

**OHIO WESLEYAN UNIVERSITY
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2025 and 2024



OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

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Independent Auditors' Report

Board of Trustees
Ohio Wesleyan University
Delaware, Ohio

Opinion

We have audited the consolidated financial statements of Ohio Wesleyan University and subsidiaries (a nonprofit University), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, 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, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ohio Wesleyan University and subsidiaries as of June 30, 2025 and 2024, and the changes in its 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 Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Ohio Wesleyan University and subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 Ohio Wesleyan University and subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but it 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 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.

We did not audit the June 30, 2025 and 2024 financial statements of OWU Fund, LP, described in Note 1.A. OWU Fund, LP represents 42% and 44% of consolidated total assets as of June 30, 2025 and 2024, respectively, and 70% and 74% of consolidated investments as of June 30, 2025 and 2024, respectively. This entity was audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for this entity, is based solely on the reports of the other auditors.

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 Ohio Wesleyan University and subsidiaries' 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 Ohio Wesleyan University and subsidiaries' 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Meloney + Novotny LLC

Cleveland, Ohio
December 2, 2025

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 3,234,786	\$ 3,392,960
Accounts receivable:		
Students, net of allowance of \$1,396,527 and \$1,000,000 for 2025 and 2024, respectively	976,408	1,012,615
Grants	2,236,985	2,132,450
Other	<u>818,897</u>	<u>556,597</u>
Total accounts receivable	4,032,290	3,701,662
 Pledges receivable, net	 31,945,467	 6,879,661
Student loans receivable, net of allowance of \$300,000 for 2025 and 2024	1,665,985	1,883,124
Inventories and prepaid expenses	1,091,988	968,070
Pension assets	185,694	60,409
Investments	332,392,718	310,403,841
Interests in trusts	1,966,285	1,936,659
Land, buildings and equipment, net	169,712,077	173,648,188
Construction in progress	4,151,518	4,203,587
Right-of-use assets - financing	<u>393,988</u>	<u>590,982</u>
 Total assets	 <u>\$550,772,796</u>	 <u>\$507,669,143</u>

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

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 2,045,971	\$ 1,018,026
Accrued compensation	4,693,614	4,776,760
Deferred income and deposits	2,013,274	3,122,298
Other accrued liabilities	3,956,358	3,951,646
Financing lease liability	388,725	581,781
Line of credit	7,211,893	7,681,094
Bonds and notes payable, net	54,718,476	56,364,097
Postretirement benefits other than pensions	2,507,582	3,391,383
Annuities and unitrusts payable	1,125,167	1,572,216
Advances from federal government for student loans	<u>779,206</u>	<u>1,011,257</u>
Total liabilities	79,440,266	83,470,558
Net assets:		
Without donor restrictions	82,714,652	82,286,202
With donor restrictions	<u>388,617,878</u>	<u>341,912,383</u>
Total net assets	471,332,530	424,198,585
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$550,772,796</u>	<u>\$507,669,143</u>

The accompanying notes are an integral part of these financial statements

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other support:			
Tuition and fees	\$ 81,460,916		\$ 81,460,916
Less: University financial aid	(50,329,662)		(50,329,662)
Financial aid from outside sources	(10,337,306)		(10,337,306)
Net tuition and fees	20,793,948		20,793,948
Gifts, pledges and bequests	5,877,932	\$ 49,536,398	55,414,330
Other investment income	49,434		49,434
Investment return designated for current operations	475,793	16,427,811	16,903,604
Grants	605,996	1,643,406	2,249,402
Other income	1,657,922	139,072	1,796,994
Sales and services of auxiliary enterprises	18,925,287		18,925,287
Net assets released from restrictions	35,975,072	(35,975,072)	-
Total operating revenue, gains and other support	84,361,384	31,771,615	116,132,999
Operating expenses:			
Educational:			
Instruction	23,840,072		23,840,072
Student services	18,359,987		18,359,987
Academic support, including library	7,345,422		7,345,422
Auxiliary enterprises	17,347,170		17,347,170
Public services	267,385		267,385
Research	636,355		636,355
	67,796,391		67,796,391
Management and general	11,324,887		11,324,887
Fundraising	3,637,870		3,637,870
Total operating expenses	82,759,148		82,759,148
Net increase in net assets from operations	1,602,236	31,771,615	33,373,851
Nonoperating revenues and expenses:			
Gains on investments in excess of amount designated for current operations	349,787	14,723,778	15,073,565
Postretirement obligation adjustment	872,497		872,497
Pension-related charges other than net periodic pension cost	125,285		125,285
Loss on disposal of land, buildings and equipment	(2,696,244)		(2,696,244)
Actuarial adjustment of split-interest agreements		210,102	210,102
Change in net assets	253,561	46,705,495	46,959,056
Net assets, beginning of year	82,286,202	341,912,383	424,198,585
Capital contribution for non-controlling interest	174,889		174,889
Net assets, end of year	\$ 82,714,652	\$388,617,878	\$471,332,530

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

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other support:			
Tuition and fees	\$ 75,420,121		\$ 75,420,121
Less: University financial aid	(46,377,765)		(46,377,765)
Financial aid from outside sources	(9,666,179)		(9,666,179)
Net tuition and fees	19,376,177		19,376,177
Gifts, pledges and bequests	5,010,361	\$ 12,671,777	17,682,138
Other investment income	55,175		55,175
Investment return designated for current operations	1,904,203	15,503,881	17,408,084
Grants	1,596,961	1,166,652	2,763,613
Other income	1,378,478	131,775	1,510,253
Sales and services of auxiliary enterprises	17,491,792		17,491,792
Net assets released from restrictions	21,044,891	(21,044,891)	-
Total operating revenue, gains and other support	67,858,038	8,429,194	76,287,232
Operating expenses:			
Educational:			
Instruction	22,198,441		22,198,441
Student services	17,503,759		17,503,759
Academic support, including library	6,845,733		6,845,733
Auxiliary enterprises	17,006,859		17,006,859
Public services	466,118		466,118
Research	512,287		512,287
	64,533,197		64,533,197
Management and general	9,568,936		9,568,936
Fundraising	3,745,804		3,745,804
Total operating expenses	77,847,937		77,847,937
Net (decrease) increase in net assets from operations	(9,989,899)	8,429,194	(1,560,705)
Nonoperating revenues and expenses:			
Gains on investments in excess of amount designated for current operations	4,905,789	5,106,172	10,011,961
Postretirement obligation adjustment	2,566,409		2,566,409
Separation from the University	(649,283)		(649,283)
Pension-related charges other than net periodic pension cost	200,278		200,278
Actuarial adjustment of split-interest agreements	166,773	1,595,340	1,762,113
Change in net assets	(2,799,933)	15,130,706	12,330,773
Net assets, beginning of year	84,860,246	326,781,677	411,641,923
Capital contribution for non-controlling interest	225,889		225,889
Net assets, end of year	\$ 82,286,202	\$341,912,383	\$424,198,585

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

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2025 and 2024

	2025			
	Educational	Management and General	Fundraising	Total
OPERATING EXPENSES				
Salaries	\$22,674,312	\$ 2,956,613	\$ 2,005,337	\$27,636,262
Employee benefits	9,465,695	1,258,293	909,768	11,633,756
Operating expenses	18,219,977	4,563,267	625,150	23,408,394
Facilities and maintenance	7,031,499	2,172,592	56,499	9,260,590
Depreciation	8,928,757	88,983	41,116	9,058,856
Interest	1,476,151	285,139		1,761,290
Total expenses	<u>\$67,796,391</u>	<u>\$11,324,887</u>	<u>\$ 3,637,870</u>	<u>\$82,759,148</u>
	2024			
	Educational	Management and General	Fundraising	Total
OPERATING EXPENSES				
Salaries	\$21,391,112	\$ 3,076,918	\$ 2,053,141	\$26,521,171
Employee benefits	8,598,433	1,170,595	901,653	10,670,681
Operating expenses	17,392,095	4,295,198	703,727	22,391,020
Facilities and maintenance	6,587,244	698,183	55,888	7,341,315
Depreciation	8,883,216	143,746	31,395	9,058,357
Interest	1,681,097	184,296		1,865,393
Total operating expenses	64,533,197	9,568,936	3,745,804	77,847,937
Separation from the University	<u>649,283</u>			<u>649,283</u>
Total expenses	<u>\$65,182,480</u>	<u>\$ 9,568,936</u>	<u>\$ 3,745,804</u>	<u>\$78,497,220</u>

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

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 46,959,056	\$ 12,330,773
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	9,058,856	9,058,357
Amortization of bond premium	(346,775)	(360,556)
Amortization of bond issuance costs	22,692	23,086
Loss on disposal of assets	2,696,244	183,837
Realized and unrealized gains on investments	(29,816,566)	(26,166,454)
Contributions, net of pledges, for permanently restricted purposes	(6,960,981)	(10,437,211)
Income restricted for long-term investment	(2,094,278)	(1,618,245)
Changes in operating assets and liabilities:		
Accounts receivable	(330,628)	196,670
Pledges receivable	(25,065,806)	(357,639)
Student loans receivable	217,139	181,613
Inventories and prepaid expenses	(123,918)	76,325
Pension assets	(125,285)	(60,409)
Interests in trusts	(29,626)	(144,644)
Accounts payable	1,027,945	(461,178)
Accrued compensation	(83,146)	1,113,019
Deferred income and deposits	(1,109,024)	(407,519)
Other accrued liabilities	4,712	722,375
Postretirement benefits other than pensions	(883,801)	(2,650,430)
Accrued pension liability	-	(139,869)
Annuities and unitrusts payable	(447,049)	(9,202)
Advances from federal government for student loans	(232,051)	(287,593)
Net cash used in operating activities	<u>(7,662,290)</u>	<u>(19,214,894)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, buildings and equipment	(7,569,926)	(5,992,375)
Purchases of securities	(9,482,524)	(5,978,739)
Sales of securities	17,310,213	11,305,615
Net cash provided (used) in investing activities	<u>257,763</u>	<u>(665,499)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bonds and notes payable	(1,321,538)	(1,260,712)
Net proceeds from bond payable	-	6,159,580
Net (payments) proceeds from line of credit	(469,201)	3,391,246
Payment on financing lease liability	(193,056)	(184,508)
Capital contribution for non-controlling interest	174,889	225,889
Contributions, net of pledges, for permanently restricted purposes	6,960,981	10,437,211
Income restricted for long-term investment	2,094,278	1,618,245
Net cash provided by financing activities	<u>7,246,353</u>	<u>20,386,951</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(158,174)</u>	<u>506,558</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,392,960</u>	<u>2,886,402</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,234,786</u>	<u>\$ 3,392,960</u>
Supplemental disclosure of cash flow information:		
Interest - net of capitalized interest of \$337,237 and \$-0- as of June 30, 2025 and 2024, respectively	<u>\$ 1,761,290</u>	<u>\$ 1,527,923</u>

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

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

- A. Organization – Ohio Wesleyan University and subsidiaries (collectively referred to as the University) is an independent, liberal arts institution of higher education offering various bachelor degree academic programs. The University derives its income from student tuition, gifts and grants, investment income, operation of residence halls and various related activities. The accounting policies of the University reflect practices common to colleges and universities and conform to accounting principles generally accepted in the United States of America for such institutions.

OWU Fund, LP (the Partnership or the OWU Fund) is a limited partnership which commenced operations January 1, 2012, in which the University is the sole limited partner and is intended to serve as a single investor fund for the administrative convenience of the investor. The Partnership acts as an investment vehicle for a significant portion of the University's endowment. The OWU Fund was audited by other auditors as of and for the years ended June 30, 2025 and 2024.

19 Williams Manager, LLC (Manager) is a wholly-owned, single member subsidiary of the University incorporated for the purpose of investing in 19 Williams Drive, LLC (19 Williams) in connection with the historic rehabilitation of certain real property and improvements known as the Phi Delta Theta House located at 19 Williams. Manager has been designated as the managing member of 19 Williams and holds a 1% ownership interest. 19 Williams Drive Investor, LLC (Investor) was incorporated to invest in 19 Williams and holds a 99% ownership interest.

19 Williams was incorporated to lease the Phi Delta Theta House from the University pursuant to the terms of the master lease agreement dated April 5, 2022, and to rehabilitate the property to qualify for certain Federal and Ohio Historic Tax credits to ensure the preservation and protection of a historic building certified by the National Park Service. An occupancy permit was issued for 19 Williams in May 2022. Substantial rehabilitation of the redeveloped real property was completed by August 30, 2022, and students began residing at 19 Williams in the semester of fall 2022.

- B. Basis of Consolidation – These consolidated financial statements include the accounts of the University, OWU Fund, Manager, 19 Williams and Investor. All significant intercompany activity was eliminated in consolidation.
- C. Basis of Presentation – The consolidated financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Assets and liabilities presented in the consolidated statements of financial position are recorded in order of liquidity or nearness to conversion to cash. The University has reported information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions based upon the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Net assets whose use by the University is subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates resources be maintained in perpetuity by the University. Generally, donors of these assets permit the University to use all or part of the income earned on these assets. Such assets primarily include the University's permanent endowment funds.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expiration of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another is reported as reclassifications between the applicable classes of net assets.

The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at the time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as net assets without donor restrictions. Contributions of cash or other assets that the donor stipulates are to be used to acquire land, building and equipment are reported as net assets with donor restrictions. The restrictions are considered to be released when acquired long-lived assets are placed in service.

The University has evaluated all subsequent events through December 2, 2025, which is the date the consolidated financial statements were available to be issued.

- D. Use of Estimates – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- E. Concentrations of Credit Risk – Financial instruments which potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents, investments and student accounts and notes receivable. The University places its temporary cash investments with various financial institutions. Concentration of credit risk for investments is limited by the University's policy of asset allocation among different investment types. Concentration of credit risk for student accounts and notes receivable is limited due to the large base of accounts and geographic diversification.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

- F. Cash and Cash Equivalents – Cash and cash equivalents include amounts on deposit with various financial institutions, including interest-bearing demand deposit accounts, which, at times, may exceed federally insured amounts. Cash equivalents also include all U.S. Government obligations, commercial paper and corporate notes with original maturities of three months or less, except those held for long-term investment, which are classified with investments.
- G. Student Accounts Receivable – Student accounts receivable primarily consist of tuition, room and board and fee charges to students and are carried at face value, less an allowance for credit losses. Management estimates the allowance based on its review of delinquent accounts, an assessment of the University's historical collection results as well as current and future business and economic conditions.

Changes in the allowance for credit losses on students accounts receivable for the years ended June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$1,000,000	\$1,305,467
Provision	400,000	75,000
Write-offs, net recoveries	<u>(3,473)</u>	<u>(380,467)</u>
Ending balance	<u>\$1,396,527</u>	<u>\$1,000,000</u>

- H. Student Loans Receivable – Student loans receivable primarily include amounts due under federally funded loan programs, less an allowance for credit losses. Management estimates the allowance based on its review of delinquent accounts, an assessment of the University's historical collection results as well as current and future business and economic conditions.

Changes in the allowance for credit losses on student loans receivable for the years ended June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 300,000	\$ 550,000
Provision	-	-
Write-offs, net recoveries	<u>-</u>	<u>(250,000)</u>
Ending balance	<u>\$ 300,000</u>	<u>\$ 300,000</u>

The University participates with the U.S. Department of Education in the Federal Perkins Loan Program for the purpose of granting low interest loans (5% at June 30, 2025 and 2024) to students demonstrating financial need. After a student's graduation or withdrawal, Perkins loans are to be repaid over a maximum of ten years. Under federal law, the authority for schools to make new Perkins Loans ended on September 30, 2017, and final disbursements were permitted through June 30, 2018.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

H. Student Loans Receivable (Continued)

Perkins funds are ultimately refundable to the U.S. Government to the extent funds are available from the program. Consequently, these funds are shown as a liability in the consolidated statements of financial position. The interest rates charged on substantially all Federal Perkins loans receivable are fixed by the U.S. Department of Education. The interest rates charged on University loans receivable are fixed by the University and do not fluctuate with market conditions.

I. Inventories – The carrying value of inventories approximates cost, under the first-in, first-out method, not in excess of net realizable value.

J. Fair Value of Financial Instruments – The University has disclosed fair value information about financial instruments for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using discounted cash flows or other evaluation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

Due to their short-term nature, the carrying values of cash and cash equivalents, receivables, accounts payable and other accrued expenses reported in the accompanying consolidated statements of financial position approximate their fair value. The carrying value of the University's long-term debt is based on the University's current incremental borrowing rates for similar types of borrowing arrangements, which approximate fair value.

The carrying value of the University's investments approximates their fair value in accordance with the Fair Value Measurements standards, as defined by accounting principles generally accepted in the United States of America. These standards establish a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements:

Level 1 – Quoted market prices in active markets for identical assets and liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs in which little or no market data exists.

The asset's or liability's fair value measurement level is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the methodologies used from 2024 to 2025.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)**J. Fair Value of Financial Instruments (Continued)**

The following tables set forth by level the University's assets and liabilities that are accounted for at a fair value on a recurring basis as of June 30, 2025 and 2024:

	2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments				
Fixed income	\$ 1,600,825	\$ -	\$ -	\$ 1,600,825
Other	710,487	-	11,097	721,584
Common stocks	8,334,439	-	-	8,334,439
Exchange-traded funds				
Global equity	21,868,015	-	-	21,868,015
Real assets	10,164,793	-	-	10,164,793
U.S. equity	60,905,880	-	-	60,905,880
Fixed income	3,083,632	-	-	3,083,632
Mutual funds				
Global equity	6,771,289	-	-	6,771,289
U.S. equity	4,890,038	-	-	4,890,038
Fixed income	16,519,499	-	-	16,519,499
Money market mutual funds	4,482,385	-	-	4,482,385
Cash and cash equivalents	1,149,226	-	-	1,149,226
Total investments in the fair value hierarchy	<u>\$ 140,480,508</u>	<u>\$ -</u>	<u>\$ 11,097</u>	140,491,605
Investments measured at NAV ¹				<u>191,901,113</u>
Total investments				<u>\$332,392,718</u>
Interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,966,285</u>	<u>\$ 1,966,285</u>

¹ Restrictions on redemption:

Monthly redemption, 60-day notice \$5.2M

Monthly redemptions, 30-day notice \$18.6M

Makena investment subject to one year notice on eligible amounts \$92.0M

Remaining investments do not have restrictions more than 30 days on their redemption.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)**J. Fair Value of Financial Instruments (Continued)**

	2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments				
Fixed income	\$ 1,437,922	\$ -	\$ -	\$ 1,437,922
Other	667,630	-	11,097	678,727
Common stocks	11,355,151	-	-	11,355,151
Exchange-traded funds				
Global equity	21,210,208	-	-	21,210,208
Real assets	9,771,484	-	-	9,771,484
U.S. equity	33,419,187	-	-	33,419,187
Fixed income	8,533,521	-	-	8,533,521
Mutual funds				
Global equity	17,096,566	-	-	17,096,566
U.S. equity	8,656,762	-	-	8,656,762
Fixed income	11,449,820	-	-	11,449,820
Money market mutual funds	1,779,125	-	-	1,779,125
Cash and cash equivalents	4,904,588	-	-	4,904,588
Total investments in the fair value hierarchy	<u>\$ 130,281,964</u>	<u>\$ -</u>	<u>\$ 11,097</u>	130,293,061
Investments measured at NAV ²				<u>180,110,780</u>
Total investments				<u>\$ 310,403,841</u>
Interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,936,659</u>	<u>\$ 1,936,659</u>

² Restrictions on redemption:

Quarterly redemption, 60-day notice	\$3.7M
Quarterly redemption, 45-day notice	\$2.1M
Quarterly redemption, 30-day notice	\$2.4M
Monthly redemption, 60-day notice	\$5.7M
Monthly redemptions, 30-day notice	\$11.4M
Daily redemptions, 30-day notice	\$4.2M
Makena investment subject to one year notice on eligible amounts	\$88.9M
Remaining investments do not have restrictions more than 30 days on their redemption.	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)**J. Fair Value of Financial Instruments (Continued)**

Investments – Since January 1, 2012, the University has invested in securities primarily through the OWU Fund and Makena Capital Management (Makena). The University, through the OWU Fund, invests in cash and cash equivalents, common stocks, mutual funds, fixed income and other securities with quoted prices in active markets that are considered to be Level 1 inputs. Any investments with underlying holdings classified as Level 1 but legally structured with limited redemption rights (most limited partnerships and master trusts) have been valued using net asset value (NAV). A portion of the University's investments is valued at Level 3 because of unobservable inputs and use of significant management judgment. This includes real assets which are based on valuations provided by external parties.

The University's investments with OWU Fund - commingled funds, hedge funds, private equity funds and Makena - multi-asset class portfolio are valued using NAV as a practical expedient.

Investments measured at NAV:

OWU Fund Commingled Funds and Hedge Funds – Commingled funds consist of assets from multiple accounts that are pooled together to create economies of scale. Hedge funds are generally open-end funds as they typically offer subscription and redemption options to investors. The frequency of such subscriptions or redemptions is dictated by such fund's governing documents. The amount of liquidity provided to investors in a particular fund is generally consistent with the liquidity and risk associated with the underlying portfolio (i.e., the more liquid the investments in the portfolio, the greater the liquidity provided to the investors). Liquidity of individual hedge funds varies based on various factors and may include "gates," "holdbacks" and "side pockets" imposed by the manager of the hedge fund, as well as redemption fees which may also apply. Depending on the redemption options available, it may be possible that the reported NAV represents fair value based on observable data such as ongoing redemption and/or subscription activity. The hedge fund investments in Underlying Funds are available for redemption on a specified basis after specified lock-up periods as defined in each Underlying Fund's governing documents. For the purposes of these consolidated financial statements, the next available redemption dates provided are those with no associated fees. In certain investments, earlier redemption is available with accompanying early redemption fees.

OWU Fund Private Equity Funds – Private equity funds are structured as closed-end, commitment-based investment funds where the Partnership commits a specified amount of capital upon inception of the fund (i.e., committed capital) which is then drawn down over a specified period of the fund's life. Such funds generally do not provide redemption options for investors and, subsequent to final closing, do not permit commitments by new or existing investors. The Partnership may invest in secondary fund of funds, which are Underlying Funds that purchase interests in other funds on the secondary market. The General Partner generally uses the capital balance reported by the Underlying Fund's manager as the primary input to its valuation; however, adjustments to the reported capital balance may be made based on various factors, including, but not limited to, the attributes of the interest held, including the rights and obligations, and any restrictions or illiquidity on such interests and the fair value of such fund's investment portfolio or other assets and liabilities.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)**J. Fair Value of Financial Instruments (Continued)**

Makena Multi-Class Portfolio – The Feeder Funds record their investments in the Master Funds on the basis of NAV. The fair values of the Feeder Funds' investments in the Master Funds have been estimated by the General Partner in the absence of a readily determinable market value for such investments. These fair values are based upon the Feeder Funds' proportionate interests in the partners' capital of the respective Master Funds. The performance of the Feeder Funds is directly affected by the performance of the Master Funds. The net increase or decrease in partners' capital resulting from operations of the Master Funds is allocated pro rata among the Feeder Fund investors in each Master Fund. Consequently, each of the Feeder Funds records its proportionate share of the net increase or decrease in the Master Funds' capital resulting from operations as allocated from the Master Funds. Partners are permitted to withdraw up to 5% of their interest per annum as their "Annual Distribution," subject to notification on or before May 1 of the year in which the Annual Distribution is to be withdrawn. In addition to the Annual Distribution, partners are entitled to withdraw all or any of their partnership interest greater than 5%, subject to a one-year notice requirement. However, this withdrawal may be limited by the partner's indirect prorated portion of the Master Funds' special investments and the partner's indirect prorated portion of the Master Funds' Remaining Obligations to such Special Investments, as defined in the Agreements, referred to as "Reserves."

Interests in trusts – Interests in trusts include contributions receivable from lead and remainder trusts and are recorded at the present value of the projected net future cash flows to be received, based on current market interest rates. This type of asset has no readily determinable exit price due to legal constraints and, therefore, is considered to be a Level 3 input.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	2025				
	Beginning Balance	Additions/ Purchases	Terminations/ Distributions	Realized and Unrealized Gains	Ending Balance
Other	\$ 11,097	\$ -	\$ -	\$ -	\$ 11,097
Interests in trusts	1,936,659	-	-	29,626	1,966,285

	2024				
	Beginning Balance	Additions/ Purchases	Terminations/ Distributions	Realized and Unrealized Gains	Ending Balance
Other	\$ 11,097	\$ -	\$ -	\$ -	\$ 11,097
Interests in trusts	1,792,015	-	-	144,644	1,936,659

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

- K. Investments – Investments are carried at fair value. Investments in equity securities with readily determinable fair values and certain debt securities are recorded at fair value based on quoted market prices. Alternative investments are recorded based on estimated fair values. Methods for determining estimated fair values include discounted cash flows and estimates provided by fund trustees and general partners. The estimated fair value of certain of these investments is based on valuations provided by external investment managers, adjusted for cash receipts, disbursements and significant known changes in market values of publicly held securities held in the portfolio. The University considers the carrying values of these investments to be a reasonable estimate of fair value. Because these investments are not readily marketable and may be subject to withdrawal restrictions, their estimated value is subject to uncertainty and, therefore, may differ from the values that would have been used had a ready market for such investments existed.

Alternative investments include certain interests in international equities, hedge/absolute return, venture capital funds and real estate investment trusts. The University invests in limited partnerships and commingled vehicles, some of which employ traditional strategies (long only) in readily marketable securities (liquid equities or bonds traded on exchanges) and others of which employ less traditional strategies (long and short equity or fixed income and other hedging strategies) that may include the use of options, futures and other derivative instruments.

A portion of the University's investments is measured at NAV as a practical expedient for fair value. These investments include hedge funds and public equities structured within limited partnerships and/or off-shore funds which are based on valuations provided by external investment managers and the managers' third party administrators. The fair values of the investments have been estimated using the NAV of the University's ownership in the capital. The redemption terms vary based on the investment funds. These entities may also have the ability to impose gates, lockups and other restrictions on an investor's ability to readily redeem out of their investment interest in the funds.

Realized gains and losses represent the difference between the proceeds on sale of investments and their cost when acquired or fair value when donated. Investment return includes interest, dividends and both realized and unrealized gains and losses. In those cases where a donor has placed restrictions on the use of net appreciation, such appreciation is reported as part of net assets with donor restrictions, with either time/purpose restrictions or in perpetuity.

The University's endowment funds consist of assets which are invested on the basis of a total return policy to provide income and to realize appreciation in investment values. Realized investment gains accumulated by these funds may be used to support operations unless restricted by time/purpose or in perpetuity by the donor or by law.

The University holds investment securities which are exposed to various risks including 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 University's investment account balances and the amounts reported in the consolidated statements of financial position.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

- L. Land, Buildings, Equipment and Depreciation – The carrying value of land, buildings, equipment and other properties is stated at cost or appraised value at date of receipt as gifts. The University capitalizes additions and major replacements of plant and equipment while repairs are expensed. The University provides for depreciation on the straight-line method over the estimated useful lives summarized in the following table:

Ground and land improvements	15 years
Buildings and building improvements	20-50 years
Equipment	5-10 years
Vehicles and office equipment	3-5 years

Construction in progress represents the current construction activities that are related to capital renovation projects. At June 30, 2025, the University has outstanding construction commitments of approximately \$4,000,000.

- M. Bond Issue Costs – Bond premiums are amortized using the effective interest method over the life of the bonds. Unamortized bond premiums are a direct increase to bonds payable in the consolidated statements of financial position. Bond issuance costs are amortized using the effective interest method over the life of the bonds. Unamortized bond issuance costs are a direct reduction from bonds payable in the consolidated statements of financial position.
- N. Annuities and Unitrusts – The University's split interest agreements with donors consist of irrevocable charitable lead and remainder trusts, charitable gift annuities and life income contracts for which the University is either the remainder beneficiary or one of several remainder beneficiaries. Payments are made to donors and/or other beneficiaries in accordance with the respective agreements. Contribution revenues for split-interest agreements are recognized at the dates the agreements are established. Revenues are recorded at fair value, net of the present value of the estimated future payments to be made to the beneficiaries. The present value of payments to beneficiaries under split interest agreements has been calculated using actuarial estimates of life expectancies and discount rates ranging from 0.8% to 8.2% at June 30, 2025 and 2024.

Assets neither in the possession nor under the control of the University and to which the University has no ultimate claim on the corpus have not been included in the consolidated financial statements. However, pursuant to donors' wishes, income derived from these resources has been included as additions to net assets with donor restrictions in the consolidated statements of activities, as it is received.

- O. Deferred Income and Deposits – Deferred income and deposits represent cash received from students for the following fiscal year but not earned, unearned grant revenue and other deposits.
- P. Revenue and Revenue Recognition – Income from tuition and fees is recognized at the beginning and throughout the semester. In addition, room and board is required of all students except those that qualify and apply for commuter status. Room and board is also recognized at the beginning and throughout the semester. Payments by students are generally required prior to the beginning of the school year, or monthly throughout the semester if they applied for a payment plan. All amounts received prior to the commencement of the school year are deferred to the applicable period. All prior year deferred revenue was recognized as current year revenue. Financial aid discounts provided to students are recorded as a reduction from the posted tuition and fees at the time revenue is recognized.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

P. Revenue and Revenue Recognition (Continued)

The University recognizes contributions as revenue in the period in which the pledge (promise to give) is received, unconditionally, at fair value. Conditional contributions are recognized as revenue when the conditions on which they depend have been met. As of June 30, 2025, contributions of \$6,500,000 have not been recognized in the accompanying consolidated statement of activities because the conditions on which they depend have not been met.

The University reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

The University considers all contributions to be without donor restrictions unless specifically restricted by the donor. Donated items are reflected as contributions at their estimated fair market value at the time of donation.

- Q. Expenses by Both Nature and Function** – Expenses are presented in the consolidated statements of functional expenses in accordance with the overall service mission of the University. Each functional classification displays all expenses related to the underlying operations by natural classification. Certain categories of expenses are attributable to one or more functions of the University. These expenses include depreciation and amortization, interest, information technology and facilities operation and maintenance. Depreciation expense is allocated based on square footage occupancy. Interest expense is allocated to the functional categories that have benefited from the proceeds of the related debt. Facilities operation and maintenance represents space related costs which are allocated to the functional categories directly and/or based on the square footage occupancy. Costs of other categories were allocated on the bases of estimates of time and effort.
- R. Self Insurance** – The University has elected to act as a self-insurer for certain costs related to employee health benefit programs. Costs resulting from non-insured losses are charged to expense when incurred, and the University has an established reserve for claims incurred but not yet paid and is included in other accrued liabilities in the consolidated statements of financial position. The University has insurance coverage which limits its exposure for individual claims and an aggregate stop loss exposure.
- S. Art Collections** – The University maintains a collection of artwork in its Ross Art Museum. Due to the difficulty in establishing a value for collection pieces donated to the University, these assets are not recorded in the consolidated financial statements. Collection purchases are expensed as purchased. The University provides a clean, secure and stable environment for its permanent collections. The artwork is given reasonable care towards its preservation.
- T. Federal Income Tax** – The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The University recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the University, the continued tax-exempt status of bonds issued by the University and various positions related to potential sources of unrelated taxable income. The University believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

T. Federal Income Tax (Continued)

Manager, 19 Williams and Investor are organized as limited liability companies and are taxed as partnerships for federal income tax purposes. Accordingly, all profits and losses of the companies are recognized by each member on their respective tax returns.

U. Conditional Asset Retirement Obligations – The University is required to recognize a liability for a conditional asset retirement obligation. Management has considered its legal obligations to perform an asset retirement analysis on its existing properties. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the University may settle the obligations is unknown and cannot be estimated. As a result, management cannot reasonably estimate the liability related to these asset retirement activities as of June 30, 2025 and 2024.

V. Reclassifications – Certain reclassifications of 2024 amounts have been made to conform to the 2025 presentation.

Note 2. Liquidity and Availability

The following table reflects the University's financial assets as of June 30, 2025 and 2024, reduced by amounts not available for general expenditures within one year.

	<u>2025</u>	<u>2024</u>
Financial assets		
Cash and cash equivalents	\$ 3,234,786	\$ 3,392,960
Accounts receivable	4,032,290	3,701,662
Pledges receivable, net	<u>31,945,467</u>	<u>6,879,661</u>
Financial assets, at year-end	39,212,543	13,974,283
Less: pledges receivable restricted by donor	(31,945,467)	(6,879,661)
Plus: endowment spending rate appropriation	<u>17,288,387</u>	<u>16,903,604</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 24,555,463</u>	<u>\$ 23,998,226</u>

As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the University invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the University has an unsecured line of credit of \$10,000,000, which it could draw upon.

Additionally, the University has \$1,125,000 board designated for capital projects, as well as \$5,184,900 of quasi-endowment. Although the University does not intend to spend from its board-designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated funds could be made available, if necessary.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Investments

The University pools certain assets of permanent endowment, quasi-endowment, annuity and life income funds on a market value basis. Each individual fund subscribes to or disposes of units on the basis of the market value per unit at the beginning of the calendar quarter within which the transaction takes place, except for assets which are separately invested due to specific donor restrictions.

During the year ended June 30, 2012, the University transitioned a significant portion of its investments to the OWU Fund and Makena. The University continues to set investment policy, allows asset allocation ranges and monitors performance. The University has delegated the authority for investment decisions of the OWU Fund to Cambridge and Associates which includes asset allocation and manager selection. In addition, the University has made an investment in Makena, a multi-asset class manager with a 1-year lock up.

The composition of investments is set forth in the following table:

	June 30	
	<u>2025</u>	<u>2024</u>
Fixed income	\$ 1,600,825	\$ 1,437,922
Other	721,584	678,727
Common stocks	8,334,439	11,355,151
Exchange-traded funds		
Global equity	21,868,015	21,210,208
Real assets	10,164,793	9,771,484
U.S. equity	60,905,880	33,419,187
Fixed income	3,083,632	8,533,521
Mutual funds		
Global equity	6,771,289	17,096,566
U.S. equity	4,890,038	8,656,762
Fixed income	16,519,499	11,449,820
Commingled funds		
Global equity	23,810,608	14,082,361
Real assets	6,451,321	2,554,173
Hedge fund class		
Global equity	29,771,649	30,057,804
U.S. equity	-	6,182,121
Private equity fund class		
Global venture capital/private	23,537,852	22,623,866
Hybrid fund of funds	52,060	60,042
Real assets	8,147,456	8,319,473
U.S. private equity	2,875,922	2,424,717
U.S. venture capital	5,223,993	4,897,762
Multi-asset class	92,030,252	88,908,461
Money market mutual funds	4,482,385	1,779,125
Cash and cash equivalents	1,149,226	4,904,588
Total investments	<u>\$332,392,718</u>	<u>\$310,403,841</u>

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Investments (Continued)

At June 30, 2025, the University has committed to invest additional funds in limited partnership investments in the amount of approximately \$26,414,711 at the direction of the general partners. Investment expenses were approximately \$1,226,000 and \$1,477,900 for the years ended June 30, 2025 and 2024, respectively, and are included in investment income.

The composition of investment return for the years ended June 30 is as follows:

	Years Ended June 30	
	2025	2024
Investment income (interest and dividends)	\$ 2,160,603	\$ 1,665,096
Realized and unrealized gains on investments	29,816,566	25,754,949
Total investment return	31,977,169	27,420,045
Investment return designated for current operations	(16,903,604)	(17,408,084)
Non-operating investment return	<u>\$ 15,073,565</u>	<u>\$ 10,011,961</u>

Note 4. Pledges Receivable

As of June 30, 2025 and 2024, the University had received unconditional promises totaling \$35,297,409 and \$7,905,704, respectively, on which management has recorded an allowance for uncollectible promises of \$1,214,812 and \$806,743, respectively. The amounts are recorded at the present value of future cash flows based on a discount rate of 3% for June 30, 2025 and 2024. The discount is \$2,137,130 and \$219,300 at June 30, 2025 and 2024, respectively. The pledges receivable are due as follows:

	June 30, 2025			
	With Donor Restrictions Plant	With Donor Restrictions Other	With Donor Restrictions Corpus	Total
Less than one year	\$ 3,031,294	\$ 387,600	\$ 283,862	\$ 3,702,756
One to five years	1,227,561	25,561,351	710,877	27,499,789
More than five years	215,652	475,513	51,757	742,922
	<u>\$ 4,474,507</u>	<u>\$ 26,424,464</u>	<u>\$ 1,046,496</u>	<u>\$ 31,945,467</u>

	June 30, 2024			
	With Donor Restrictions Plant	With Donor Restrictions Other	With Donor Restrictions Corpus	Total
Less than one year	\$ 2,992,427	\$ 210,313	\$ 370,003	\$ 3,572,743
One to five years	1,378,505	1,008,315	800,186	3,187,006
More than five years	95,328	24,584	-	119,912
	<u>\$ 4,466,260</u>	<u>\$ 1,243,212</u>	<u>\$ 1,170,189</u>	<u>\$ 6,879,661</u>

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 4. Pledges Receivable (Continued)

At June 30, 2025 and 2024, the University had also been notified of revocable pledges, bequests and other indications of intentions to give. These potential contributions have not been substantiated by written promises to the University. The University's policy is not to record these intentions to give as revenue until they are reduced to writing or are collected.

Note 5. Land, Buildings and Equipment

Land, buildings and equipment at June 30, 2025 and 2024 consist of the following:

	June 30	
	<u>2025</u>	<u>2024</u>
Grounds and land improvements	\$ 13,763,152	\$ 13,693,250
Buildings and building improvements	242,872,277	241,319,426
Equipment	19,621,079	19,287,932
Vehicles and office equipment	4,818,296	4,818,296
Less accumulated depreciation	<u>(111,362,727)</u>	<u>(105,470,716)</u>
	<u>\$ 169,712,077</u>	<u>\$ 173,648,188</u>

Depreciation expense totaled \$9,058,856 and \$9,058,357 for the years ended June 30, 2025 and 2024, respectively.

Note 6. Pension Plans and Other Postretirement Benefit Plans

The University maintains a defined contribution pension plan, administered by TIAA-CREF, which covers the majority of its faculty and administrative personnel. All costs of this plan, \$1,889,631 and \$1,810,992 for the years ended June 30, 2025 and 2024, respectively, are funded and reflected as expenses in the year incurred, and no past service costs exist.

The University also maintains a non-contributory defined benefit pension plan, which covered the majority of the University's hourly and certain administrative personnel, through June 30, 1998. This defined benefit plan provides pension benefits that are based upon the employee's length of service with the University. The University's funding policy is to contribute annually the minimum amount required by applicable regulations.

Effective July 1, 1998, the University froze all benefits in the defined benefit pension plan and transferred coverage for all employees to the defined contribution pension plan.

In addition to the University's defined contribution and defined benefit retirement plans, the University has a defined benefit postretirement plan. The plan provides certain health care and life insurance benefits for retired employees who began employment with the University prior to September 1, 1999. The health care plan is contributory whereby the University contributes a monthly stipend of \$100 for all covered participants.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 6. Pension Plans and Other Postretirement Benefit Plans (Continued)

The various components of these plans, which are included in the University's consolidated financial statements, are as follows at June 30:

	Pension Plan June 30		Postretirement Benefit Plan June 30	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Net Periodic Benefit Cost				
Service cost	\$ -	\$ -	\$ 6,976	\$ 8,115
Interest cost	74,279	83,491	162,933	296,762
Return on plan assets	(90,190)	(91,988)	-	-
Prior service cost	-	-	-	-
Amortization of (gain) loss	-	-	(405,279)	155,875
Settlements	-	(8,835)	-	-
Net periodic benefit cost	<u>\$ (15,911)</u>	<u>\$ (17,332)</u>	<u>\$ (235,370)</u>	<u>\$ 460,752</u>

The pension plan has \$202,371 of unrecognized actuarial gain at June 30, 2025. The estimated amortization of actuarial loss is \$-0- for 2026.

The postretirement benefit plan has amounts unrecognized in net periodic benefit cost for prior service credit of \$-0- and a net actuarial gain of \$1,681,431 at June 30, 2025. The estimated amortization of prior service cost and actuarial gain is \$-0- and \$581,574, respectively, for 2026. As summary of the changes in the pension and postretirement benefit plan, plan assets and the resulting funded states of the plans at June 30 as are follows:

	Pension Plan June 30		Postretirement Benefit Plan June 30	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Change in Benefit Obligation				
Benefit obligation at beginning of year	\$ 1,489,827	\$ 1,715,004	\$ 3,391,383	\$ 6,041,813
Service cost	-	-	6,976	8,115
Interest cost	74,279	83,491	162,933	296,762
Settlements	-	(130,670)	-	-
Actuarial gain	(42,778)	(64,937)	(526,029)	(411,763)
Net contributions (employer)	<u>(146,257)</u>	<u>(113,061)</u>	<u>(527,681)</u>	<u>(2,543,544)</u>
Benefit obligation at end of year	1,375,071	1,489,827	2,507,582	3,391,383
Plan assets	<u>1,560,765</u>	<u>1,550,236</u>	<u>-</u>	<u>-</u>
Funded status	<u>\$ 185,694</u>	<u>\$ 60,409</u>	<u>\$ (2,507,582)</u>	<u>\$ (3,391,383)</u>

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 6. Pension Plans and Other Postretirement Benefit Plans (Continued)

Weighted-average assumptions at June 30 are as follows:

	Pension Plan June 30		Postretirement Benefit Plan June 30	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Actuarial Assumptions				
Weighted average discount rate:				
Expense	5.40%	5.40%	5.18%	5.19%
Benefit obligation (at year end)	5.28%	5.40%	5.01%	5.18%
Expected rate of return on assets	6.00%	6.00%	N/A	N/A
Medical trend:				
For next year (pre 65/post 65)	N/A	N/A	7.75%	7.75%
Ultimate trend rate	N/A	N/A	4.75%	4.75%
Year reached	N/A	N/A	2031	2030

Under the postretirement benefit plan, if the medical trend rates were to increase by 1% for each year, the benefit obligation as of June 30, 2025 would also increase by \$20,000 and the sum of the service and interest cost components of the Net Periodic Postretirement Benefit Cost for the fiscal year ended June 30, 2025 would increase by \$1,000. If the medical trend rates were to decrease by 1% for each year, the benefit obligation as of June 30, 2025 would also decrease by \$19,000 and the sum of the service and interest cost components of the Net Periodic Postretirement Benefit Cost for the fiscal year ended June 30, 2025 would decrease by \$1,000.

Pension Plan Assets

The University's weighted average asset allocations at the measurement date and the target asset allocations by category are as follows:

	<u>2025 Actual</u>	<u>2024 Actual</u>	<u>Target</u>
Asset Category			
Equity securities	58.0 %	57.6 %	50-70 %
Debt securities	40.2	39.0	30-50
Cash equivalents	1.7	3.3	0-15
Accrued income	<u>0.1</u>	<u>0.1</u>	<u>-</u>
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 6. Pension Plans and Other Postretirement Benefit Plans (Continued)**Pension Plan Assets (Continued)**

The pension plan's investment policy reflects the long-term nature of the plan's funding obligations. The assets are invested to provide the opportunity for both income and growth of principal. This objective is pursued as a long-term goal designed to provide required benefits for participants without undue risk. It is expected that this objective can be achieved through a well-diversified asset portfolio. All equity investments are made within the guidelines of quality, marketability and diversification mandated by the Employee Retirement Income Security Act and other relevant statutes. Investment managers are directed to maintain equity portfolios at a risk level approximately equivalent to that of the specific benchmark established for that portfolio. Assets invested in fixed income securities and pooled fixed income portfolios are managed actively to pursue opportunities presented by changes in interest rates, credit ratings or maturity premiums. The expected long-term rate of return on pension plan assets was developed by the University, in conjunction with the plan actuary, and is based on the past return of the plan investments.

Pension Plan Contributions

The expected contribution to the pension plan for the year ended June 30, 2026 is \$-0-.

Estimated Future Benefit Payments

Future benefit payments, which reflect expected future service, as appropriate, during the next five fiscal years, and in the aggregate for the five fiscal years thereafter, are:

<u>Fiscal Year Ended June 30</u>	<u>Pension Benefits</u>	<u>Other Benefits</u>
2026	\$ 127,692	\$ 321,000
2027	128,034	296,000
2028	125,359	296,000
2029	126,744	281,000
2030	127,611	271,000
2031 - 2035	573,274	898,000

The University's pension plan assets at June 30, 2025 and 2024 are all Level 1 assets. The fair value, by asset category, is as follows:

	<u>2025</u>	<u>2024</u>
Equity securities	\$ 905,193	\$ 892,898
Debt securities	628,431	605,805
Cash equivalents	26,136	50,455
Accrued income	<u>1,005</u>	<u>1,078</u>
	<u>\$1,560,765</u>	<u>\$1,550,236</u>

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 7. Financing Lease

In June 2022, the University entered into a non-cancelable lease agreement for network upgrades requiring annual principal payments of \$220,302 with interest at 5.06% commencing on September 1, 2022 through September 2026. The assets under the financing lease have a cost of \$896,505 and are recorded as right-of-use assets in the consolidated statements of financial position. Amortization and interest expense from this arrangement totaled \$196,994 and \$80,883 for the years ended June 30, 2025 and 2024, respectively. Cash paid against the lease liability under this arrangement was \$220,302 for the years ended June 30, 2025 and 2024. The Organization has elected not to recognize an ROU asset or lease liability for short-term leases (leases with an initial term of twelve months or less).

The following table displays the undiscounted cash flows due related to the financing lease as of June 30, 2025, along with a reconciliation to the discounted amount recorded in the consolidated statements of financial position. Undiscounted cash flows due within the fiscal years ended June 30 were as follows:

2026	\$220,302
2027	<u>220,302</u>
Total	440,604
Less: present value discount	<u>(51,879)</u>
Lease liability	<u>\$388,725</u>

As of June 30, 2025, the weighted-average remaining lease term for the financing lease is two years. The weighted-average discount rate associated with the financing lease as of June 30, 2025 is 5.06%.

Note 8. Bonds and Notes Payable

The University has available an unsecured line of credit arrangement with a bank. The University may borrow up to \$10,000,000 at the Wall Street Journal Prime (WSJP) interest rate (7.50% at June 30, 2025) minus 0.75% to fund cyclical working capital requirements. The line of credit arrangement expires on demand of the bank. As of June 30, 2025 and 2024, there was \$7,211,893 and \$7,681,094, respectively, outstanding on this line of credit. This line of credit agreement requires the maintenance of certain financial ratios and restricts the University's ability to pledge or sell certain assets and consolidate with or acquire assets of other entities. Interest expense for the line of credit for the years ended June 30, 2025 and 2024 was \$137,382 and \$184,685, respectively.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 8. Bonds and Notes Payable (Continued)

Long-term bonds and notes payable at June 30, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
Fixed-rate bonds issued in August 2019, maturing through 2049 (2019 Bonds)	\$44,145,000	\$45,075,000
Fixed-rate draw notes issued in April 2019, maturing through 2029 (2019 Notes)	1,657,840	2,049,378
Fixed-rate bonds issued in December 2023, maturing through 2044 (2023 Bonds)	<u>6,159,580</u>	<u>6,159,580</u>
	51,962,420	53,283,958
 Total unamortized premium	 3,061,798	 3,408,573
Total unamortized bond issuance costs	<u>(305,742)</u>	<u>(328,434)</u>
 Total bonds and notes payable, net	 <u>\$54,718,476</u>	 <u>\$56,364,097</u>

The bond premium and issuance costs are being amortized over the life of the bonds. Bond issuance cost amortization for the years ended June 30, 2025 and 2024 was \$22,692 and \$23,086, respectively, and bond premium amortization was \$346,775 and \$360,556, respectively. Accumulated amortization for bond issuance costs for the years ended June 30, 2025 and 2024 was \$137,933 and \$115,241, respectively, and accumulated amortization for the bond premium was \$2,208,393 and \$1,861,618, respectively.

In April 2019, the University entered into a principal and interest promissory note of \$3,600,000 at a 4.016% fixed interest rate. The funds were issued in the form of a draw term note. The loan was interest only through January 2020 with fixed monthly payments of \$38,980, including interest, for 111 months thereafter. The loan balance outstanding was \$1,657,840 and \$2,049,378 as of June 30, 2025 and 2024, respectively.

On August 14, 2019, the University, in conjunction with the Ohio Higher Educational Facility Commission (the Commission), issued \$48,370,000 of State of Ohio Higher Educational Facility Revenue Bonds (the 2019 Bonds) at fixed rates ranging from 3.125% to 5.00% with a 30-year maturity. The interest is paid semi-annually on April 1 and October 1 while the principal is paid annually on October 1. The bonds were issued through the Commission. They were placed as a private placement with PNC Capital Markets LLC and Stifel, Nicolaus & Company. The funds were issued in the form of a draw term. The bond proceeds retired previous bond issues. The remaining proceeds were utilized for the renovation of various residence halls on campus and new residence housing apartments.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 8. Bonds and Notes Payable (Continued)

The 2019 Bonds are subject to the 2019 bond base lease terms (the 2019 Lease) with the Commission in conjunction with the 2019 Project. The University is required to make rental payments under the 2019 Lease in amounts sufficient to pay the principal and interest on the 2019 Bonds. The 2019 Bonds are special obligations of the State of Ohio and the debt service on the 2019 Bonds is payable solely from the revenues to be derived by the Commission from its ownership of the 2019 Project. The 2019 Bonds are collateralized by a security interest in the 2019 Project. The University has agreed to purchase the 2019 Project from the Commission after all of the debt service on the 2019 Bonds has been paid.

On December 21, 2023, the University, in conjunction with the Commission, issued \$6,159,580 of State of Ohio Higher Educational Facility Revenue Bonds (the 2023 Bonds) at a fixed rate of 5.40% with a 20-year maturity. The interest is paid semi-annually on April 1 and October 1 while the principal is paid annually on October 1. The bonds were issued through the Commission. They were placed as a private placement with First Commonwealth Bank. The funds were issued in the form of a draw term. The proceeds will be utilized primarily for a central steam plan project.

The 2023 Bonds are subject to the 2023 bond base lease terms (the 2023 Lease) with the Commission in conjunction with the 2023 Project. The University is required to make rental payments under the 2023 Lease in amounts sufficient to pay the principal and interest on the 2023 Bonds. The 2023 Bonds are special obligations of the State of Ohio and the debt service on the 2023 Bonds is payable solely from the revenues to be derived by the Commission from its ownership of the 2023 Project. The 2023 Bonds are collateralized by a security interest in the 2023 Project. The University has agreed to purchase the 2023 Project from the Commission after all of the debt service on the 2023 Bonds has been paid.

Principal payments for all notes and bonds, for the years ending June 30, are as follows:

2026	\$ 1,580,318
2027	1,657,777
2028	1,735,588
2029	1,748,444
2030	1,433,199
Thereafter	<u>43,807,094</u>
	<u>\$51,962,420</u>

Interest expense for the bonds and notes payable for the years ended June 30, 2025 and 2024 was \$1,623,908 and \$1,681,097, respectively.

Note 9. Net Assets

Net assets without donor restrictions include net assets that have been designated by the Board of Trustees. These funds can be utilized by the University by special authorization by the Board of Trustees, or through the Board approved budget and spending process. At of June 30, 2025 and 2024, board designated net assets include \$1,125,000 for capital projects, as well as \$5,184,900 and \$4,799,408 of quasi-endowment, respectively.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 9. Net Assets (Continued)

Net assets with donor restrictions of the University and subsidiaries, and the nature of any restrictions, consisted of the following:

	June 30	
	<u>2025</u>	<u>2024</u>
Subject to the University's spending policy and appropriation:		
Endowment funds restricted in perpetuity	\$212,946,557	\$203,589,033
Accumulated investment gains	107,198,634	97,641,621
Due to endowment	5,947,685	-
Pledges receivable - endowment	<u>1,046,496</u>	<u>1,170,189</u>
	327,139,372	302,400,843
Not subject to the University's spending policy and appropriation:		
Interest in trusts and annuities and unitrusts	1,499,134	1,289,032
Subject to expenditure for a specified purpose or passage of time:		
Capital projects	13,031,723	18,695,989
Unexpended gifts and grants	13,184,502	10,984,051
Pledges receivable	30,898,971	5,709,472
Student loan funds	<u>2,864,176</u>	<u>2,832,996</u>
	<u>59,979,372</u>	<u>38,222,508</u>
	<u>\$388,617,878</u>	<u>\$341,912,383</u>

Note 10. Endowment Funds

The Board of Trustees of the University has approved an investment policy detailing the long-term goals, asset allocation, measurable objectives, on-going communication, review and oversight. The basic philosophy of the investment policy is that administration and management of the endowment are to be implemented through diversified investment options designed to recognize income needs for ongoing operations, as well as committed spending and capital-growth needs to meet expansion goals and costs increased by future inflation.

A portion of net assets with donor restrictions is restricted as to use in perpetuity. The University records these permanent endowment gifts at historic dollar value. Distributions from endowment funds are spent in compliance with the donor's restrictions applicable to the funds being distributed. The determination of endowment income available to support unrestricted and restricted operations of the University will be equal to spending in the previous fiscal year increased by the CPI-U plus 4% of the value of new gifts received in the prior calendar year. Spending in any fiscal year will be between 4-6% of the average of the endowment's market value at the end of the previous twelve fiscal quarters ending with the final quarter of the most recent fiscal year. Quasi-endowment spending is based upon the market value of the endowed principal accounts as of December 31 of the preceding year.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 10. Endowment Funds (Continued)

The University's spending policy authorized \$16,903,604 and \$15,968,084 to be distributed to support operations during the years ended June 30, 2025 and 2024, respectively. For the years ended June 30, 2025 and 2024, the Board passed resolutions for the distributions to include supplemental endowment draws of \$-0- and \$1,440,000, respectively.

As of June 30, 2025, University has approximately \$5.9 million in loans from its endowment to support University operations. These loans were obtained by reducing contributions otherwise due to the endowment. The loans will be repaid plus interest equal to actual endowment performance during the borrowing period and are expected to be repaid from future operating profit. There is no fixed repayment schedule, but management intends to fully restore the endowment within a reasonable period, subject to available resources. The borrowing does not alter donor restrictions on permanently restricted endowment funds; rather, it temporarily reduces amounts allocated for reinvestment. The endowment's net asset classification remains unchanged, as the borrowing represents an internal transfer rather than a reclassification of donor-restricted funds. Management monitors compliance with endowment policies and liquidity covenants. No external restrictions or third-party guarantees are associated with this borrowing.

From time to time the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a perpetual fund balance. These deficiencies result from unfavorable market fluctuations that occur shortly after the investment of these new permanent endowment contributions or as a result of continued expenditure for programs that the Board deems prudent. The fair value of assets associated with certain individual donor-restricted endowment funds was below the carrying value by \$84,936 and \$279,877 at June 30, 2025 and 2024, respectively.

Endowment net asset composition by type of fund as of June 30 is as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor endowment funds:			
Original donor gift amount and amounts required to be maintained	\$ -	\$212,946,557	\$212,946,557
Accumulated investment gains	-	107,198,634	107,198,634
Quasi-endowment	5,184,900	-	5,184,900
Endowment assets, end of year	<u>\$ 5,184,900</u>	<u>\$320,145,191</u>	<u>\$325,330,091</u>
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor endowment funds:			
Original donor gift amount and amounts required to be maintained	\$ -	\$203,589,033	\$203,589,033
Accumulated investment gains	-	97,641,621	97,641,621
Quasi-endowment	4,799,408	-	4,799,408
Endowment assets, end of year	<u>\$ 4,799,408</u>	<u>\$301,230,654</u>	<u>\$306,030,062</u>

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 10. Endowment Funds (Continued)

The endowment pool, which includes true endowment and quasi-endowment, was as follows as of June 30, 2025 and 2024:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 4,799,408	\$301,230,654	\$306,030,062
Investment return:			
Investment income	58,222	2,094,278	2,152,500
Net appreciation (realized and unrealized)	803,063	29,057,311	29,860,374
Total investment return	861,285	31,151,589	32,012,874
Cash contributions	-	4,190,759	4,190,759
Appropriation of endowment assets for expenditure	(475,793)	(16,427,811)	(16,903,604)
Endowment assets, end of year	<u>\$ 5,184,900</u>	<u>\$320,145,191</u>	<u>\$325,330,091</u>
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 8,331,187	\$277,246,939	\$285,578,126
Investment return:			
Investment income	46,841	1,618,245	1,665,086
Net appreciation (realized and unrealized)	722,126	25,035,597	25,757,723
Total investment return	768,967	26,653,842	27,422,809
Cash contributions and reclassifications	(2,396,543)	12,833,754	10,437,211
Appropriation of endowment assets for expenditure	(1,904,203)	(15,503,881)	(17,408,084)
Endowment assets, end of year	<u>\$ 4,799,408</u>	<u>\$301,230,654</u>	<u>\$306,030,062</u>

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 11. Noncontrolling Interest

The following is a reconciliation of net assets relating to the University and to the noncontrolling interest of 19 Williams:

	University	Noncontrolling Interest	Total
Net assets balance at June 30, 2023	\$411,537,529	\$ 104,394	\$411,641,923
Capital contribution	-	225,889	225,889
Change in net assets attributable to:			
University	12,334,227	-	12,334,227
Noncontrolling interest	-	(3,454)	(3,454)
Net assets balance at June 30, 2024	423,871,756	326,829	424,198,585
Capital contribution	-	174,889	174,889
Change in net assets attributable to:			
University	46,961,184	-	46,961,184
Noncontrolling interest	-	(2,128)	(2,128)
Net assets balance at June 30, 2025	<u>\$470,832,940</u>	<u>\$ 499,590</u>	<u>\$471,332,530</u>

Note 12. Commitments and Contingencies

The University is involved in litigation and is subject to certain claims that arise in the normal course of operations. In the opinion of management, the ultimate disposition of the litigation and claims will not have a material adverse effect on the University's operations or financial position.

During the year ended June 30, 2024, four faculty members signed separation agreements that contained severance compensation. The amount of the separation payout for affected faculty was based on each faculty member's base salary and years of service. The severance for these individuals was \$-0- and \$649,283 for the years ended June 30, 2025 and 2024, respectively. The University considers this a one-time event not associated with the normal operations of the University. Therefore, it is classified as a non-operating expense in the consolidated statement of activities.

Note 13. Strand Theatre

The University is the founding member and Grantor of Strand Theatre and Cultural Arts Association, Inc. located at 22-32 East Winter Street, Delaware, Ohio 43015. The purpose for which the Corporation is formed is exclusively for charitable and educational purposes, including a place for movies, plays, musical performances, lectures, seminar, shows or other cultural performances and educational activities.

OHIO WESLEYAN UNIVERSITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 13. Strand Theatre (Continued)

If the property shall cease to be used by the Grantee or another not-for-profit entity for the Strand Movie Theatre and other cultural arts uses, title to the real property shall revert to the University, Grantor. All of the Grantee's rights of redemption shall automatically be assigned by Grantee to the University, Grantor.

If the Grantee shall default on its first mortgage and security agreement and a foreclosure action shall be instituted by the mortgagee and not dismissed, the real property, subject to existing first mortgage and security agreement, shall revert to the University, Grantor. All of the Grantee's rights of redemption shall automatically be assigned by Grantee to the University, Grantor.

Note 14. Subsequent Event - Solar Energy, Battery Storage and Energy Efficiency Services Agreement

In July 2025, the University entered into a development and management services agreement with PRG-OWU Energy LLC (Provider), a Special Purpose Entity (SPE) of Provident Resources Group, in order to benefit from energy savings. The University selected GRP Wegman as the contractor to install and manage the installation, maintenance and performance of the system.

On November 6, 2025, the University entered into a 25 year ground lease with PRG-OWU Energy LLC with an option to purchase the solar microgrid equipment after 10 years. In addition, the University entered into a performance guarantee agreement with GRP Wegman to ensure the solar microgrid system provides the necessary power to OWU as calculated by GRP Wegman. As the primary contractor, GRP Wegman entered into a project implementation agreement with PRG-OWU Energy.

The SPE entered into a loan agreement with a conduit issuer, Delaware County Finance Authority (DCFA). The DCFA entered into a private placement agreement with Morgan Stanley who serves as the Senior Lien Bond Investor. US Bank and Trust serve as the Trustee. The University is responsible for making utility payments to GRP Wegman, which will be applied against the debt service associated with this project.