Cleveland Institute of Music

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023

Contents

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Independent Auditor's Report

Board of Trustees
Cleveland Institute of Music
Cleveland, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cleveland Institute of Music (Institute), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are required to be independent of the Cleveland Institute of Music, 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial responsibility supplemental schedule required by the U.S. Department of Education and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2024, on our consideration of Cleveland Institute of Music's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cleveland Institute of Music's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cleveland Institute of Music's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Fort Wayne, Indiana
December 31, 2024

Cleveland Institute of Music
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash, Cash Equivalents, and Restricted Cash	$ 12,008,791	$ 10,611,245
Accounts Receivable		
Student tuition, net of allowance: 2024 - $55,628; 2023 - $26,010	3,528	3,901
Pledges, net of allowance: 2024 - $36,000; 2023 - $36,000	9,525,482	4,645,657
Student notes, net of allowance: 2024 - $86,328; 2023 - $378,038	424,056	343,175
Other agencies	327,758	2,262,205
Deposits and Prepaids	186,113	237,889
Investments		
Board-designated and restricted funds	64,582,133	58,844,819
Charitable perpetual trusts	6,482,813	5,921,140
Land, Buildings and Equipment, Net	59,374,078	60,100,806
Total assets	$ 152,914,752	$ 142,970,837
Liabilities and Net Assets		
Liabilities		
Accounts payable and other liabilities	$ 2,638,977	$ 959,182
Accrued salaries and related payroll taxes	264,004	203,428
Tuition and fees paid in advance	68,895	31,712
Split-interest agreements payable	45,349	72,163
Bonds payable	41,898,014	43,466,682
U.S. Government grants refundable	168,667	335,638
Total liabilities	45,083,906	45,068,805
Net Assets		
Without donor restrictions	65,045,322	59,154,148
With donor restrictions	42,785,524	38,747,884
Total net assets	107,830,846	97,902,032
Total liabilities and net assets	$ 152,914,752	$ 142,970,837

Cleveland Institute of Music
Statement of Activities
Year Ended June 30, 2024 with Comparable Totals for June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Revenues, Gains, and Support				
Net tuition and fees	$ 7,947,324	$ -	$ 7,947,324	$ 8,079,103
Contributions	7,158,222	3,993,855	11,152,077	7,656,021
Investment return, net	8,225,599	-	8,225,599	6,305,470
Government assistance	907,809	248,617	1,156,426	2,500,247
Sales and services				
Auxiliary enterprises	2,646,372	-	2,646,372	2,574,304
Educational activities	132,735	-	132,735	78,666
Other income	79,967	-	79,967	158,558
Net assets released from restrictions	766,505	(766,505)	-	-
Total revenues, gains, and support	27,864,533	3,475,967	31,340,500	27,352,369
Expenses				
Educational and general				
Instruction	12,064,659	-	12,064,659	11,292,522
Academic support	2,640,528	-	2,640,528	2,612,140
Student services	690,809	-	690,809	720,088
Auxiliary enterprises	543,050	-	543,050	485,369
Total educational and general	15,939,046	-	15,939,046	15,110,119
Supporting activities				
Institutional support	3,314,486	-	3,314,486	4,309,142
Fundraising	2,719,827	-	2,719,827	3,110,925
Total supporting activities	6,034,313	-	6,034,313	7,420,067
Total expenses	21,973,359	-	21,973,359	22,530,186
Change in Charitable Perpetual Trust	-	561,673	561,673	310,885
Change in Net Assets	5,891,174	4,037,640	9,928,814	5,133,068
Net Assets, Beginning of Year	59,154,148	38,747,884	97,902,032	92,768,964
Net Assets, End of Year	$ 65,045,322	$ 42,785,524	$ 107,830,846	$ 97,902,032

Cleveland Institute of Music
Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Support			
Net tuition and fees	$ 8,079,103	$ -	$ 8,079,103
Contributions	1,355,551	6,300,470	7,656,021
Investment return, net	6,305,470	-	6,305,470
Government assistance	2,246,735	253,512	2,500,247
Sales and services:			
Auxiliary enterprises	2,574,304	-	2,574,304
Educational activities	78,666	-	78,666
Other income	158,558	-	158,558
Net assets released from restrictions	975,407	(975,407)	-
Total revenues, gains, and support	21,773,794	5,578,575	27,352,369
Expenses			
Educational and general			
Instruction	11,292,522	-	11,292,522
Academic support	2,612,140	-	2,612,140
Student services	720,088	-	720,088
Auxiliary enterprises	485,369	-	485,369
Total educational and general	15,110,119	-	15,110,119
Supporting activities			
Institutional support	4,309,142	-	4,309,142
Fundraising	3,110,925	-	3,110,925
Total supporting activities	7,420,067	-	7,420,067
Total expenses	22,530,186	-	22,530,186
Change in Charitable Perpetual Trust	-	310,885	310,885
Change in Net Assets	(756,392)	5,889,460	5,133,068
Net Assets, Beginning of Year	59,910,540	32,858,424	92,768,964
Net Assets, End of Year	$ 59,154,148	$ 38,747,884	$ 97,902,032

Cleveland Institute of Music
Statements of Functional Expenses
Years Ended June 30, 2024 and 2023

	Educational and General				Supporting Activities			
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Facilities Operation & Maintenance	Fundraising	Total Expenses
2024								
Salaries and wages	$ 6,039,900	$ 1,280,485	$ 375,338	$ 41,883	$ 1,186,882	$ 314,977	$ 1,318,248	$ 10,557,713
Employee benefits	889,183	233,105	41,485	68,099	315,467	44,396	211,310	1,803,045
Affiliate tuition	793,468	-	-	-	-	-	-	793,468
Professional services	253,276	106,014	5,066	1,004	509,396	74,047	139,998	1,088,801
Occupancy, utilities, and maintenance	-	-	-	-	-	1,076,043	-	1,076,043
Depreciation, amortization, and interest	-	-	-	-	-	5,134,626	-	5,134,626
Other operating expenses	491,697	248,419	68,677	82,954	255,750	110,284	261,882	1,519,663
	8,467,524	1,868,023	490,566	193,940	2,267,495	6,754,373	1,931,438	21,973,359
Facilities operation and maintenance	3,597,135	772,505	200,243	349,110	1,046,991	(6,754,373)	788,389	-
Totals	$ 12,064,659	$ 2,640,528	$ 690,809	$ 543,050	$ 3,314,486	$ -	$ 2,719,827	$ 21,973,359

	Educational and General				Supporting Activities			
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Facilities Operation & Maintenance	Fundraising	Total Expenses
2023								
Salaries and wages	$ 6,118,932	$ 1,286,888	$ 404,948	$ 14,084	$ 1,154,741	$ 322,788	$ 1,584,124	$ 10,886,505
Employee benefits	891,118	232,991	39,994	37,077	199,838	47,597	177,566	1,626,181
Affiliate tuition	750,839	-	-	-	-	-	-	750,839
Professional services	203,919	92,809	11,041	3,897	531,310	67,543	247,148	1,157,667
Occupancy, utilities, and maintenance	-	-	-	-	-	1,103,255	-	1,103,255
Depreciation, amortization, and interest	-	-	-	-	-	5,074,084	-	5,074,084
Other operating expenses	68,223	269,977	63,984	80,919	1,104,286	106,742	237,524	1,931,655
	8,033,031	1,882,665	519,967	135,977	2,990,175	6,722,009	2,246,362	22,530,186
Facilities operation and maintenance	3,259,491	729,475	200,121	349,392	1,318,967	(6,722,009)	864,563	-
Totals	$ 11,292,522	$ 2,612,140	$ 720,088	$ 485,369	$ 4,309,142	$ -	$ 3,110,925	$ 22,530,186

See Notes to Financial Statements

Cleveland Institute of Music
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Increase in net assets	$ 9,928,814	$ 5,133,068
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities		
Change in charitable perpetual trust	(561,673)	(310,885)
Net realized and unrealized gains	(5,973,464)	(5,070,819)
Depreciation and amortization	2,956,673	2,956,330
Gain on disposal of equipment	(23,408)	-
Contributions received and payments received on contributions receivable restricted to endowment funds and acquisition of capital assets	(3,045,042)	(2,106,708)
Changes in operating assets and liabilities		
Accounts receivable	(3,025,886)	(3,204,273)
Deposits and prepaids	51,776	93,701
Accounts payable and other liabilities	176,360	(161,618)
Accrued salaries and related payroll taxes	60,576	(443,288)
Tuition and fees paid in advance	37,183	(104,689)
Net cash provided by (used in) operating activities	581,909	(3,219,181)
Investing Activities		
Purchase of investments	(25,305,406)	(33,456,366)
Proceeds from sale of investments	25,591,556	37,191,946
Purchase of land, buildings, and equipment	(920,555)	(2,460,342)
Net cash (used in) provided by investing activities	(634,405)	1,275,238
Financing Activities		
Proceeds from contributions received and payments received on contributions receivable restricted to endowment funds and acquisition of capital assets	3,045,042	2,106,708
Proceeds from line of credit	-	900,000
Payments on line of credit	-	(900,000)
Principal payments on bonds payable	(1,595,000)	(1,050,000)
Net cash provided by financing activities	1,450,042	1,056,708
Net Change in Cash, Cash Equivalents, and Restricted Cash	1,397,546	(887,235)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	10,611,245	11,498,480
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 12,008,791	$ 10,611,245
Supplemental Cash Flows Information		
Land, buildings and equipment in accounts payable	$ 1,259,650	$ -

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

Nature of Operations

The mission of Cleveland Institute of Music (Institute) is to empower the world's most talented classical music students to fulfill their dreams and potential. The Institute is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Institute is subject to federal income tax on any unrelated business taxable income. The Institute files tax returns in the U.S. federal jurisdiction. The Institute's primary source of revenue and support are tuition and fees, residence fees, contributions, and investment income.

Accrual Basis

The financial statements of the Institute are prepared on the accrual basis in accordance with U.S. generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported and disclosures in the financial statements. Actual results could differ from those estimates.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some 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 restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Tuition and Auxiliary Services Revenue

Tuition revenue is recognized over the term of the semester as the Institute provides services to students. Revenue is reported at the amount of consideration which the Institute expects to be entitled in exchange for providing tuition and auxiliary services. The Institute 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. Certain aid such as loans, funds provided to students as awarded by third parties, Federal Direct Lending, Pell, and state grants is accounted for as a third-party payment and not included in the financial aid and tuition discount line on the accompanying statements of activities.

Contributions

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

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Institute 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
Unconditional gifts, with or without restriction	
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.

Contributed Services

No amounts have been reflected in the financial statements for contributed services. The Institute pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Institute. These volunteers include the members of the Board of Trustees and other committees of the Institute.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity when purchased of three months or less. Cash and cash equivalents are stated at cost, which approximates fair value and excludes amounts board designated or restricted. At times, such cash and investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2024, the Institute's cash accounts exceeded federally insured limits by approximately $9,039,000. Restricted cash includes approximately $7,991,000 and $8,578,000 at June 30, 2024 and 2023, respectively, of bond proceeds restricted primarily for renovations to Kulas Hall.

Student Tuition and Other Agencies Receivable

Student receivables are stated at the amount of consideration from students of which the Institute has an unconditional right to receive net of any anticipated losses (based on past collection experience) due to uncollectible accounts. The Institute provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The amount of the allowance is based on management's evaluation of the collectability of the receivable portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, and economic conditions.

Pledges Receivable

Pledges receivable represent unconditional promises of donors to give cash and other assets which are recognized by the Institute at net present value in the period the promise is made. Conditional promises to give are recognized when the conditions are met.

Student Notes Receivable

Student notes receivable consist primarily of loans made to students under a United States government loan program.

Bond Financing Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The Institute records these costs as direct deductions from the related debt, consistent with debt premiums. Such costs are being amortized over the term of the respective debt using the straight-line method.

Investments and Investment Return

Investments in equity securities with readily determinable market values and all investments in debt securities are measured at fair value.

Alternative investments include hedge funds and private equity funds (collectively, alternative funds) and are recorded at net asset value (NAV), as a practical expedient, to determine the fair value.

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Realized investment gains or losses are determined by comparison of the carrying value to net proceeds received on the settlement date. Unrealized gains or losses are determined by the differences between carrying value and fair value.

The Institute 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 annually to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost or fair value at the date of donation. The costs of repairs and maintenance are expensed as incurred. Depreciation is recorded using the straight-line method for buildings and equipment over their estimated useful lives of 30 years and 5 to 40 years, respectively.

Split Interest Agreements

The Institute has entered into charitable gift annuity agreements, which include provisions requiring the Institute to pay periodic fixed payments to beneficiaries during their lifetimes. The obligation is reflected as split interest agreements payable on the accompanying statements of financial position. Charitable gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Institute. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, assets without donor restrictions of the Institute will be utilized to fund future payments.

Long-Lived Asset Impairment

The Institute evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2024 and 2023.

Collections

All collections of works of art, historical treasures and similar assets are capitalized. Items added to the collections are capitalized at cost if purchased, or at estimated fair value on the acquisition date if donated. Collection items sold or removed are reported as gains or losses with or without donor restrictions depending on donor stipulations, if any, placed on the items at the time of acquisition. The Institute has a policy to use proceeds from deaccessioned items based on the original donor restriction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the educational and general activities and supporting activities categories based on time and effort.

Revision

The Board Designated endowment within Note 11, Note 12 and Note 13 has been revised for an immaterial error. Within Note 11, the revision increased undesignated net assets by $8,409,273, reduced Board Designated Endowment by $9,366,427 and increased other Board Designated restrictions by $957,154 at June 30, 2023. Within Note 12, the revision reduced previously reported Without Donor Restricted Endowment Net Assets as of June 30, 2023 and 2022 by $9,366,427 and $5,962,922, respectively. Within

Note 13 the revision reduced internal designations by $8,409,273 at June 30, 2023. This revision had no impact on change in net assets.

Note 2. Pledges Receivable and Contributions

Pledges receivable are recorded net of an allowance for uncollectible pledges of $36,000 as of June 30, 2024 and 2023, respectively. The discount rate used ranged from 4.13% to 5.40%. Pledges are restricted by donors for scholarships, and general operating support purposes, and are due as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2024			
Less than one year	$ 961,016	$ 1,750,716	$ 2,711,732
One to five years	4,036,000	2,777,750	6,813,750
	$ 4,997,016	$ 4,528,466	$ 9,525,482
2023			
Less than one year	$ 229,145	$ 1,443,483	$ 1,672,628
One to five years	-	2,973,029	2,973,029
	$ 229,145	$ 4,416,512	$ 4,645,657

Pledges receivable, net are comprised of the following categories:

	2024	2023
Annual fund and other operating	$ 8,906,517	$ 3,928,159
Endowment	618,965	717,498
	$ 9,525,482	$ 4,645,657

The composition of contributions on the accompanying statements of activities for the years ended June 30 is as follows:

	2024	2023
Annual fund and other operating	8,269,333	5,536,720
Endowment	2,882,744	2,119,301
	$ 11,152,077	$ 7,656,021

Note 3. Conditional Gifts

The Institute has received $8,983,176 and $6,708,176 of conditional promises to give upon the maturity of estates at June 30, 2024 and 2023, that are not recognized as revenue in the financial statements for the respective years.

Note 4. Investments

The composition of investments is as follows:

	2024	2023
Mutual funds		
U.S. corporate fixed income	$ 8,428,948	$ 5,637,515
U.S. common and preferred stock	26,328,250	22,028,793
International common and preferred stock	1,740,399	4,600,292
Alternative investments		
Hedge funds	2,526,580	4,232,781
Private equity and other	25,557,956	22,345,438
Charitable perpetual trusts	6,482,813	5,921,140
	$ 71,064,946	$ 64,765,959

The Institute 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 amounts reported in the accompanying statements of financial position.

Alternative investments represent investments in separate accounts, and commingled vehicles some of which employ traditional strategies (long only) in readily marketable securities (liquid equities or bonds) and others of which employ less traditional strategies (long and short equity or fixed income, event driven, macro, relative value, and arbitrage strategies) that may include the use of options, futures, and other derivative instruments.

At June 30, 2024, the Institute’s alternative investments are subject to various liquidity restrictions as follows:

	2024	2023
Available for redemption		
Quarterly	$ 2,413,569	$ 3,381,881
Annually	1,156,312	2,007,324
	3,569,881	5,389,205
Subject to distribution and lock-up provisions	24,514,655	21,189,014
Total alternative investments	$ 28,084,536	$ 26,578,219

Investments that are available for redemption may be redeemed by the Institute generally with 30- to 60-day advance notice on a quarterly or annual basis subject to the terms of the investment agreement.

Investments subject to distribution cannot be redeemed by the Institute, but rather will be distributed by the fund upon the liquidation of the underlying assets of the fund or limited partnership. Distributions are generally expected (but not guaranteed) over the next 10 years.

At June 30, 2024, the Institute is committed to invest an additional $9,931,591 in its current alternative investments.

Total investment return is comprised of the following for the years ended June 30, 2024 and 2023:

	2024	2023
Interest income and dividends	$ 2,541,045	$ 1,492,219
Net realized gains on sales of investments	1,733,359	1,942,402
Net unrealized gains on investments	4,240,105	3,128,417
Investment management fees	(288,910)	(257,568)
Investment return, net	$ 8,225,599	$ 6,305,470

Note 5. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation.

To measure fair value, a hierarchy has been established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. As such, the hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The carrying value of cash and cash equivalents, accounts receivable, deposits and prepaids, accounts payable, accrued salaries, and tuition and fees paid in advance reported in the accompanying statements of financial position represents a reasonable estimate of fair value due to their short-term nature. Student notes receivable are subject to significant restrictions with respect to interest rates and repayment terms.

Accordingly, it is not practicable to measure the fair values of these notes. Investments are recorded at their fair value. The carrying value of the bonds payable is a reasonable estimate of its fair value as the interest rate on the bonds is variable. Bonds payable would be classified as Level 2 in the fair value hierarchy.

The following tables present the financial instruments carried at fair value on a recurring basis as of June 30, respectively, in accordance with the valuation hierarchy defined above:

	2024					
	Total		Level 1	Level 2	Level 3	Investments Measured at NAV (*)
Mutual funds						
U.S. corporate fixed income	$ 8,428,948		$ 8,428,948	$ -	$ -	$ -
U.S. common and preferred stock	26,328,250		26,328,250	-	-	-
International common and preferred stock	1,740,399		1,740,399	-	-	-
Alternative investments						
Hedge funds*	2,526,580	(a)	-	-	-	2,526,580
Private equity and other*	25,557,956	(b)	-	-	-	25,557,956
Charitable perpetual trusts	6,482,813	(c)	-	-	6,482,813	-
	$ 71,064,946		$ 36,497,597	$ -	$ 6,482,813	$ 28,084,536

	2023					
	Total		Level 1	Level 2	Level 3	Investments Measured at NAV (*)
Mutual funds						
U.S. corporate fixed income	5,637,515		5,637,515	-	-	-
U.S. common and preferred stock	22,028,793		22,028,793	-	-	-
International common and preferred stock	4,600,292		4,600,292	-	-	-
Alternative investments						
Hedge funds*	4,232,781	(a)	-	-	-	4,232,781
Private equity and other*	22,345,438	(b)	-	-	-	22,345,438
Charitable perpetual trusts	5,921,140	(c)	-	-	5,921,140	-
	$ 64,765,959		$ 32,266,600	$ -	$ 5,921,140	$ 26,578,219

* In accordance with ASC 820-10, 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 presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

(a) The investment objective of this class of hedged funds is to reduce volatility and risk in the portfolio while preserving capital and delivering positive returns under all market conditions.

(b) The investment objective of this class of funds seeks long-term capital appreciation and superior risk-adjusted net returns through private equity investments.

(c) This investment represents charitable perpetual trusts held by others in which the Institute is a partial beneficiary. The investment portfolio includes domestic common stocks, corporate bonds, mutual funds, and money market funds designed to achieve high total returns through capital appreciation and dividend income.

The Institute's Investment Committee is responsible for determining the valuation policies and analyzing information provided by the investment custodians and issuers that is used to determine the fair value of investments.

The following is a description of the Institute's valuation methodologies for assets measured at fair value.

Mutual funds – valued at daily closing price as reported by the fund. Mutual funds are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. Closed-end mutual funds trade at the market price throughout the day. These mutual funds are deemed to be actively traded.

Alternative investments – valued based on inputs which reflect the Institute's own assumptions about the valuation that are significant to the fair value measurement market participants would use in pricing the asset and include the best information available. The transaction price is initially used as the best estimate of fair value. This valuation is adjusted when changes to inputs and assumptions are corroborated by evidence. The Institute has implemented a process in which the valuation of each alternative investment is supported by the collection and review of the latest available audited financial statements of the alternative investment. The Institute utilizes NAV, or its equivalent, as a practical expedient to determine fair value for alternative investments. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty, and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Charitable perpetual trusts – valued based on the Institute's beneficial interest in the investments held in the trust, which is measured at fair value. Due to the nature of the valuation inputs, the interests are classified within Level 3 of the hierarchy.

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

Transfers To and From Level 3

There were no transfers to or from Level 3 for the years ending June 30, 2024 and 2023.

Note 6. Charitable Perpetual Trusts

The Institute has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Institute; however, the Institute will never receive the assets of the trusts.

At the date the Institute receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities. A charitable perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

The estimated value of the expected future cash flows is $6,482,813 and $5,921,140, which represents the fair value of the trust assets at June 30, 2024 and 2023, respectively. The income from this trust for 2024 and 2023, was $311,832 and $310,885, respectively, and was recorded within investment return without donor restrictions on the accompanying statements of activities.

Note 7. Land, Buildings, and Equipment

The following is a summary of land, buildings, and equipment at June 30:

	2024	2023
Land and improvements	$ 1,229,386	$ 1,229,386
Buildings	76,645,706	75,915,107
Musical instruments	4,300,214	4,361,084
Library holdings	1,312,968	1,328,332
Equipment	3,665,261	3,650,782
Furniture and fixtures	2,082,668	2,082,668
Automobile	23,860	23,860
	89,260,063	88,591,219
Less accumulated depreciation	33,028,114	30,172,913
	56,231,949	58,418,306
Artwork and collections	79,478	79,478
Construction-in-progress	3,062,651	1,603,022
Land, buildings and equipment - net	$ 59,374,078	$ 60,100,806

Note 8. Bonds Payable and Line of Credit

	2024	2023
Series 2022 Bonds (A)	$ 34,370,000	$ 34,875,000
Series 2015 Bonds (B)	7,390,000	8,480,000
	41,760,000	43,355,000
Premium on Series 2022 bonds	582,377	582,377
	42,342,377	43,937,377
Less: unamortized debt issuance costs	(444,363)	(470,695)
Total bonds payable	$ 41,898,014	$ 43,466,682

(A) On June 1, 2022, the Institute issued $34,875,000 of tax-exempt State of Ohio Higher Educational Facility Variable Rate Bonds (Series 2022 Bonds). The proceeds from the Series 2022 bonds are primarily used for acquiring and improving a student residence facility and improving, furnishing and equipping Kulas Hall concert hall. The interest rate is fixed at 5.0% and increases to 5.125% on June 30, 2034 and increases to 5.375% on June 30, 2044.

Bond debt service for the Series 2022 Bonds is calculated over 30 years with annual payments due each June and December. The Institute is required to make specified deposits with the Trustee to fund principal and interest payments due and continues to be subject to certain restrictive covenants, including provisions relating to certain debt ratios and other matters. The Series 2022 Bonds are secured by the rental and investment income of the student residence facility acquired using bond proceeds as well as any and all equipment acquired with bond proceeds.

(B) On November 30, 2015, the Institute refinanced a previous bond and issued $15,540,000 of tax-exempt State of Ohio Higher Educational Facility Variable Rate Bonds (Series 2015 Bonds). The proceeds from the Series 2015 Bonds were used to refinance the Series 2010 Bonds.

The variable interest rate is equal to 65.01% of the one-month Secured Overnight Financing Rate plus 2%. In connection with the issuance of the Series 2015 Bonds, the Institute entered into a Bond Purchase Agreement under a private placement bond with FirstMerit Bank N.A. acquired by Huntington National Bank which has an initial term of 10 years, through November 2025.

Bond debt service for the Series 2015 Bonds is calculated over 15 years with semiannual payments each May and November. The Institute is required to make specified deposits with the Trustee (U.S. Bank National Association) to fund principal and interest payments due and continues to be subject to certain restrictive covenants, including provisions relating to certain debt ratios and other matters. From July 1, 2022 to June 30, 2023, the Institute's variable interest rate ranged from 2.42% to 4.66% for the Series 2015 Bonds. From July 1, 2023 to June 30, 2024, the Institute's variable interest rate ranged from 4.66% to 5.47% for the Series 2015 Bonds.

Aggregate annual maturities and sinking fund requirements of bonds payable at June 30, 2024, are:

2025	$ 1,660,000
2026	1,730,000
2027	1,795,000
2028	1,865,000
2029	1,935,000
Thereafter	32,775,000
	$ 41,760,000

The Institute also has a $1,000,000 demand line of credit that expires in October 2025, with interest varying with the lesser of the bank's prime rate, one-month SOFR plus 1.75%, or overnight SOFR plus 1.75%. There were no amounts borrowed against this line at June 30, 2024 and 2023.

The Institute did not capitalize interest in 2024 and 2023. Interest paid was $2,203,139 and $2,139,189 in 2024 and 2023, respectively.

Note 9. Operating Leases

In collaboration with the Institute, NewBrook Partners built a student housing facility located at 1609 Hazel on the Institute's campus. In December 2018, the Institute entered into a Lease Agreement and a Ground Lease with 1609 Hazel LLC which is owned by NewBrook Partners, a public private partnership. The facility began operations in fall of 2021. In June of 2022, the Institute bought the student housing facility and both the Lease Agreement and Ground Lease were terminated.

Rent expense was $136,990 and $188,159 for 2024 and 2023, respectively.

The Institute acts as lessor for certain dorm space on campus. The agreement expires on June 30, 2027, and lease income recognized from the agreement is $1,250,000 per year.

Note 10. Retirement Plan

The Institute sponsors a defined contribution plan through Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), a national organization used to fund retirement benefits for educational institutions. This plan is available to all eligible employees who, at their discretion, may invest a percentage of their base salary within annual IRS contribution limits with TIAA/CREF. The Institute matches the employee contribution on a two-for-one basis up to 8% of base salary. The Institute contributed $400,068 and $339,462 in 2024 and 2023, respectively, which is recorded as an expense in the accompanying statements of activities. Effective September 1, 2024, the matching contributions were suspended.

Note 11. Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes:

	2024	2023
Subject to expenditure for specified purpose		
Scholarship support	$ 145,771	$ 186,652
Institutional support	138,142	252,980
Special projects	3,262,415	3,495,883
Captial projects	1,067,410	85,000
	4,613,738	4,020,515
Endowments subject to spending policy and appropriation		
Scholarship support	19,193,300	16,335,281
Institutional support	8,391,131	8,366,906
Instructional support	496,055	495,555
Faculty support	3,608,487	3,608,487
	31,688,973	28,806,229
Charitable perpetual trusts	6,482,813	5,921,140
	38,171,786	34,727,369
	$ 42,785,524	$ 38,747,884

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 have been designated for the following purposes:

	2024	2023
Undesignated	$ 30,146,525	$ 31,158,589
Designated by the board		
Endowment	26,586,721	19,064,242
Debt retirement	5,910,875	7,974,163
Other	2,401,201	957,154
	34,898,797	27,995,559
	$ 65,045,322	$ 59,154,148

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors or by the change of restriction specified by the donors:

	2024	2023
Scholarship support	$ 63,652	$ 154,557
Institutional support	119,480	114,440
Special projects	583,373	706,410
	$ 766,505	$ 975,407

Note 12. Endowment

The Institute's endowment consists of 245 individual donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

Interpretation of Relevant Law

Effective June 1, 2009, Ohio's version of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) became law. The Institute's Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as net assets with donor restrictions (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions have been appropriated for expenditure by the Institute in a manner consistent with the standard for expenditure prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the donor-restricted endowment fund

3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Institute
7. The investment policies of the Institute

Return Objectives and Risk Parameters

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that equal or exceed a broad mix of financial market indices. The Institute expects its endowment funds, over time, to provide an average rate of return of 5% above the rate of inflation as defined by the Consumer Price Index annually. Actual returns in any given year may vary from this amount.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Distributions from endowments are based on a spending policy set by the Institute's Board of Trustees. Under this spending policy, appropriated income is calculated at 5.10% for 2024 and 5.20% for 2023, of the average market value of endowment investments for the preceding thirteen quarters. In establishing this policy, the Institute considered the long-term expected return on its endowment. This is consistent with the Institute's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Since 2013, the Finance Committee of the Board of Trustees has appropriated 100% of the investment earnings and these earnings are recorded as net assets without donor restriction.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute 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 composition of net assets by type of endowment fund at June 30 was:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	$ -	$ 31,688,973	$ 31,688,973
Charitable perpetual trusts	-	6,482,813	6,482,813
Board-designated	26,586,721	-	26,586,721
Total endowment	$ 26,586,721	$ 38,171,786	$ 64,758,507

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted	$ -	$ 28,806,229	$ 28,806,229
Charitable perpetual trusts	-	5,921,140	5,921,140
Board-designated	19,064,242	-	19,064,242
Total endowment	$ 19,064,242	$ 34,727,369	$ 53,791,611

Changes in endowment net assets for the years ended June 30, 2024 and 2023, were:

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, June 30, 2022	$ 18,122,191	$ 31,554,313	$ 49,676,504
Investment income	2,645,925	-	2,645,925
Net appreciation	4,537,085	-	4,537,085
Change in charitable perpetual trust	-	310,885	310,885
Contributions	8,230	2,119,301	2,127,531
Release of board designation	(3,403,505)	-	(3,403,505)
Appropriation of endowment assets for expenditure	(2,574,303)	-	(2,574,303)
Transfers	(271,381)	742,870	471,489
Endowment net assets, June 30, 2023	19,064,242	34,727,369	53,791,611
Investment income	3,065,165	-	3,065,165
Net appreciation	10,238,211	-	10,238,211
Change in charitable perpetual trust	-	561,673	561,673
Contributions	88,000	2,882,744	2,970,744
Release of board designation	(3,238,648)	-	(3,238,648)
Appropriation of endowment assets for expenditure	(2,630,249)	-	(2,630,249)
Endowment net assets, June 30, 2024	$ 26,586,721	$ 38,171,786	$ 64,758,507

Note 13. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024 and 2023, comprise the following:

	2024	2023
Total financial assets	$ 93,540,674	$ 82,870,031
Unavailable for general expenditure within one year	(8,415,315)	(8,920,754)
Donor-imposed restrictions		
Accounts receivable subject to donor or time restrictions	(61,750)	(445,000)
Pledges receivable subject to donor or time restrictions	(8,564,466)	(2,973,029)
Charitable perpetual trusts held by others	(6,482,813)	(5,921,140)
Perpetual endowments	(31,688,973)	(27,719,143)
Net financial assets after donor-imposed restrictions	38,327,357	36,890,965
Internal designations		
Investments in board-designated endowments and accumulated earnings subject to appropriation beyond one year	(23,806,063)	(17,991,328)
Board-designated reserves for debt retirement	(5,910,875)	(7,974,163)
Other board-designated investments, beyond one year	(567,201)	(957,154)
Financial assets available to meet cash needs for general expenditures within one year	$ 8,043,218	$ 9,968,320

The Institute'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 is subject to an annual spending rate of 5.10% in 2024 and 5.20% in 2023 as described in Note 12. Although the Institute 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 - $2,780,658 for 2025), these amounts, as well as other board-designated investments, could be made available by the board, if necessary. To help manage unanticipated liquidity needs, the Institute also has a committed line of credit in the amount of $1,000,000, which it could draw upon.

The Institute 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 Institute evaluates its future cash flows and monitors its liquidity and reserves regularly.

Note 14. Significant Estimates and Concentrations

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

Contributions

Approximately 63% and 47% of all contributions were received from two and two donors in 2024 and 2023, respectively.

General Litigation

The Institute 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 Institute. Events could occur that would change this estimate materially in the near term.

Note 15. Coronavirus Funding

Employee Retention Credit

The *Coronavirus Aid, Relief, and Economic Security* (CARES) Act and 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 Institute determined it qualified for the credit in the fourth quarter of calendar 2020 and the first three quarters of calendar 2021. At June 30, 2023, the Institute had recorded revenue of $2,104,562 for the ERC. This revenue is reported within government assistance revenue on the statement of activities. There was no revenue recorded under this program as of June 30, 2024.

Note 16. Other Contributed Items

Contributed items were utilized in the following programs:

Contributed Items	Programs
Other items	Instruction

The following basis was used for valuing contributed items:

Contributed Items	Valuation Basis
Other items	The Institute estimated the fair value based on the values that would be received for selling similar items

Note 17. Revenue From Contracts With Students

Tuition and Residential Services Revenue

Revenue from contracts with students for tuition and residential services is reported at the amount that reflects the consideration to which the Institute expects to be entitled in exchange for providing instruction and housing and other services. These amounts are due from students, third-party payers, and others and are net of scholarships and institutional aid of $9,696,124 and $8,767,883 for the years ended June 30, 2024 and 2023, respectively.

Revenue is recognized as performance obligations are satisfied, which is primarily ratably over the academic term. Generally, the Institute bills students prior to the beginning of the semester and student accounts receivable are due in full before classes begin unless the student has entered into a payment plan.

If a student withdraws during the academic term, the student is refunded based on a defined refund schedule and how much of the semester has been completed. No refunds are awarded after the seventh week of the semester. At year-end, there is no refund liability as the academic term is substantially complete.

Transaction Price and Recognition

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

From time to time the Institute 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 June 30, 2024 and 2023, the Institute has a liability for refunds or deposits from students recorded of $115,275 and $153,400, respectively, which is included within accounts payable and other liabilities on the statements of financial position.

The Institute 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 Institute 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 Institute expects to recognize approximately $69,000 of tuition revenue in fiscal 2024 when the summer 2023 academic term is completed.

Disaggregation of Revenue

The composition of net student fees revenue by segment for the years ended June 30, 2024 and 2023, is as follows:

	2024	2023
Net tuition and fees	$ 7,947,324	$ 8,079,103
Housing	2,603,886	2,526,993
Other	255,188	284,535
	$ 10,806,398	$ 10,890,631

The composition of revenue based on timing of revenue recognition for the years ended June 30, 2024 and 2023, are as follows:

	2024	2023
Services transferred over time	$ 10,551,210	$ 10,606,096
Sales at a point in time	255,188	284,535
	$ 10,806,398	$ 10,890,631

Contract Balances

The following table provides information about the Institute's receivables:

	2024	2023
Accounts receivable, beginning of the year	$ 2,266,106	$ 1,032,136
Accounts receivable, end of the year	331,286	2,266,106

Significant changes in contract liabilities during the year ended June 30, 2024 and 2023, are as follows:

	2024	2023
Balance, beginning of the year	$ 31,712	$ 136,401
Effects of:		
Revenue recognized that was included in the contract liability balance at the beginning of the period	(31,712)	(136,401)
Increases due to cash received, excluding amounts recognized as revenue during the period	68,895	31,712
Balance, end of year	$ 68,895	$ 31,712

Note 18. U.S. Department of Education Financial Responsibility Ratio Information

The following information is required by the U.S. Department of Education for the year ended June 30, 2024:

	2024
Property, plant, and equipment, net of accumulated depreciation – pre-implementation	$ 17,659,844
Property, plant, and equipment, net of accumulated depreciation – post-implementation with outstanding debt for original purchase	34,881,667
Property, plant, and equipment, net of accumulated depreciation – post-implementation without outstanding debt for original purchase	3,769,916
Construction in progress	3,062,651
Unsecured related party pledges receivables	5,755,292

Note 19. Related Party Transactions

The institute maintains a policy requiring trustees to abstain from voting on matters regarding business operations where potential conflicts of interest exist. Management believes related party transactions are immaterial to the financial statements.

Note 20. Subsequent Events

The Institute has evaluated and disclosed any subsequent events through December 31, 2024, which is the date the financial statements were issued.

Supplementary Information

Cleveland Institute of Music
Financial Responsibility Supplemental Schedule
Required by the U.S. Department of Education
Year Ended June 30, 2024

Ratio Element	Reference to Financial Statements and/or Notes	2024
Primary Reserve Ratio		
Expendable Net Assets		
Net assets without donor restrictions	Statement of Financial Position	$ 65,045,322
Net assets with donor restrictions	Statement of Financial Position	42,785,524
Net assets with donor restrictions - restricted in perpetuity	Note 11	38,171,786
Annuities with donor restrictions	Not applicable to the Institute	-
Term endowments with donor restrictions	Not applicable to the Institute	-
Life income funds with donor restrictions	Not applicable to the Institute	-
Total annuities, term endowments, and life income funds with donor restrictions		$ -
Unsecured related party receivables	Note 18	$ 5,755,292
Intangible assets	Not applicable to the Institute	$ -
Post-employment and defined benefit pension plan liabilities	Not applicable to the Institute	-
Property, plant, and equipment, net of accumulated depreciation - pre-implementation	Note 18	$ 17,659,844
Property, plant, and equipment, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	Note 18	34,881,667
Property, plant, and equipment, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	Note 18	3,769,916
Construction in progress	Note 18	3,062,651
Total property, plant, and equipment, net	Statement of Financial Position	$ 59,374,078
Long-term debt obtained for long-term purposes - pre-implementation	Note 8	$ 7,390,000
Long-term debt obtained for long-term purposes - post-implementation	Note 8	34,370,000
Total Expenses and Losses		
Total expenses without donor restrictions	Statement of Activities	$ 21,973,359
Loss on interest rate swap	Not applicable to the Institute	-
Equity Ratio		
Modified Net Assets		
Net assets without donor restrictions	Statement of Financial Position	$ 65,045,322
Net assets with donor restrictions	Statement of Financial Position	42,785,524
Intangible assets	Not applicable to the Institute	-
Unsecured related party receivables	Note 18	$ 5,755,292
Secured related party receivables	Not applicable to the Institute	-
Modified Assets		
Total assets	Statement of Financial Position	$ 152,914,752
Intangible assets	Not applicable to the Institute	-
Unsecured related party receivables	Note 18	$ 5,755,292
Secured related party receivables	Not applicable to the Institute	-
Net Income Ratio		
Change in net assets without donor restrictions	Statement of Activities	$ 5,891,174
Total revenue and gains without donor restrictions	Statement of Activities	27,864,533

Cleveland Institute of Music
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Total Federal Expenditures
U.S. Department of Education		
Student Financial Assistance Cluster		
Federal Pell Grant Program	84.063	$ 127,355
Federal Supplemental Educational Opportunity Grants	84.007	20,325
Federal Perkins Loan Program	84.038	541,228
Federal Work-Study Program	84.033	80,017
Federal Direct Student Loans	84.268	1,459,496
Total Student Financial Assistance Cluster		2,228,421
Total Federal Expenditures		$ 2,228,421

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Cleveland Institute of Music under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Cleveland Institute of Music, it is not intended to and does not present the financial position, changes in net assets or cash flows of Cleveland Institute of Music.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Institute has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

3. The federal loan program listed subsequently is administered directly by the Institute and balances and transactions relating to this program is included in the Institute's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2024 consists of:

Program Name	Federal Assistance Listing Number	Outstanding Balance at June 30, 2024
Federal Perkins Loan Program	84.038	$ 378,798

4. The Institute provided no federal awards to subrecipients.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Cleveland Institute of Music
Cleveland, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Cleveland Institute of Music (Institute), which comprise the Institute's statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 31, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Institute's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Institute's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

Fort Wayne, Indiana
December 31, 2024

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Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
Cleveland Institute of Music
Cleveland, Ohio

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Cleveland Institute of Music's (Institute) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Institute's major federal program for the year ended June 30, 2024. The Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Cleveland Institute of Music complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Institute's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Institute's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Institute's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Institute's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Forvis Mazars, LLP

Fort Wayne, Indiana
December 31, 2024

Cleveland Institute of Music
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

   Material weakness(es) identified? ☐ Yes ☒ No

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal awards programs:

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

   Material weakness(es) identified? ☐ Yes ☒ No

5. Type of auditor's report issued on compliance for major federal program(s):
   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.038, 84.033, 84.268	Student Financial Assistance Cluster

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

9. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Cleveland Institute of Music
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024

Reference Number	Summary of Finding	Status
	No matters are reportable.	