

KANSAS WESLEYAN UNIVERSITY
AND FOUNDATION

Combined Financial Statements
With Independent Auditor's Report

June 30, 2025 and 2024



KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kansas Wesleyan University and Foundation
Salina, Kansas

Opinion

We have audited the accompanying combined financial statements of Kansas Wesleyan University and Foundation (nonprofit organizations), which comprise the combined statements of financial position as of June 30, 2025 and 2024, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of Kansas Wesleyan University and Foundation as of June 30, 2025 and 2024, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Combined Financial Statements section of our report. We are required to be independent of Kansas Wesleyan University and Foundation, 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of Trustees
Kansas Wesleyan University and Foundation
Salina, Kansas

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 generally accepted 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Kansas Wesleyan University and Foundation'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kansas Wesleyan University and Foundation'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.

Capin Crouse LLC

Indianapolis, Indiana
December 18, 2025

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Combined Statements of Financial Position

| | June 30, | |
|--|----------------|---------------|
| | 2025 | 2024 |
| ASSETS: | | |
| Cash and cash equivalents | \$ 2,399,881 | \$ 1,523,949 |
| Cash restricted for Perkins balances | - | 47,786 |
| Cash held for endowments | 187,937 | 528,373 |
| Total cash, cash equivalents, and restricted cash | 2,587,818 | 2,100,108 |
| Accounts receivable, net of allowance for credit losses of \$90,000 and \$112,761 for 2025 and 2024 | 960,685 | 959,197 |
| Contributions receivable, net | 1,011,180 | 1,392,363 |
| Notes receivable | 612,669 | 620,369 |
| Prepaid expenses and other assets | 156,512 | 267,546 |
| Investments | 804,460 | 791,935 |
| Investments held for endowment | 26,705,239 | 29,050,138 |
| Land, buildings, and equipment, net | 48,281,929 | 45,088,361 |
| Beneficial interest in perpetual trusts | 18,180,802 | 17,169,584 |
| Beneficial interest in assets held by community foundation | 1,447,051 | - |
| Operating lease right-of-use assets | 525,156 | 705,650 |
| Financing lease right-of-use assets | 44,597 | 85,764 |
| Total Assets | \$ 101,318,098 | \$ 98,231,015 |
| LIABILITIES AND NET ASSETS: | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,493,709 | \$ 2,155,917 |
| Deposits held in custody for others | 555,100 | 421,030 |
| Federal contribution to loan program | 482,817 | 482,817 |
| Performance obligation liabilities | 175,135 | 117,701 |
| Operating lease liabilities | 525,156 | 705,650 |
| Financing lease liabilities | 45,281 | 86,740 |
| Bonds payable, net of unamortized debt issuance costs | 7,940,154 | 7,081,478 |
| Total liabilities | 11,217,352 | 11,051,333 |
| Net assets: | | |
| Net assets without donor restrictions | 35,161,252 | 31,869,662 |
| Net assets with donor restrictions | 54,939,494 | 55,310,020 |
| Total net assets | 90,100,746 | 87,179,682 |
| Total Liabilities and Net Assets | \$ 101,318,098 | \$ 98,231,015 |

See notes to combined financial statements

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Combined Statements of Activities

| | Years Ended June 30, | | | | | |
|---|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | 2025 | | | 2024 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT, REVENUE, AND RECLASSIFICATIONS: | | | | | | |
| Tuition and fees, net | \$ 13,034,371 | \$ - | \$ 13,034,371 | \$ 12,264,181 | \$ - | \$ 12,264,181 |
| Contributions and bequests | 2,375,775 | 2,842,507 | 5,218,282 | 540,573 | 4,195,884 | 4,736,457 |
| Governmental grants | 335,395 | - | 335,395 | 281,644 | - | 281,644 |
| Investment returns, net | 393,350 | 3,083,079 | 3,476,429 | 160,744 | 3,574,341 | 3,735,085 |
| Change in value of beneficial interests in trusts | - | 1,011,218 | 1,011,218 | - | 1,046,651 | 1,046,651 |
| Change in value of beneficial interests in assets held by community foundation | - | 1,447,051 | 1,447,051 | - | - | - |
| Auxiliary enterprises | 6,844,218 | - | 6,844,218 | 5,927,787 | - | 5,927,787 |
| Other (loss) income | (98,769) | - | (98,769) | 24,587 | - | 24,587 |
| Reclassifications: | | | | | | |
| Satisfaction of purpose and timing restrictions | 8,754,381 | (8,754,381) | - | 5,485,239 | (5,485,239) | - |
| Total Support, Revenue, and Reclassifications | 31,638,721 | (370,526) | 31,268,195 | 24,684,755 | 3,331,637 | 28,016,392 |
| EXPENSES: | | | | | | |
| Instruction | 5,415,583 | - | 5,415,583 | 4,712,151 | - | 4,712,151 |
| Academic support | 1,338,079 | - | 1,338,079 | 1,175,893 | - | 1,175,893 |
| Student services | 1,917,959 | - | 1,917,959 | 1,989,479 | - | 1,989,479 |
| Athletics | 4,348,133 | - | 4,348,133 | 3,998,644 | - | 3,998,644 |
| Auxiliary enterprises | 4,319,989 | - | 4,319,989 | 3,574,641 | - | 3,574,641 |
| Institutional support | 6,231,929 | - | 6,231,929 | 5,577,571 | - | 5,577,571 |
| Operation and maintenance | 4,006,774 | - | 4,006,774 | 3,305,708 | - | 3,305,708 |
| Fundraising | 768,685 | - | 768,685 | 794,027 | - | 794,027 |
| Total Expenses | 28,347,131 | - | 28,347,131 | 25,128,114 | - | 25,128,114 |
| Change in Net Assets | 3,291,590 | (370,526) | 2,921,064 | (443,359) | 3,331,637 | 2,888,278 |
| Net Assets, Beginning of Year | 31,869,662 | 55,310,020 | 87,179,682 | 32,313,021 | 51,978,383 | 84,291,404 |
| Net Assets, End of Year | <u>\$ 35,161,252</u> | <u>\$ 54,939,494</u> | <u>\$ 90,100,746</u> | <u>\$ 31,869,662</u> | <u>\$ 55,310,020</u> | <u>\$ 87,179,682</u> |

See notes to combined financial statements

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Combined Statement of Functional Expenses

Year Ended June 30, 2025

| | Program Services | | | | | Supporting Activities | | | | | Total Expenses |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------|---------------------------|-------------------|---------------------|---------------------|
| | Instruction | Academic Support | Student Services | Athletics | Auxiliary Enterprises | Total Program | Institutional Support | Operation and Maintenance | Fundraising | Total Supporting | |
| Salary and benefits | \$ 5,015,345 | \$ 1,015,518 | \$ 1,295,916 | \$ 2,783,234 | \$ 18,112 | \$10,128,125 | \$ 2,063,478 | \$ 1,282,446 | \$ 535,512 | \$ 3,881,436 | \$14,009,561 |
| Travel, meals, and food service | 28,007 | 10,985 | 12,126 | 521,100 | 3,009,496 | 3,581,714 | 76,935 | 150 | 21,288 | 98,373 | 3,680,087 |
| Depreciation and amortization | - | - | - | - | 396,875 | 396,875 | - | 2,083,595 | - | 2,083,595 | 2,480,470 |
| Professional services | 35,737 | 6,267 | 390,398 | 89,065 | 302 | 521,769 | 854,370 | 120,938 | 123,502 | 1,098,810 | 1,620,579 |
| Insurance and taxes | - | - | 220 | - | 2,425 | 2,645 | 1,149,366 | 477 | - | 1,149,843 | 1,152,488 |
| Utilities | 760 | - | 5,039 | 1,283 | 707,718 | 714,800 | 125,336 | 4,883 | 1,616 | 131,835 | 846,635 |
| Supplies | 171,707 | 20,707 | 46,884 | 322,693 | 8,772 | 570,763 | 93,535 | 17,330 | 13,155 | 124,020 | 694,783 |
| Dues and fees | 35,738 | 25,213 | 14,191 | 214,099 | 3,846 | 293,087 | 203,168 | - | 21,101 | 224,269 | 517,356 |
| Computer software | 70,779 | 83,338 | 47,033 | 43,473 | 1,150 | 245,773 | 527,030 | - | 60 | 527,090 | 772,863 |
| Repairs and maintenance | 15,305 | - | 1,913 | 23,518 | - | 40,736 | 64,913 | 490,498 | - | 555,411 | 596,147 |
| Advertising and recruiting | - | - | - | - | - | - | 273,532 | 2,928 | 13,413 | 289,873 | 289,873 |
| Interest | - | - | - | 529 | - | 529 | 416,648 | - | - | 416,648 | 417,177 |
| Printing and postage | 9,769 | 7,414 | 60,355 | 3,963 | 2,692 | 84,193 | 146,865 | 5 | 21,087 | 167,957 | 252,150 |
| Rentals and leases | 2,255 | 8,904 | 28,418 | 283,647 | 13,169 | 336,393 | 70,240 | 3,524 | 3,380 | 77,144 | 413,537 |
| Credit loss expense | - | - | - | - | - | - | 44,849 | - | - | 44,849 | 44,849 |
| Library | - | 124,861 | - | - | - | 124,861 | - | - | - | - | 124,861 |
| Other | 30,181 | 34,872 | 15,466 | 61,529 | 155,432 | 297,480 | 121,664 | - | 14,571 | 136,235 | 433,715 |
| | <u>\$ 5,415,583</u> | <u>\$ 1,338,079</u> | <u>\$ 1,917,959</u> | <u>\$ 4,348,133</u> | <u>\$ 4,319,989</u> | <u>\$17,339,743</u> | <u>\$ 6,231,929</u> | <u>\$ 4,006,774</u> | <u>\$ 768,685</u> | <u>\$11,007,388</u> | <u>\$28,347,131</u> |

See notes to combined financial statements

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Combined Statement of Functional Expenses

Year Ended June 30, 2024

| | Program Services | | | | | Supporting Activities | | | | | Total Expenses |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------|---------------------------|-------------------|---------------------|---------------------|
| | Instruction | Academic Support | Student Services | Athletics | Auxiliary Enterprises | Total Program | Institutional Support | Operation and Maintenance | Fundraising | Total Supporting | |
| Salary and benefits | \$ 4,275,170 | \$ 880,281 | \$ 1,312,878 | \$ 2,346,682 | \$ - | \$ 8,815,011 | \$ 1,777,748 | \$ 1,130,136 | \$ 572,690 | \$ 3,480,574 | \$12,295,585 |
| Travel, meals, and food service | 44,004 | 10,913 | 63,812 | 407,350 | 2,484,911 | 3,010,990 | 74,486 | 327 | 40,351 | 115,164 | 3,126,154 |
| Depreciation and amortization | - | - | - | - | 304,793 | 304,793 | - | 1,600,164 | - | 1,600,164 | 1,904,957 |
| Professional services | 22,690 | 20,193 | 318,582 | 168,149 | - | 529,614 | 891,527 | 88,822 | 36,519 | 1,016,868 | 1,546,482 |
| Insurance and taxes | - | - | 165 | 117,052 | - | 117,217 | 794,923 | 285 | 553 | 795,761 | 912,978 |
| Utilities | 1,020 | - | - | - | 784,937 | 785,957 | - | 9,466 | - | 9,466 | 795,423 |
| Supplies | 153,006 | 22,145 | 59,749 | 478,599 | - | 713,499 | 23,000 | 1,505 | 14,791 | 39,296 | 752,795 |
| Dues and fees | 22,428 | 9,289 | 18,625 | 118,197 | - | 168,539 | 336,537 | - | 36,487 | 373,024 | 541,563 |
| Computer software | 69,659 | 84,003 | 15,178 | 38,484 | - | 207,324 | 318,571 | - | 7,836 | 326,407 | 533,731 |
| Repairs and maintenance | 17,280 | - | 4,729 | 49,348 | - | 71,357 | 29,970 | 430,065 | 1,051 | 461,086 | 532,443 |
| Advertising and recruiting | - | - | - | - | - | - | 441,659 | 747 | 36,583 | 478,989 | 478,989 |
| Interest | - | - | - | - | - | - | 329,617 | - | - | 329,617 | 329,617 |
| Printing and postage | 3,669 | 7,658 | 124,185 | 2,894 | - | 138,406 | 129,394 | - | 27,859 | 157,253 | 295,659 |
| Rentals and leases | 2,595 | 7,400 | 21,888 | 229,506 | - | 261,389 | 13,326 | 6,499 | 13,519 | 33,344 | 294,733 |
| Credit loss expense | - | - | - | - | - | - | 195,800 | - | - | 195,800 | 195,800 |
| Library | - | 133,763 | - | - | - | 133,763 | - | - | - | - | 133,763 |
| Other | 100,630 | 248 | 49,688 | 42,383 | - | 192,949 | 221,013 | 37,692 | 5,788 | 264,493 | 457,442 |
| | <u>\$ 4,712,151</u> | <u>\$ 1,175,893</u> | <u>\$ 1,989,479</u> | <u>\$ 3,998,644</u> | <u>\$ 3,574,641</u> | <u>\$15,450,808</u> | <u>\$ 5,577,571</u> | <u>\$ 3,305,708</u> | <u>\$ 794,027</u> | <u>\$ 9,677,306</u> | <u>\$25,128,114</u> |

See notes to combined financial statements

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Combined Statements of Cash Flows

| | Years Ended June 30, | |
|--|----------------------|--------------|
| | 2025 | 2024 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 2,921,064 | \$ 2,888,278 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 2,480,470 | 1,904,957 |
| Credit loss expense | 44,849 | 195,800 |
| Loss on disposal of property | 329,510 | 177,778 |
| Change in discount on contributions receivable | 42,686 | 134,281 |
| Realized and unrealized gains on investments | (2,525,962) | (2,779,652) |
| Contributions and bequests restricted for capital projects | (689,595) | (1,011,172) |
| Change in beneficial interests in trusts | (1,011,218) | (1,081,977) |
| Change in beneficial interests in assets held by community foundation | (1,447,051) | - |
| Contributions restricted for endowments | (701,895) | (2,223,604) |
| Reinvestment of interest and dividends | (566,482) | (544,612) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (46,337) | (587,747) |
| Notes receivable | 7,700 | (247,917) |
| Prepaid expenses and other assets | 111,034 | (44,789) |
| Accounts payable and accrued expenses | (662,208) | (103,820) |
| Deposits held in custody for others | 134,070 | 82,637 |
| Performance obligation liabilities | 57,434 | 101,166 |
| Net Cash Used by Operating Activities | (1,521,931) | (3,140,393) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of land, buildings and equipment | (5,955,268) | (7,589,475) |
| Purchase of investments | (15,712) | (1,581,786) |
| Proceeds from sale of investments | 5,440,530 | 4,000,501 |
| Net Cash Used by Investing Activities | (530,450) | (5,170,760) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal payments on bonds payable | (536,000) | (518,000) |
| Proceeds from issuance of bonds payable | 1,387,563 | 2,875,742 |
| Payments on financing leases | (41,459) | (41,137) |
| Proceeds from contributions restricted for capital projects | 1,028,092 | 1,050,015 |
| Proceeds from contributions restricted for endowments | 701,895 | 2,223,604 |
| Net Cash Provided by Financing Activities | 2,540,091 | 5,590,224 |
| Change in Cash, Cash Equivalents, and Restricted Cash | 487,710 | (2,720,929) |
| Cash, Cash Equivalents, and Restricted Cash, Beginning of Year | 2,100,108 | 4,821,037 |
| Cash, Cash Equivalents, and Restricted Cash, End of Year | \$ 2,587,818 | \$ 2,100,108 |
| SUPPLEMENTAL INFORMATION: | | |
| Cash paid for interest | \$ 417,177 | \$ 329,617 |
| Land, buildings and equipment acquired with accounts payable | \$ - | \$ 1,415,747 |
| Operating right-of-use assets obtained in exchange for lease obligations | \$ 93,866 | \$ 352,079 |

See notes to combined financial statements

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

1. NATURE OF ORGANIZATION:

Kansas Wesleyan University (a Kansas nonprofit organization) is an accredited liberal arts university situated in Salina, Kansas, and affiliated with The United Methodist Church.

The Kansas Wesleyan University Foundation (the Foundation) (a Kansas nonprofit organization) is a foundation established to receive, invest and disburse amounts for the benefit of Kansas Wesleyan University and institutions related to, affiliated with and cooperating with Kansas Wesleyan University. The financial statements of the Foundation are combined with the financial statements of Kansas Wesleyan University (collectively the University).

The bylaws of the Foundation state that the Foundation Trustees shall be elected by the Foundation Board. The Chairperson of the University Board of Trustees and the President of Kansas Wesleyan University shall serve as ex-officio Foundation Trustees without vote. Kansas Wesleyan University has an economic interest in the net assets of the Foundation; however, Kansas Wesleyan University does not control the Foundation. Combined financial statements are presented in accordance with accounting guidance and the Boards of Trustees of Kansas Wesleyan University and the Foundation determined that presenting combined financial statements of Kansas Wesleyan University and the Foundation is most meaningful to the readers of the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASU).

USE OF ESTIMATES

The preparation of U.S. GAAP combined financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allowance for credit losses, depreciable lives and recoverability of land, buildings, and equipment, valuation of investments and derivative instruments, and allocation of expenses on a functional basis.

BASIS OF COMBINATION

The combined financial statements include the accounts of the University and the Foundation. All significant intercompany accounts and transactions have been eliminated in combination.

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Cash, cash equivalents, and restricted cash includes highly liquid investments with original maturities of three months or less at date of acquisition and bank depository accounts. Cash held in investment accounts are reported as investments in the combined statements of financial position as these funds are generally not used for daily operating purposes. From time to time throughout the year, these accounts may exceed federally insured limits. At June 30, 2025 and 2024, respectively, the University's balances exceeded federally insured limits by approximately \$2,432,000 and \$2,237,000.

ACCOUNTS RECEIVABLE AND ALLOWANCES FOR CREDIT LOSSES

Student accounts receivable consists of amounts billed to students for tuition and auxiliary charges. Student accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The University separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the combined statements of financial position date, the University develops a loss rate for each risk pool. The loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

INVESTMENTS AND INVESTMENTS HELD FOR ENDOWMENTS

Investments in equity securities, fixed income securities, and mutual funds having a readily determinable fair values are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment returns includes dividend, interest and other investment returns; 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.

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

CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are recognized as income when made. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in contributions revenue in the combined statements of activities. As of June 30, 2025 and 2024, respectively, the allowance for uncollectible promises to give was \$30,000 and \$30,000 and the discount to present value the promises to give was \$119,162 and \$161,848.

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NOTES RECEIVABLE AND FEDERAL CONTRIBUTION TO LOAN PROGRAM

Notes receivable include amounts due under the Federal Perkins Loan Program which are stated at the outstanding principal amount. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. Interest income is recorded as received which is not materially different from the amount that would have been recognized on the accrual basis. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

The federal contribution to loan program liability includes advances from the U.S. government under the Federal Perkins Loan Program and the program's cumulative net income (loss), as these funds are ultimately refundable to the U.S. Department of Education.

LAND, BUILDINGS AND EQUIPMENT

Purchases of property, plant and equipment are capitalized at cost. Additions and betterments of \$2,500 or more are capitalized. Depreciation expense is computed on a straight-line basis over the estimated useful lives of the respective assets. Land and construction in progress are not depreciated. The carrying values of land, buildings, and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of impairment during the years ended June 30, 2025 or 2024. Repairs and maintenance are expensed as incurred. Donated assets are capitalized at fair value when received.

Useful lives for classes of property and equipment are as follows:

| | |
|----------------------------|---------------|
| Land improvements | 10 - 40 years |
| Buildings and improvements | 10 - 40 years |
| Equipment and furnishings | 5 - 10 years |
| Vehicles | 5 years |

BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The University is a beneficiary of certain irrevocable trusts held by third parties where the trustees have no discretion regarding the beneficiaries' participation in the trusts. The University's proportionate share of the fair value of the trusts, which approximates the net present value of the estimated future cash flows receivable by the University, is reported as an asset and as contribution revenue at the formation of the trusts.

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

BENEFICIAL INTEREST IN PERPETUAL TRUSTS, continued

Annual income distributions from the trusts are recognized as investment income in the appropriate net asset classification in accordance with the restrictions of the trusts. Changes in the University's proportionate share of the fair value of the trusts are reported as unrealized gains (losses) in the appropriate net asset classification in accordance with the restrictions of the trusts, generally as donor restricted net assets.

BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

During 2000, the University established a fund through a charitable community foundation that is perpetual in nature. The University granted variance power to the foundation, which allows the foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the foundation. The fund is held and invested by the foundation for the University's benefit and is reported at fair value in the combined statements of financial position, with distributions and changes in fair value recognized in the combined statements of activities.

LEASES

The University leases office equipment and vehicles. The University determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statements of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the University uses its risk free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

DEPOSITS HELD IN CUSTODY FOR OTHERS

The University receives funds from donors for funding organizations within the University. The University does not have any variance power over the use of how these funds are to be spent and therefore they are not recorded to the combined statements of activities. These funds are held as an agency liability to be provided to various organizations on campus.

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SELF-INSURANCE

The University has elected to self-insure certain costs related to employee health benefit programs beginning in the year ending June 30, 2022. The self-insured plan is administered by the Kansas Independent College Association, of which the University is a member institution. The self-insured plan has insurance that limits exposure for individual claims to \$100,000 and limits aggregate exposure to \$14,500,000. The aggregate limit is for the entire plan, the University's potential exposure is dependent upon timing of claims made by other plan participants. The liability for insurance claims incurred but not received at June 30, 2025 and 2024, was immaterial to the combined financial statements.

CLASSES OF NET ASSETS

The combined financial statements report amounts separately by the following classes of net assets:

Net assets without donor restrictions are those currently available for general operations under management's direction.

Net assets with donor restrictions are those which are stipulated by donors for specific operating purposes or programs, those with time restrictions, those for the acquisition of property, plant and equipment, unspent endowment earnings, or those not currently available for use in the University's operations until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased. These also include donor restrictions requiring the net assets be held in perpetuity as endowments.

REVENUE AND EXPENSES

Contributions, bequests, and government grants are recognized when cash is received, unconditional promises to give are made or when ownership of donated assets is transferred. The University reports contributions received for general purposes as contributions without donor restrictions. The University reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a 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 combined statements of activities as net assets released from restrictions. For both years ended June 30, 2025 and 2024, the University received approximately \$1,700,000 of contributions from three donors, which represents 27% and 33% of total contributions, respectively.

The University reports gifts of fixed assets as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the assets are to be used and gifts of cash that must be used to acquire long-lived assets are reported as contributions with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND EXPENSES, continued

Tuition and Auxiliary Services Revenue

Revenue from contracts with students for tuition and auxiliary services is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and housing, food and other services. These amounts are due from students, third-party payers and others and includes variable consideration for scholarships.

Revenue is recognized as performance obligations are satisfied, which is ratably over the academic term. Generally, the University bills students prior to the beginning of the semester, and student accounts receivable are due in full by the first day of class, unless an alternative payment plan is established by the student.

The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdrew during certain limited, stated refund periods. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the University continues to recognize the tuition that is not refunded pro-rata over the applicable period of instruction. The University does not record revenue on amounts that may be refunded. However, for students that take out financial aid to pay their tuition and for which a return of such money to the Department of Education under Title IV is required as a result of his or her withdrawal, the University reassesses collectability for these students each semester for the estimated revenue that will be returned and recognizes the revenue in future periods when payment was received, if any.

Tuition and auxiliary services revenue are considered to be separate contracts.

Transaction Price and Recognition

The University estimates the transaction price for students based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standards charged by any institutional scholarships and aid in accordance with the University's policies for granting certain merit-based aid. Subsequent changes that are determined to be the result of an adverse change in the student's ability to pay are recorded as bad debt expense.

From time to time the University will receive overpayments of student balances resulting in amounts owed back to either the students or third parties. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. The University had no material liabilities for refunds to students as of June 30, 2025 and 2024.

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND EXPENSES, continued

Transaction Price and Recognition, continued

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

- Payers (for example, customer, governmental programs and others) that have different reimbursement and payment methodologies
- Geography of the service location

The University has identified performance obligations associated with the provision of its educational instruction and other educational services, housing services, and other academic related services and used the output measure for recognition as the period of time over which the services are provided to students. The University has identified performance obligations such as book sales or certain merchandise sales and other auxiliary enterprises and recognized revenue at the point in time goods or services are provided to its customers as performance obligations are met. Other income is recognized when earned or when the related performance obligations have been satisfied.

During the years ended June 30, 2025 and 2024, respectively, tuition and fee revenue totaling \$31,418,020 and \$29,170,505 was reduced by scholarships totaling \$18,383,649 and \$16,906,324 to calculate the total tuition and fees of \$13,034,371 and \$12,264,181 as presented on the combined statements of activities.

Contract Assets and Liabilities

The University's receivables represent unconditional rights to consideration from its contracts with students; accordingly, students are billed prior to the first day of the semester and the revenue recognition process has commenced. Once a student is invoiced, payment is due immediately unless some alternative payment plan is established by the student. Included in each invoice to the student are all educational related items including tuition, net of scholarships, housing, educational materials, fees, etc. The University's contract liabilities are primarily performance obligation liabilities related to tuition and fees or student credit balances in the combined statements of financial position which as of June 30, 2025 and 2024, totaled \$175,135 and \$117,701, respectively. Student credit balances and deposits in any period represent the excess of tuition, fees and other student payments received as compared to amounts recognized as revenue on the combined statements of activities and are reflected as liabilities in the accompanying combined statements of financial position.

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND EXPENSES, continued

Contract Assets and Liabilities, continued

The activity and balances for performance obligation liabilities from student tuition are shown as follows:

| | Year Ended June 30, | |
|--|---------------------|------------|
| | 2025 | 2024 |
| Beginning balance | \$ 117,701 | \$ 16,536 |
| Revenue recognized | (117,701) | (16,536) |
| Payments received for future performance obligations | 175,135 | 117,701 |
| Ending balance | \$ 175,135 | \$ 117,701 |

Expenses are recognized when incurred in accordance with the accrual basis of accounting. The combined financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization and utilities, which are allocated on a square footage basis, as well as salaries and benefits, travel, and certain office expenses, which are allocated on the basis of estimates of time and effort. There were no joint costs during the years ended June 30, 2025 and 2024. Advertising costs totaled \$289,873 and \$478,989 for the years ended June 30, 2025 and 2024, respectively.

RECLASSIFICATIONS

Certain reclassifications were made to prior year balances to conform with current year presentation. Prior year bad debt expense on the combined statements of cash flows and functional expenses has been classified as credit loss expense.

3. ACCOUNTS RECEIVABLE, NET:

Accounts receivable, net consist of the following:

| | June 30, | | |
|----------------------------------|------------|------------|------------|
| | 2025 | 2024 | 2023 |
| Students | \$ 681,810 | \$ 569,485 | \$ 369,462 |
| Other | 368,875 | 502,473 | 370,921 |
| | 1,050,685 | 1,071,958 | 740,383 |
| Less allowance for credit losses | (90,000) | (112,761) | (112,761) |
| | \$ 960,685 | \$ 959,197 | \$ 627,622 |

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

4. CONTRIBUTIONS RECEIVABLE, NET:

Contributions receivable are reflected at the present value of estimated future cash flows using a discount rate of 4.3%, and consist of the following:

| | June 30, | |
|--|--------------|--------------|
| | 2025 | 2024 |
| Contributions receivable before unamortized discount | \$ 1,160,342 | \$ 1,584,211 |
| Unamortized present value discount | (119,162) | (161,848) |
| | 1,041,180 | 1,422,363 |
| Net allowance for uncollectible amounts | (30,000) | (30,000) |
| | \$ 1,011,180 | \$ 1,392,363 |

Contributions receivable are expected to mature as follows:

| | June 30, | |
|--------------------|--------------|--------------|
| | 2025 | 2024 |
| Amounts due in: | | |
| Less than one year | \$ 256,074 | \$ 312,431 |
| One to five years | 312,937 | 624,439 |
| Five or more years | 472,169 | 485,493 |
| | \$ 1,041,180 | \$ 1,422,363 |

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

5. INVESTMENTS AND INVESTMENTS HELD FOR ENDOWMENTS:

Investments and investments held for endowments consist of the following:

| | June 30, | |
|-----------------------------|---------------|---------------|
| | 2025 | 2024 |
| At fair value: | | |
| Equity securities | \$ 1,228,484 | \$ 1,939,689 |
| Fixed income securities: | | |
| Corporate bonds | 177,558 | 978,656 |
| Mortgage backed securities | - | 79,827 |
| Government and agency bonds | 1,583,736 | 2,330,536 |
| Mutual funds: | | |
| Money market mutual funds | 1,063,413 | 2,360,994 |
| Fixed income funds | 3,460,430 | 3,297,706 |
| Equity funds | 15,797,470 | 15,565,126 |
| Exchange-traded funds | 4,140,156 | 3,190,226 |
| | 27,451,247 | 29,742,760 |
| At cost: | | |
| Cash | 58,452 | 99,313 |
| | \$ 27,509,699 | \$ 29,842,073 |

Investments and investments held for endowments are reported on the combined statements of financial position as follows:

| | June 30, | |
|--------------------------------|---------------|---------------|
| | 2025 | 2024 |
| Investments | \$ 804,460 | \$ 791,935 |
| Investments held for endowment | 26,705,239 | 29,050,138 |
| | \$ 27,509,699 | \$ 29,842,073 |

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

5. INVESTMENTS AND INVESTMENTS HELD FOR ENDOWMENTS, continued:

Investment returns, net consist of the following:

| | June 30, | |
|--|--------------|--------------|
| | 2025 | 2024 |
| Realized and unrealized gains on investments | \$ 2,525,962 | \$ 2,779,652 |
| Interest and dividends | 700,249 | 727,853 |
| Royalties and other investment distributions | 383,985 | 342,297 |
| Management fees | (133,767) | (114,717) |
| | \$ 3,476,429 | \$ 3,735,085 |

6. NOTES RECEIVABLE:

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government resources. The University participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$482,817 at June 30, 2025 and 2024, are ultimately refundable to the government and are classified as liabilities in the combined statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

The following amounts were past due under the student loan programs:

| | June 30, | |
|------------------------------|------------|------------|
| | 2025 | 2024 |
| Federal government programs: | | |
| 1-60 days past due | \$ 170 | \$ 7,133 |
| 60-90 days past due | - | 5,785 |
| 91 + days past due | 462,672 | 441,192 |
| Total past due | 462,842 | 454,110 |
| Current | 149,827 | 166,259 |
| | \$ 612,669 | \$ 620,369 |

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

7. LAND, BUILDINGS AND EQUIPMENT, NET:

Land, buildings and equipment consist of the following:

| | June 30, | |
|------------------------------------|-----------------------------|-----------------------------|
| | <u>2025</u> | <u>2024</u> |
| Land | \$ 330,714 | \$ 108,894 |
| Land improvements | 768,461 | 762,801 |
| Buildings and improvements | 69,318,705 | 56,648,587 |
| Equipment | 7,479,636 | 6,130,257 |
| Vehicles | <u>155,349</u> | <u>147,349</u> |
| | 78,052,865 | 63,797,888 |
| Less accumulated depreciation | <u>(29,775,790)</u> | <u>(27,345,012)</u> |
| | 48,277,075 | 36,452,876 |
| Construction in progress | <u>4,854</u> | <u>8,635,485</u> |
| Land, buildings and equipment, net | <u><u>\$ 48,281,929</u></u> | <u><u>\$ 45,088,361</u></u> |

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

8. BONDS PAYABLE:

Bonds payable consist of the following:

| | June 30, | |
|--|---|---|
| | 2025 | 2024 |
| <p>On September 1, 2020, the Saline County, Kansas Educational Facility Revenue Bonds, Series 2020, were issued in the amount of \$3,662,000 for the purposes of refunding the Saline County, Kansas Education Facilities Revenue Bonds, Series 2012, and to finance the Energy Performance Project. Interest and principal payments began October 1, 2020. Payments vary each year and are currently \$32,000 per month. The bonds bear interest at 2.568% and mature on June 1, 2030, and are secured by real property owned by the University with a net book value of \$46,201,827 at June 30, 2025.</p> | \$ 2,041,706 | \$ 2,427,706 |
| <p>On July 1, 2022, the Saline County, Kansas Educational Facilities Revenue Bonds, Series 2022, were issued in the amount of \$6,300,000 for the construction and improvement of certain educational facilities. Annual interest and principal payments began June 1, 2024. Payments vary each year and \$155,000 is the next payment due June 1, 2026. The bonds bear interest at 4.64% and mature on June 1, 2037, and are secured by real property owned by the University with a net book value of \$46,201,827.</p> | <div style="border-top: 1px solid black;">6,090,208</div> <div style="border-top: 1px solid black;">8,131,914</div> | <div style="border-top: 1px solid black;">4,852,645</div> <div style="border-top: 1px solid black;">7,280,351</div> |
| <p>Less unamortized debt issuance costs</p> | <div style="border-top: 1px solid black;">(191,760)</div> | <div style="border-top: 1px solid black;">(198,873)</div> |
| | \$ 7,940,154 | \$ 7,081,478 |

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

8. BONDS PAYABLE, continued:

Bonds payable mature as follows:

| Year Ended June 30, | |
|---------------------|--------------|
| 2026 | \$ 551,000 |
| 2027 | 568,000 |
| 2028 | 588,000 |
| 2029 | 608,000 |
| 2030 | 576,706 |
| Thereafter | 5,240,208 |
| | \$ 8,131,914 |

Interest expense for the years ended June 30, 2025 and 2024, was \$417,177 and \$329,617, respectively. Long-term debt agreements contained certain administrative covenants. The University was in compliance with all covenants as of June 30, 2025 and 2024.

9. NET ASSETS:

Net assets consist of the following:

| | June 30, | |
|---|---------------|---------------|
| | 2025 | 2024 |
| Net assets without donor restrictions | \$ 35,161,252 | \$ 31,869,662 |
| Subject to expenditure for specified purpose: | | |
| Educational program expenses | 2,263,984 | 682,480 |
| Capital projects | 1,011,180 | 7,879,445 |
| | 3,275,164 | 8,561,925 |
| Subject to the University's spending policy and appropriations: | | |
| Accumulated endowment earnings for student aid | 8,618,003 | 6,861,932 |
| Beneficial interest in perpetual trusts | 18,180,802 | 17,169,584 |
| Endowment funds restricted in perpetuity | 23,418,474 | 22,716,579 |
| | 50,217,279 | 46,748,095 |
| Not subject to endowment spending policy and appropriations: | | |
| Beneficial interest in assets held by community foundation | 1,447,051 | - |
| Total net assets with donor restrictions | 54,939,494 | 55,310,020 |
| Total net assets | \$ 90,100,746 | \$ 87,179,682 |

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

10. ENDOWMENT FUNDS:

The University's endowment funds include 249 individual funds from donors in addition to the beneficial interests in perpetual trusts. The Board of Trustees of the University has interpreted the Prudent Management of Institutional Funds Act (SPMIFA) 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 University classifies net assets restricted in perpetuity (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment held in perpetuity, and (c) accumulations to the endowment held in perpetuity 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 in net assets restricted in perpetuity is classified as net assets restricted by purpose or time until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by SPMIFA. The University includes contributions receivable as part of the assets to support the endowment net assets which are not legally subject to SPMIFA.

In accordance with SPMIFA, the University 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 organization and 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 organization
- (7) The investment policies of the organization

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

10. ENDOWMENT FUNDS, continued:

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the University to retain as a fund of perpetual duration. There were no funds with deficiencies as of June 30, 2025 and 2024.

RETURN OBJECTIVES AND RISK PARAMETERS

The investment policy consists of investing in a diversified asset or assets in an attempt to maximize total return consistent with an acceptable level of risk. The endowment management strategy is that present and future generations of students will enjoy equivalent levels of purchasing power through a balanced endowment management approach which (a) generates income to provide for current needs and (b) maintains a base for generating income to meet future needs.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Changes in endowment net assets for the year ended June 30, 2025, are as follows:

| | Original Gift Amount | Accumulated Gains (Losses) and Other | Total With Donor Restrictions |
|---|-------------------------|--|-------------------------------------|
| Endowment net assets, beginning of year | \$ 39,886,163 | \$ 6,861,932 | \$ 46,748,095 |
| Investment return, net | - | 3,083,079 | 3,083,079 |
| Change in value of beneficial interests in trusts | 1,011,218 | - | 1,011,218 |
| Contributions | 701,895 | - | 701,895 |
| Amounts appropriated for expenditures | - | (1,327,008) | (1,327,008) |
| | 1,713,113 | 1,756,071 | 3,469,184 |
| Endowment net assets, end of year | \$ 41,599,276 | \$ 8,618,003 | \$ 50,217,279 |

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

10. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2024, are as follows:

| | Original Gift Amount | Accumulated Gains (Losses) and Other | Total With Donor Restrictions |
|---|-------------------------|--|-------------------------------------|
| Endowment net assets, beginning of year | \$ 36,615,908 | \$ 4,728,819 | \$ 41,344,727 |
| Investment return, net | - | 3,241,041 | 3,241,041 |
| Change in value of beneficial interests in trusts | 1,046,651 | - | 1,046,651 |
| Contributions | 2,223,604 | - | 2,223,604 |
| Amounts appropriated for expenditures | - | (1,107,928) | (1,107,928) |
| | 3,270,255 | 2,133,113 | 5,403,368 |
| Endowment net assets, end of year | \$ 39,886,163 | \$ 6,861,932 | \$ 46,748,095 |

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The income derived from contributions to any endowment fund shall be distributed at such times as the University may determine for the purposes specified for the fund, and the University may, in its sole discretion, resolve any ambiguities or questions of interpretation which may arise with respect to such purposes. The University considers the long-term anticipated return on its endowment. At no time will the distributions reduce the value of the endowment below donor contributions. This is consistent with the University'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.

INTERNAL BORROWING

The Foundation Board approved internal borrowings from the endowment to fund capital projects and operations during the year ended June 30, 2025, at an interest rate of 6%. The loan balance as of June 30, 2025, was \$4,300,000. The Board of Trustees approved a repayment plan which requires \$153,058 semi-annual repayments of principal and interest, commencing on November 1, 2025, and the loan matures on May 1, 2040.

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

11. AUXILIARY ENTERPRISE REVENUE:

Auxiliary enterprise revenue is comprised of the following:

| | June 30, | |
|--|---------------------|---------------------|
| | <u>2025</u> | <u>2024</u> |
| Revenue from contracts with customers: | | |
| Dining services | \$ 4,064,130 | \$ 3,578,565 |
| Housing | 2,286,228 | 2,123,487 |
| Ticket sales, merchandise sales, and other | <u>493,860</u> | <u>225,735</u> |
| Total auxiliary enterprise revenue | <u>\$ 6,844,218</u> | <u>\$ 5,927,787</u> |

12. FAIR VALUE MEASUREMENTS:

The University follows accounting standards which establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under accounting standards are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

12. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis at June 30, 2025, are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------------------|---------------------|----------------------|----------------------|
| Investments: | | | | |
| Equity securities | \$ 1,228,484 | \$ - | \$ - | \$ 1,228,484 |
| Fixed income securities: | | | | |
| Corporate bonds | - | 177,558 | - | 177,558 |
| Government and agency bonds | - | 1,583,736 | - | 1,583,736 |
| Mutual funds: | | | | |
| Money market mutual funds | 1,063,413 | - | - | 1,063,413 |
| Fixed income funds | 3,460,430 | - | - | 3,460,430 |
| Equity funds | 15,797,470 | - | - | 15,797,470 |
| Exchange-traded funds | 4,140,156 | - | - | 4,140,156 |
| | <u>25,689,953</u> | <u>1,761,294</u> | <u>-</u> | <u>27,451,247</u> |
| Beneficial interest in perpetual trusts | - | - | 18,180,802 | 18,180,802 |
| Beneficial interest in assets held by community foundation | - | - | 1,447,051 | 1,447,051 |
| | <u>\$ 25,689,953</u> | <u>\$ 1,761,294</u> | <u>\$ 19,627,853</u> | <u>\$ 47,079,100</u> |

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

12. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis at June 30, 2024, are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------------------|---------------------|----------------------|----------------------|
| Investments: | | | | |
| Equity securities | \$ 1,939,689 | \$ - | \$ - | \$ 1,939,689 |
| Fixed income securities: | | | | |
| Corporate bonds | - | 978,656 | - | 978,656 |
| Mortgage backed securities | - | 79,827 | - | 79,827 |
| Government and agency bonds | - | 2,330,536 | - | 2,330,536 |
| Mutual funds: | | | | |
| Money market mutual funds | 2,360,994 | - | - | 2,360,994 |
| Fixed income funds | 3,297,706 | - | - | 3,297,706 |
| Equity funds | 15,565,126 | - | - | 15,565,126 |
| Exchange-traded funds | 3,190,226 | - | - | 3,190,226 |
| | <u>26,353,741</u> | <u>3,389,019</u> | <u>-</u> | <u>29,742,760</u> |
| Beneficial interest in perpetual trusts | <u>-</u> | <u>-</u> | <u>17,169,584</u> | <u>17,169,584</u> |
| | <u>\$ 26,353,741</u> | <u>\$ 3,389,019</u> | <u>\$ 17,169,584</u> | <u>\$ 46,912,344</u> |

Valuation techniques: Fair values for equity securities, and mutual and exchange-traded funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for fixed income securities are determined by reference to identical or similar assets in inactive markets. Fair values for beneficial interest in perpetual trusts and beneficial interest in assets held by community foundation are based on assumptions about the present value of distributions to be received from the trusts.

Changes in valuation techniques: None.

KANSAS WESLEYAN UNIVERSITY AND FOUNDATION

Notes to Combined Financial Statements

June 30, 2025

13. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the University's financial assets, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held in trusts and state required annuity reserves, perpetual endowments and accumulated earnings subject to appropriation beyond one year, or contractual or donor-imposed restrictions.

| | June 30, | |
|--|----------------|--------------|
| | 2025 | 2024 |
| Financial assets: | | |
| Cash and cash equivalents | \$ 2,399,881 | \$ 1,523,949 |
| Cash restricted for Perkins balances | - | 47,786 |
| Cash held for endowments | 187,937 | 528,373 |
| Accounts receivable, net | 960,685 | 959,197 |
| Contributions receivable, net | 1,011,180 | 1,392,363 |
| Notes receivable | 612,669 | 620,369 |
| Investments | 804,460 | 791,935 |
| Investments held for endowment | 26,705,239 | 29,050,138 |
| Beneficial interest in perpetual trusts | 18,180,802 | 17,169,584 |
| Beneficial interest in assets held by community foundation | 1,447,051 | - |
| Financial assets, at year-end | 52,309,904 | 52,083,694 |
| Less those unavailable for general expenditure within one year, due to: | | |
| Cash held for government program requirements | - | (47,786) |
| Contributions receivable to be collected in more than one year | (785,106) | (1,109,932) |
| Notes receivable to be collected in more than one year | (462,842) | (454,110) |
| Perpetual endowments and accumulated earnings subject to appropriation beyond one year | (30,865,553) | (28,538,563) |
| Beneficial interest in perpetual trusts | (18,180,802) | (17,169,584) |
| Beneficial interest in assets held by community foundation | (1,447,051) | - |
| Donor-imposed purpose restrictions | (3,019,090) | (4,089,368) |
| Financial assets available (unavailable) to meet cash needs for general expenditures within one year | \$ (2,450,540) | \$ 674,351 |

The University manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The University has a Debt and Debt Refinancing Policy to help manage the cost of capital, limit debt-related risk and monitor debt levels. The University regularly evaluates key financial ratios to provide management with an overview of the financial health of the institution and current and projected debt capacity. During the years ended June 30, 2025 and 2024, the level of liquidity and reserves was managed within the policy requirements.

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Notes to Combined Financial Statements

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14. RETIREMENT PLAN:

The University has a defined contribution pension plan covering substantially all full-time employees. Pension expense, which is funded currently, totaled \$904,886 and \$742,143 for the years ended June 30, 2025 and 2024, respectively.

15. OPERATING LEASE RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The University leases office equipment and vehicles under noncancelable operating leases expiring at various points between 2026 - 2028. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease terms on the inception of the leases. The leases require monthly payments ranging from \$131 to \$5,875.

| | June 30, | |
|---------------------------------------|------------|------------|
| | 2025 | 2024 |
| Operating lease right-of-use assets | \$ 525,156 | \$ 705,650 |
| Operating lease liabilities | \$ 525,156 | \$ 705,650 |
| Operating lease costs | \$ 300,237 | \$ 219,764 |
| Weighted-average discount rate | 3.98% | 3.69% |
| Weighted-average remaining lease term | 2.13 years | 3.03 years |

Future minimum lease payments required under the operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

| Year Ending June 30, | |
|-----------------------|------------|
| 2026 | \$ 298,682 |
| 2027 | 210,161 |
| 2028 | 78,094 |
| | 586,937 |
| Less imputed interest | (61,781) |
| | \$ 525,156 |

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June 30, 2025

16. FINANCING LEASE RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The University leases vehicles under a noncancelable operating lease expiring in 2027. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease terms on the inception of the leases. The leases require monthly payments of \$3,499.

| | June 30, | |
|---------------------------------------|------------|------------|
| | 2025 | 2024 |
| Financing lease right-of-use assets | \$ 44,597 | \$ 85,764 |
| Financing lease liabilities | \$ 45,281 | \$ 86,740 |
| Financing lease costs: | | |
| Amortization of right-of-use assets | \$ 41,167 | \$ 41,167 |
| Interest on lease liabilities | \$ 529 | \$ 529 |
| Weighted-average discount rate | 0.78% | 0.78% |
| Weighted-average remaining lease term | 1.08 years | 2.08 years |

Future minimum lease payments required under the financing leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

| Year Ending June 30, | |
|-----------------------|-----------|
| 2026 | \$ 41,988 |
| 2027 | 3,499 |
| | 45,487 |
| Less imputed interest | (206) |
| | \$ 45,281 |

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Notes to Combined Financial Statements

June 30, 2025

17. RELATED PARTY:

For the years ended June 30, 2025 and 2024, approximately 4%, or \$181,000 and 4%, or \$172,000, respectively, of contributions were provided by board members of the University.

18. SUBSEQUENT EVENTS:

The University has evaluated subsequent events through December 18, 2025, which is the date the combined financial statements were available to be issued. Subsequent events after that date have not been evaluated.