance at May 31, 2023</b></u>
Deferred revenue	\$ 761,994	\$ (761,994)	\$ 812,223	\$ 812,223

	<u><b>June 1, 2023</b></u>	<u><b>Revenue Recognized</b></u>	<u><b>Additions</b></u>	<u><b>Balance at May 31, 2024</b></u>
Deferred revenue	\$ 812,223	\$ (812,223)	\$ 836,145	\$ 836,145

## **Note 11. Scholarships and Institutional Aid**

Institutional financial aid and scholarships granted to students is as follows for the years ended May 31, 2024 and 2023:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Gross tuition and fees	\$ 113,806,065	\$ 115,441,726
Funded scholarships	(9,384,982)	(8,350,489)
Unfunded scholarships and grants-in-aid	<u>(55,335,440)</u>	<u>(58,508,234)</u>
Total scholarships and aid	<u>(64,720,422)</u>	<u>(66,858,723)</u>
Net tuition and fees	<u><u>\$ 49,085,643</u></u>	<u><u>\$ 48,583,003</u></u>

## **Note 12. Employee Retirement Benefits**

The University has a defined contribution plan. Retirement benefits are provided for employees through Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF), a national organization used to fund retirement benefits for educational institutions and certain other not-for-profit organizations. The University's contributions are based on eligible compensation. The University's contributions to the plan were \$2,307,522 and \$2,174,767 for the years ended May 31, 2024 and 2023, respectively. The University also has a nontrusteed private 457(b) deferred compensation plan (457 Plan) for certain employees with any employer contributions to be made on a discretionary basis. The University made no contributions to the 457 Plan for the years ended May 31, 2024 and 2023.

## **Note 13. Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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***Recurring Measurements***

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at May 31, 2024 and 2023:

	2024				
	Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (A)
<b>Financial Assets</b>					
Short-term investments	\$ 49,714,431	\$ -	\$ 49,714,431	\$ -	\$ -
Investments					
Cash equivalents					
Money market funds	17,814,163	17,814,163	-	-	-
Mutual funds and pooled investment funds					
Fixed income	15,868,522	15,868,522	-	-	-
Large capitalization blend and growth	93,216,812	71,544,849	-	-	21,671,963
International and emerging markets	20,555	20,555	-	-	-
Small and mid-capitalization funds	19,164,556	31,183	-	-	19,133,373
Total mutual funds and pooled investment funds	128,270,445	87,465,109	-	-	40,805,336
Fixed income securities					
Corporate bonds	4,060,323	-	4,060,323	-	-
U.S. Treasury & agency bonds	2,129,612	-	2,129,612	-	-
Mortgage-backed securities	3,044,476	-	3,044,476	-	-
Asset-backed securities	3,581,319	-	3,581,319	-	-
Total fixed income securities	12,815,730	-	12,815,730	-	-
Alternative investments					
Multi-strategy hedge funds measured at net asset value	40,819,650	-	-	-	40,819,650
Hedged equity funds measured at net asset value	55,439,992	-	-	-	55,439,992
Private equity funds measured at net asset value	15,314,318	-	-	-	15,314,318
Total alternative investments	111,573,960	-	-	-	111,573,960
Total for investments	320,188,729	105,279,272	62,530,161	-	152,379,296
Beneficial interest in perpetual trusts	4,208,816	-	-	4,208,816	-
Total fair value of recurring measurements	<u>\$ 324,397,545</u>	<u>\$ 105,279,272</u>	<u>\$ 62,530,161</u>	<u>\$ 4,208,816</u>	<u>\$ 152,379,296</u>

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	2023				
	Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (A)
<b>Financial Assets</b>					
Short-term investments	\$ 77,078,082	\$ -	\$ 77,078,082	\$ -	\$ -
Investments					
Cash equivalents					
Money market funds	25,210,136	25,210,136	-	-	-
Mutual funds and pooled investment funds					
Fixed income	676,157	676,157	-	-	-
Large capitalization blend and growth	81,729,196	53,082,635	-	-	28,646,561
International and emerging markets	8,055,472	18,866	-	-	8,036,606
Small and mid-capitalization funds	24,051,457	25,402	-	-	24,026,055
Total mutual funds and pooled investment funds	114,512,282	53,803,060	-	-	60,709,222
Fixed income securities					
Corporate bonds	5,260,821	-	5,260,821	-	-
U.S. Treasury & agency bonds	2,994,725	-	2,994,725	-	-
Mortgage-backed securities	1,503,807	-	1,503,807	-	-
Asset-backed securities	2,526,178	-	2,526,178	-	-
Total fixed income securities	12,285,531	-	12,285,531	-	-
Alternative investments					
Multi-strategy hedge funds measured at net asset value	44,506,925	-	-	-	44,506,925
Hedged equity funds measured at net asset value	34,388,926	-	-	-	34,388,926
Private equity funds measured at net asset value	12,929,117	-	-	-	12,929,117
Total alternative investments	91,824,968	-	-	-	91,824,968
Total for investments	320,910,999	79,013,196	89,363,613	-	152,534,190
Beneficial interest in perpetual trusts	3,798,980	-	-	3,798,980	-
Total fair value of recurring measurements	\$ 324,709,979	\$ 79,013,196	\$ 89,363,613	\$ 3,798,980	\$ 152,534,190

(D) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended May 31, 2024. The University has no assets or liabilities measured at fair value on a nonrecurring basis.

### **Cash Equivalents and Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

### **Beneficial Interest in Perpetual Trusts**

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

### **Level 3 Reconciliation**

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

	<b>Beneficial Interest in Perpetual Trusts</b>
Balance, June 1, 2022	\$ 4,127,058
Unrealized losses included in change in net assets	(328,078)
Balance, May 31, 2023	3,798,980
Unrealized gains included in change in net assets	409,836
Balance, May 31, 2024	<u>\$ 4,208,816</u>

### **Unobservable (Level 3) Inputs**

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

	<b>Fair Value at May 31, 2024</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range</b>
Beneficial interest in perpetual trusts	\$ 4,208,816	Fair value of trust assets	Discount rates Market return rates	N/A

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	<u>Fair Value at May 31, 2023</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range</u>
Beneficial interest in perpetual trusts	\$ 3,798,980	Fair value of trust assets	Discount rates Market return rates	N/A

***Sensitivity of Significant Unobservable Inputs***

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

***Beneficial Interest in Perpetual Trusts***

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

**Note 14. Related Party Transactions**

Members of the Jesuit Community of John Carroll University (Community) serve on the University's faculty and administration under individual employment agreements. Salaries related to these employment agreements are paid in total to the Community. In the opinion of the University's management, such employment agreements are comparable to those of other employees. Members of the Community do not participate in the University's employee benefits programs. However, the University does pay to the Community an amount approximating the cost of such benefits as if they had been provided for each Community member employed by the University.

**Note 15. Significant Estimates, Concentrations, and Contingencies**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations.

***Investment Risks and Uncertainties***

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment amounts reported in the consolidated statements of financial position.

***Concentrations***

Approximately 18% and 13% of all contributions were received from one donor for the years ended May 31, 2024 and 2023.



### ***Litigation***

The University is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets, and cash flows of the University. Events could occur that would change this estimate materially in the near term.

### **Note 16. Employee Retention Credit**

The *Coronavirus Aid, Relief, and Economic Security* (CARES) Act subsequently expanded under the Consolidated Appropriations Act (CAA) contains a business relief provision known as the Employee Retention Credit (ERC), a refundable payroll tax credit for “qualified wages” paid to retained full-time employees. Employers qualified either under a gross receipts decline test or a partial suspension of operations based on a government mandate.

The University determined it qualified for the ERC for a quarter in 2021. In fiscal year 2023, the University completed the analysis and filed the appropriate amended return to claim an ERC of approximately \$3,000,000. The University collected \$3,355,543 during fiscal year 2023, and recorded the amount in other revenue on the consolidated statement of activities.

### **Note 17. U.S. Department of Education Financial Responsibility Ratio**

The following information is required by the U.S. Department of Education for the year ended May 31, 2024:

	<b>2024</b>
Annuities with donor restrictions	\$ 67,893
Property, plant, and equipment, net of accumulated depreciation - pre-implementation	125,751,279
Property, plant, and equipment, including construction in progress, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	29,926,751
Property, plant, and equipment, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	62,608,138
Construction in progress - with outstanding debt	<u>31,269,876</u>
Total property, plant, and equipment, net	249,556,044
Long-term debt obtained for long-term purposes - pre-implementation	22,320,000
Long-term debt obtained for long-term purposes - post-implementation	139,125,000

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**Note 18. U.S. Department of Education Related Party Information**

The following information is required by the U.S. Department of Education for the year ended May 31, 2024:

University Affiliation	Name	2024 Total Giving
Board Member	Winchester, James E. Jr. (Jim)	\$ 3,000,000
Board Member	Myers, James M. (Jim)	384,433
Board Member	Mastrantoni, John L.	714,667
Board Member	Jarosz (Jarosz), Bruce D. CPA	599,886
Board Member	Deneweth, Ronald A. (Ron)	209,030
Board Member	Simon (.), Carol J. Ph.D.	274,153
Board Member	Hawk, Harold F. Jr. (Hal)	158,500
Board Member	Benacci (Cunningham), Nancy Cunningham	201,953
Board Member	Donnelly, William P. (Bill)	89,750
Board Member	Mortellaro, Brian J CPA	255,640
Board Member	Nolan, Sean P.	75,000
Board Member	Duganier, Barbara J. CPA	75,000
Board Member	Hanna, Howard III (Hoddy)	53,192
Board Member	Cavanagh, Timothy J. (Tim)	51,000
Board Member	Sansone, Daniel F. (Dan)	50,522
Board Member	Coyne, James A. (Jim)	50,500
Board Member	Skoda, Gregory J. CPA (Greg)	50,000
Board Member	Mazzella, Anthony J. (Tony)	50,000
Board Member	Moses, James J. II (Jim)	45,100
Board Member	Keresman, Michael A. III (Mike)	31,450
Board Member	Lambesis (Broeren), Jane Broeren	30,214
Board Member	Covey, Michael III	30,000
Board Member	Paravano, Jeffrey H. (Jeff)	30,000
Board Member	Kramer (O'Brien), Christine M. (Chris)	28,500
Board Member	Adams, Richard J. Jr. (Rick)	27,500
Board Member	Lyons (Pascale), Annmarie Pascale	51,325
Board Member	Gagliano, Bill Joseph	26,078
Board Member	Alexander, Victor B.	50,000
Board Member	Schmitt, Alex N.	25,000
Board Member	Meathe, James B. (Jim)	25,000
Board Member	Petras, Michael B. Jr.	25,000
Board Member	Tricarichi, Anthony CPA (Tony)	50,000
Board Member	Voinovich, Paul M.	22,500
Board Member	Luecke (Schilling), Bruce A.	40,600
Board Member	Meglin, Linda M.	14,000
Board Member	Sample, George A.	16,500
Board Member	Therrien, Jason J.	11,000
Board Member	Muresan, Gregory G.	12,875
Board Member	Gessner, Christopher A	7,500
Board Member	Perzy, Holly B. M.D.	6,500
Board Member	Miciak, Alan R Ph.D. (Al)	6,229
Board Member	Brown (O'Brien), Barbara O'Brien	6,000
Board Member	Cooper, Edward L. III (Ed)	2,500
Board Member	Bagdasarian, Ara A.	3,000
Board Member	Dempsey, John P.	1,500
Board Member	Zone, Lisa M.	1,000
Board Member	Robinson (None), Dave (Robby)	375
Board Member	Fletcher, London L.	275
Company	Vocon Design, Inc.	25,000
VP for University Advancement	Daly, Richard Ryan (Ryan)	1,155
VP for University Mission and Identity	Peck, Edward J. Ph.D. (Ed)	200
VP for Finance and Administration	Connors, Robert F (Bob)	105
Interim Academic VP	Gunzenhauser, Bonnie Ph.D.	100
VP for Student Experience and Campus Belonging	Sigg, Naomi	75
VP for Enrollment Management	Noll Sorg, Carolyn	50
		<b>\$ 6,997,430</b>

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<b>Vendor</b>	<b>Related Party</b>	<b>Position</b>	<b>Payments</b>
thunder::tech	Therrien, Jason J.	President and CEO	\$ 934,500
The MetroHealth System	Perzy, Holly B. M.D.	Internal Medicine-Pediatrics Department Chair	157,700
Vocon Partners LLC	Voinovich, Paul M.	CEO	75,299
			<u>\$ 1,167,499</u>

**Note 19. Subsequent Events**

Subsequent events have been evaluated through September 4, 2024, which is the date the consolidated financial statements were issued.