METHODIST THEOLOGICAL SCHOOL IN OHIO

(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Methodist Theological School in Ohio
Delaware, Ohio

Opinion

We have audited the accompanying financial statements of **Methodist Theological School in Ohio** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Methodist Theological School in Ohio** as of June 30, 2023 and 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Methodist Theological School in Ohio** 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 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Methodist Theological School in Ohio's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Methodist Theological School in Ohio's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Methodist Theological School in Ohio'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 audits.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 23 - 26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting, and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Columbus, Ohio
Pending, 2023

METHODIST THEOLOGICAL SCHOOL IN OHIO

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	**$ 7,766,772**	$ 9,156,747
Accounts receivable, net of allowance of $113,053 and $12,200	**98,488**	103,597
Other receivables, net of allowance of $2,059 and $2,059	**125,673**	77,479
Contributions receivable	**132,294**	114,656
Loans receivable	**76,560**	80,700
Prepaid expenses	**155,103**	116,964
Cash surrender value of life insurance	**1,171,745**	1,134,530
Investments	**51,776,393**	48,121,170
Funds held by others	**417,079**	397,463
Property and equipment, net	**7,766,925**	7,672,301
	$ 69,487,032	$ 66,975,607
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	**$ 300,946**	$ 86,223
Accrued expenses	**153,735**	146,942
Deferred revenue	**17,407**	24,517
Student deposits	**138,088**	172,458
Annuities payable	**147,771**	151,174
Deferred compensation	**2,757,555**	2,613,871
	3,515,502	3,195,185
NET ASSETS		
Without donor restrictions	**4,958,213**	6,033,878
With donor restrictions	**61,013,317**	57,746,544
	65,971,530	63,780,422
	$ 69,487,032	$ 66,975,607

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See notes to financial statements.

METHODIST THEOLOGICAL SCHOOL IN OHIO

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023, WITH COMPARATIVE TOTALS FOR 2022

	2023 Without Donor Restrictions	2023 With Donor Restrictions	2023 Total	2022 Total
REVENUE, GAINS AND OTHER SUPPORT				
Student tuition and fees	$ 2,410,626	$ -	$ 2,410,626	$ 1,979,660
Less scholarship allowances and tuition discounts	2,459,953	-	2,459,953	1,839,904
Net Student Tuition and Fees	(49,327)	-	(49,327)	139,756
Auxiliary enterprises	454,960	-	454,960	457,340
Private gifts	377,716	2,129,395	2,507,111	1,787,212
Ministerial Education Fund	719,307	-	719,307	733,683
Government grants	18,565	-	18,565	17,665
Other	94,704	-	94,704	43,354
Net assets released from purpose restrictions:				
Releases designated for current operations	2,995,906	(2,995,906)	-	-
Other releases	620,633	(620,633)	-	-
Total Revenue, Gains and Other Support	5,232,464	(1,487,144)	3,745,320	3,179,010
FUNCTIONAL EXPENSES				
Programs	3,283,394	-	3,283,394	2,765,644
Administrative	2,832,646	-	2,832,646	2,533,834
Fundraising	179,862	-	179,862	158,098
Total Functional Expenses	6,295,902	-	6,295,902	5,457,576
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	(1,063,438)	(1,487,144)	(2,550,582)	(2,278,566)
NON-OPERATING ACTIVITIES				
Net investment return	-	4,697,087	4,697,087	(3,488,090)
Change in funds held by others	-	19,615	19,615	(104,167)
Change in cash surrender value of life insurance	-	37,215	37,215	(31,303)
Change in value of annuity obligations	(12,227)	-	(12,227)	102,030
CHANGE IN NET ASSETS	(1,075,665)	3,266,773	2,191,108	(5,800,096)
NET ASSETS				
Beginning of year	6,033,878	57,746,544	63,780,422	69,580,518
End of year	$ 4,958,213	$ 61,013,317	$ 65,971,530	$ 63,780,422

See notes to financial statements.

METHODIST THEOLOGICAL SCHOOL IN OHIO

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Student tuition and fees	$ 1,979,660	$ -	$ 1,979,660
Less scholarship allowances and tuition discounts:	1,839,904	-	1,839,904
Net Student Tuition and Fees	139,756	-	139,756
Auxiliary enterprises	457,340	-	457,340
Private gifts	390,618	1,396,594	1,787,212
Ministerial Education Fund	733,683	-	733,683
Government grants	17,665	-	17,665
Other	43,354	-	43,354
Net assets released from purpose restrictions:			
Releases designated for current operations	2,781,436	(2,781,436)	-
Other releases	393,384	(393,384)	-
Total Revenue, Gains and Other Support	4,957,236	(1,778,226)	3,179,010
FUNCTIONAL EXPENSES			
Programs	2,765,644	-	2,765,644
Administrative	2,533,834	-	2,533,834
Fundraising	158,098	-	158,098
Total Functional Expenses	5,457,576	-	5,457,576
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	(500,340)	(1,778,226)	(2,278,566)
NON-OPERATING ACTIVITIES			
Net investment return	880	(3,488,970)	(3,488,090)
Change in funds held by others	-	(104,167)	(104,167)
Change in cash surrender value of life insurance	-	(31,303)	(31,303)
Change in value of split interest agreements	102,030	-	102,030
CHANGE IN NET ASSETS	(397,430)	(5,402,666)	(5,800,096)
NET ASSETS			
Beginning of year	6,431,308	63,149,210	69,580,518
End of year	$ 6,033,878	$ 57,746,544	$ 63,780,422

See notes to financial statements.

METHODIST THEOLOGICAL SCHOOL IN OHIO

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Programs	Administrative	Fundraising	Total
Salaries and wages	$ 2,072,842	$ 1,193,546	$ 133,071	**$ 3,399,459**
Pension plan contributions	129,503	75,684	8,973	**214,160**
Other employee benefits	99,980	58,430	6,928	**165,338**
Professional fees	-	64,837	-	**64,837**
Supplies	13,054	9,070	626	**22,750**
Telephone	470	-	-	**470**
Postage and shipping	1,136	3,730	1,502	**6,368**
Occupancy	46,463	331,731	-	**378,194**
Equipment rental and maintenance	26,822	336,619	1,004	**364,445**
Printing and publications	528	2,156	-	**2,684**
Travel	54,387	3,926	5,479	**63,792**
Conferences, conventions, and meetings	65,472	13,123	902	**79,497**
Payroll taxes	127,695	74,628	8,848	**211,171**
Other expenses	388,767	508,094	12,529	**909,390**
Total Expenses Before Depreciation and amortization	3,027,119	2,675,574	179,862	**5,882,555**
Depreciation and amortization	256,275	157,072	-	**413,347**
Total Expenses	$ 3,283,394	$ 2,832,646	$ 179,862	**$ 6,295,902**

METHODIST THEOLOGICAL SCHOOL IN OHIO

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Programs	Administrative	Fundraising	Total
Salaries and wages	$ 1,813,196	$ 1,115,586	$ 126,226	**$ 3,055,008**
Pension plan contributions	116,867	72,231	8,579	**197,677**
Other employee benefits	97,646	51,702	6,141	**155,489**
Professional fees	-	62,672	-	**62,672**
Supplies	11,204	16,479	22	**27,705**
Telephone	388	4,916	-	**5,304**
Postage and shipping	867	3,503	1,240	**5,610**
Occupancy	39,215	301,302	-	**340,517**
Equipment rental and maintenance	41,869	229,240	1,082	**272,191**
Printing and publications	374	10,294	-	**10,668**
Travel	28,039	1,204	342	**29,585**
Conferences, conventions, and meetings	39,451	2,289	640	**42,380**
Payroll taxes	89,796	55,500	6,592	**151,888**
Other expenses	232,568	451,139	7,234	**690,941**
Total Expenses Before Depreciation and amortization	2,511,480	2,378,057	158,098	**5,047,635**
Depreciation and amortization	254,164	155,777	-	**409,941**
Total Expenses	$ 2,765,644	$ 2,533,834	$ 158,098	**$ 5,457,576**

METHODIST THEOLOGICAL SCHOOL IN OHIO

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	**$ 2,191,108**	$ (5,800,096)
Adjustments to reconcile change in net assets to net cash and cash equivalents used by operating activities:		
Depreciation and amortization	**413,347**	409,941
Change in annuity obligations	**12,227**	(102,030)
Net realized and unrealized (gains) losses on investments	**(4,739,638)**	3,439,015
Change in funds held by others	**(19,615)**	104,167
Change in allowance for doubtful accounts	**100,853**	-
Change in unamortized discount on contributions receivable	**(3,142)**	9,287
(Increase) decrease in cash value of life insurance	**(37,215)**	31,303
	(2,082,075)	(1,908,413)
Changes in operating assets and liabilities:		
Accounts receivable	**(95,744)**	(10,602)
Other receivables	**(48,194)**	197,295
Contributions receivable	**(14,496)**	89,385
Loans receivable	**4,140**	22,952
Prepaid expenses	**(38,139)**	(33,200)
Accounts payable	**214,722**	(10,167)
Accrued expenses	**6,793**	6,223
Deferred revenue	**(7,110)**	5,850
Student deposits	**(34,370)**	(2,259)
Net Cash and Cash Equivalents Used by Operating Activities	**(2,094,473)**	(1,642,936)
INVESTING ACTIVITIES		
Purchases of property and equipment	**(507,971)**	(178,569)
Purchases of investments	**(2,876,386)**	(4,377,624)
Proceeds from disposition of investments	**4,104,485**	9,322,846
Net Cash and Cash Equivalents Provided by Investing Activities	**720,128**	4,766,653
FINANCING ACTIVITIES		
Payments on annuities	**(15,630)**	(17,261)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,389,975)**	3,106,456
CASH AND CASH EQUIVALENTS		
Beginning of year	**9,156,747**	6,050,291
End of year	**$ 7,766,772**	$ 9,156,747
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Change in value of deferred compensation liabilities and related assets	**$ 143,684**	$ (506,989)

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - The **Methodist Theological School in Ohio** (the "School") was established by the General Conference of The Methodist Church in 1956. Since then, the School has continued a close relationship with The United Methodist Church, and derives a significant portion of its funding through the denomination's Ministerial Education Fund ("MEF"). Aside from MEF funding, the School's other primary sources of revenue are investment earnings from its endowed funds, contributions, student tuition, and fees.

The School operates Seminary Hill Farm (the "Farm"). The Farm was created to further the sustainability and land initiative in the School's mission. The Farm operation supplies food for the School's dining hall, as well as the surrounding community. Revenue and expenses associated with the Farm are included in the accompanying Statements of Activities as auxiliary enterprises.

Basis of Accounting - The School's financial statements are prepared on the accrual basis of accounting. The School's financial statement presentation is in accordance with generally accepted accounting principles ("GAAP"). Under GAAP, the School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are those that are not subject to donor-imposed restrictions and are available for use in the School's ongoing operations. Net assets with donor restrictions are those whose use by the School has been limited by donors for scholarships, loans, academic programs, a specific time period or have been restricted by donors to be maintained by the School in perpetuity, the income of which is expendable to support scholarship and educational programs. The School has no net assets with restrictions that are restricted in perpetuity.

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

Contributions - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are initially classified as net assets with donor restrictions, reflected as released from restriction and reclassified as net assets without donor restrictions.

Cash and Cash Equivalents - Cash equivalents include amounts in money market funds and financial instruments with a maturity of less than three months at the date of purchase.

Concentrations - The School's cash and cash equivalents as of June 30, 2023 and 2022 were on deposit in various financial institutions which, at various times throughout the period were in excess of FDIC insurance limits of $250,000.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Receivables - Accounts and other receivables are stated at the amount billed to students or due from third parties. The School provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts and other receivables are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Loans receivable primarily represents amounts due from employees. The School provides an allowance for doubtful accounts, which is based upon a review of outstanding loans, historical collection information, and existing economic conditions. Delinquent loans are written off based on individual credit evaluation.

Contributions and Net Asset Classifications - Gifts of cash and other assets, without donor stipulations, are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the Statements of Activities as net assets released from restrictions. Gifts and investment income having donor stipulations, which are satisfied in the period the gift is received, are reported initially as revenue and net assets with donor restrictions, reflected as released from restriction, and reclassified as net assets without donor restrictions.

Gifts of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are discounted to present value. The resulting discount is amortized and is reported as contribution revenue.

Endowments - The State of Ohio has adopted the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). Management has determined that the majority of the School's net assets meet the definition of endowments under UPMIFA. The School is governed subject to the governing documents for the School, and most contributions are subject to the terms of the governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the School.

Under the terms of the governing documents, the Board of Trustees has the ability to distribute a certain amount of the corpus of any endowment fund or separate gift, devise, bequest, or fund, as the Board in its sole discretion shall determine. In accordance with UPMIFA, the School 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 School and the donor-restricted endowment funds
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 School
7. The investment policies of the School

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

As a result of the ability to distribute corpus, the Board of Trustees has determined that all endowment contributions received subject to the governing document, and subject to UPMIFA, are classified as net assets with donor restrictions until appropriated, at which time the appropriation is reclassified to net assets without donor restrictions. Contributions that are subject to other gift instruments may be recorded as net assets with donor restrictions with donor time and purpose restrictions or as net assets without donor restriction, depending on the specific terms of the agreement.

Endowment Investment and Spending Policies - The School has adopted investment and spending policies for endowment assets that attempt to preserve the real purchasing power of the assets, and provide a growing stream of income to be made available for spending and keeping pace with inflation in order to sustain the educational and general operations of the School. The School's spending and investment policies work together to achieve this objective. The investment policy establishes a return objective through diversification of asset classes. The current long-term return objective is to follow a careful and prudent investment policy which, over the long-term, is expected to achieve a relatively high total return consistent with an acceptable risk level. Actual returns and spending rates in any given year may vary from this amount.

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

The spending policy calculates the amount of money annually distributed from the School's various endowed funds. The current spending policy is to distribute an amount up to 6.50%, determined annually by the Board of Trustees, of the lesser of a moving 12 quarter average, or the value of the endowment assets at December 31 of the year prior to the commencement of the next fiscal year. Accordingly, over the long-term, the School expects the current spending policy to allow its endowment assets to grow, consistent with the School's objective to maintain the purchasing power of endowment assets, as well as to provide additional real growth through new gifts and investment return.

Investments and Investment Return - Investments in equity securities having a readily determinable fair value, and debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value at time of donation, if acquired by contribution. Investment return includes dividend, interest, and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment - Property and equipment are stated at cost, while donated items are reported at fair value on the date of the contribution, and depreciated over their estimated useful lives using the straight-line method. Depreciation expense was $413,347 and $409,941 for the years 2023 and 2022. Routine repairs and maintenance are charged to expense when incurred.

The School capitalizes all expenditures in excess of $1,000 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support and net assets with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support and net assets without donor restrictions.

The School reviews for impairment of long-lived assets in accordance with accounting standards. These standards require organizations to determine if changes in circumstances indicate that the carrying amount of its long-lived assets may not be recoverable. If a change in circumstances warrants such an evaluation, undiscounted future cash flows from the use and ultimate disposition of the asset, as well as respective market values, are estimated to determine if an impairment exists. Management believes that there has been no impairment of the carrying value of its long-lived assets at June 30, 2023 and 2022.

Collections - Collections of works of art, historical treasures, and similar assets are capitalized as long as the items are preserved and cared for continuously. Purchases of collection items are reported in the year of acquisition as decreases in net assets without donor restrictions, or net assets with donor restrictions, if the assets used to purchase the items were restricted to that use by donor stipulation. Contributions of collection items are not reported in the financial statements. It is the policy of the School that proceeds from the sale or insurance on any collection items are to be used to purchase additional collection items or for the direct care of existing collections. The School defines direct care of collections as any activity that involves the protection and preservation of the collection.

The School's collections consist of various works of art, such as paintings and other framed artwork, various library holdings, and miscellaneous objects.

There were $6,800 and $4,829 of additions to the collection during 2023 and 2022.

No collection items were sold or removed during 2023 or 2022.

Tuition and Fees - Tuition and fees are reported as revenue over the academic term earned; tuition and fees collected that are applicable to a future academic term are reportable as deferred revenue.

Advertising Costs - Advertising costs are expensed as incurred. Advertising expense was $69,195 and $37,426 for 2023 and 2022.

Income Tax Status - The School is a not-for-profit organization incorporated under the laws of the State of Ohio, and is exempt from the payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the School is subject to federal income tax on any unrelated business taxable income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting for Uncertainty in Income Taxes - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the School's tax returns, to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. Based on its review, management does not believe the School has taken any material uncertain tax positions, including any position that would place the School's exempt state in jeopardy as of June 30, 2023 and 2022.

Subsequent Events - In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through Pending, 2023, the date the financial statements were available to be issued.

NOTE 2 - REVENUE RECOGNITION

Student Tuition

Student tuition is related to the School's graduate programs and certificate training tracks. The tuition is recognized over the academic period of the course or program offered based on time elapsed, and scholarships awarded to students reduce the amount of revenue recognized. Revenue recognized reflects the consideration the School expects to be entitled to in exchange for those services. The academic cycle and programs are completed within the fiscal year. Tuition deposits received prior to the end of the fiscal year for subsequent semesters are deferred for recognition in the following fiscal year. Refunds of student tuition are issued to students who withdraw from the course or program within one month, on a prorated basis, from the start of the course or program.

The contract balances at June 30, 2023 and 2022 are presented on the statements of financial position. At July 1, 2021 contract balances included accounts receivable of $92,995 and deferred revenue of $18,667.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The following reflects the School's financial assets as of the statements of financial position dates, reduced by amounts not available for general use within one year of the statements of financial position dates because of donor-imposed restrictions or internal designations. Financial assets are considered unavailable when not convertible to cash within one year such as endowments which include board designated endowments.

	2023	2022
Cash and cash equivalents	**$ 7,766,772**	$ 9,156,747
Accounts receivable	**98,488**	103,597
Other receivables	**125,673**	77,479
Contributions receivable	**132,294**	114,656
Investments	**51,776,393**	48,121,170
Funds held by others	**417,079**	397,463
Total financial assets	**60,316,699**	57,971,112
Less those unavailable for general expenditure within one year due to:		
Endowment funds subject to the School's spending policy:		
Donor restricted funds less the next year's approved draw	**(58,127,494)**	(54,689,530)
Board designated funds less amount available for balancing current budget	**(851,521)**	(1,077,004)
Contribution receivables due in one year or more	**(69,231)**	(107,508)
Funds held by others	**(417,079)**	(397,463)
	(59,465,325)	(56,271,505)
Financial assets available to meet cash needs for general expenditures within one year	**$ 851,374**	$ 1,699,607

Board designated endowments are board designated for expenditures approved by the Board. Although management does not intend to spend from this board designated endowment (other than amounts appropriated for expenditure as part of the Board's approval) these amounts could be made available if necessary.

In addition to financial assets available to meet general expenditures over the year above, the School expects to collect tuition, contributions, grants, and revenue from auxiliary enterprises and maintains a $500,000 line of credit to assist in covering its general expenditures. See Note 9.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

	2023	2022
Due within one year	$ 64,498	$ 8,316
Due in one to five years	80,000	115,401
	144,498	123,717
Less unamortized discount	12,204	9,061
	$ 132,294	$ 114,656

At June 30, 2023 and 2022, gross pledges receivable were $247,741 and $258,801. Amounts reflected in the table above are valued at their net realizable value, net of allowance for uncollectible accounts. The present value of the net contributions receivable was determined using discount rates ranging from 2.31% to 6.13% at June 30, 2023 and 2022.

NOTE 5 - INVESTMENTS AND INVESTMENT RETURN

	2023	2022
Commonfund		
Bonds	$ 4,505,283	$ 4,560,696
Money market fund	1,728,369	-
Equity	30,799,473	25,894,670
Other	11,063,139	14,153,953
	48,096,264	44,609,319
Common stock	-	8,699
Annuity contracts	3,088,849	2,911,872
Land	591,280	591,280
	$ 51,776,393	$ 48,121,170

The School uses a formal spending policy described in Note 1 to determine the amount of total return on the endowment to be expended for current operations. The Board approved a spendable rate of return of 6.50% for 2023 and 2022. The spendable return was $3,057,015 and $2,840,435 for 2023 and 2022.

Net investment return is comprised of the following:

	2023	2022
Interest and dividends	$ 32,205	$ 26,925
Investment fees	(74,756)	(76,000)
Net realized gain (loss) on investments	4,462,404	(7,009,333)
Net unrealized gain on investments	277,234	3,570,318
	$ 4,697,087	$ (3,488,090)

NOTE 6 - FAIR VALUE MEASUREMENTS

Accounting standards provide a framework for measuring fair value. This 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 the accounting standards are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School 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 or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair values of the School's financial assets measured on a recurring basis at June 30, 2023 and 2022 are as follows:

	2023			
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Investments				
Commonfund	**$ 48,096,264**	**$ -**	**$ 37,033,125**	**$ 11,063,139**
Annuity contracts	**3,088,849**	**-**	**3,088,849**	**-**
	$ 51,185,113	**$ -**	**$ 40,121,974**	**$ 11,063,139**

	2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Common stock	$ 8,699	$ 8,699	$ -	$ -
Commonfund	44,609,319	-	30,455,366	14,153,953
Annuity contracts	2,911,872	-	2,911,872	-
	$ 47,529,890	$ 8,699	$ 33,367,238	$ 14,153,953

NOTE 6 - FAIR VALUE MEASUREMENTS - CONTINUED

Common Stock - Fair value measurement for common stock investments is determined by reference to quoted market prices.

Commonfund - Level 2 fair value measurement for Commonfund investments is based on quoted prices in markets that are not active, or model inputs that are observable either directly or indirectly for substantially the full term of the investments. Level 3 fair value measurement for Commonfund investments is based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

Annuity Contracts - Fair value measurements for the annuity contracts are determined by third-party administrators.

Land - Land investments are held at cost and recorded in investments on the statement of financial position for the years ended June 30, 2023 and 2022, as such the amounts are excluded from the fair value table above.

The following summarizes the change in fair value of those Commonfund investments measured on a recurring basis using Level 3 inputs:

	2023	2022
Balance, beginning of year	**$ 14,153,953**	$ 14,197,864
Purchases	**1,116,625**	4,370,001
Sales	**(4,009,949)**	(5,042,790)
Net realized and unrealized gains	**(197,490)**	628,878
Balance, end of year	**$ 11,063,139**	$ 14,153,953

NOTE 7 - ASSETS HELD BY OTHERS

The School is the beneficiary of a fund held by the United Methodist Foundation for Evangelism. Because the School has variance power over these funds, they are included on the Statements of Financial Position as funds held by others. The value of these assets was $417,079 and $397,463 at June 30, 2023 and 2022.

In addition, the School is the beneficiary of a fund held by the Columbus Foundation (the "Foundation"). Because of the variance power granted at the Foundation, the assets are not considered assets of the School and are not included in the Statements of Financial Position. The value of the assets held by the Foundation was $1,943,970 and $1,802,577 at June 30, 2023 and 2022. The School received distributions from the fund of $38,761 and $62,166 for 2023 and 2022. These amounts are included in private gifts on the Statements of Activities.

NOTE 8 - PROPERTY AND EQUIPMENT

	2023	2022
Land and land improvements	$ 1,350,400	$ 1,038,170
Buildings and leasehold improvements	14,477,572	14,317,586
Furniture, fixtures and equipment	1,698,511	1,687,605
Library books	2,860,398	2,853,598
Technology	2,257,097	2,242,048
Machinery and equipment	703,288	700,288
	23,347,266	22,839,295
Less accumulated depreciation and amortization	15,580,341	15,166,994
	$ 7,766,925	$ 7,672,301

NOTE 9 - LINE OF CREDIT

The School has a $500,000 revolving bank line of credit that does not have an expiration date. Interest is payable monthly on outstanding borrowings at 0.56% plus the Prime Rate (8.25% and 4.75% at June 30, 2023 and 2022). The agreement is secured by assets of the School. There were no outstanding borrowings on this line of credit during the years 2023 and 2022.

NOTE 10 - ANNUITIES AND TRUSTS PAYABLE

The School has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The School has recorded a liability of $147,771 and $151,174 at June 30, 2023 and 2022, which represents the present value of the future annuity obligations. At June 30, 2023 and 2022, the liability has been determined using a discount rate of 6.76%.

NOTE 11 - ENDOWMENT FUNDS AND NET ASSETS

The following is a summary of changes in endowment net assets for 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,177,005	$ 57,746,544	$ 58,923,549
Net investment return (realized and unrealized)	-	4,697,087	4,697,087
Contributions	162,383	2,129,395	2,291,778
Other revenues and program transfers	-	56,830	56,830
Amounts appropriated for expenditure	(387,867)	(3,616,539)	(4,004,406)
Endowment net assets, end of year	$ 951,521	$ 61,013,317	$ 61,964,838

NOTE 11 - ENDOWMENT FUNDS AND NET ASSETS - CONTINUED

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,146,048	$ 63,149,210	$ 64,295,258
Net investment return (realized and unrealized)	880	(3,488,970)	(3,488,090)
Contributions	164,661	1,396,594	1,561,255
Other revenues and program transfers	-	(135,470)	(135,470)
Amounts appropriated for expenditure	(134,584)	(3,174,820)	(3,309,404)
Endowment net assets, end of year	$ 1,177,005	$ 57,746,544	$ 58,923,549

The following is a summary of endowment net asset composition by type of fund as of June 30, 2023 and 2022:

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor restricted endowment funds	**$ -**	**$ 61,013,317**	**$ 61,013,317**
Board designated endowment funds	**951,521**	**-**	**951,521**
	$ 951,521	**$ 61,013,317**	**$ 61,964,838**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 57,746,544	$ 57,746,544
Board designated endowment funds	1,177,005	-	1,177,005
	$ 1,177,005	$ 57,746,544	$ 58,923,549

In addition to endowment net assets, the School also manages other non-endowed funds. The following table summarizes all School net assets as of June 30, 2023 and 2022:

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment funds	**$ 951,521**	**$ 61,013,317**	**$ 61,964,838**
Non-endowment operating funds	**4,006,692**	**-**	**4,006,692**
	$ 4,958,213	**$ 61,013,317**	**$ 65,971,530**

NOTE 11 - ENDOWMENT FUNDS AND NET ASSETS - CONTINUED

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$ 1,177,005	$ 57,746,544	$ 58,923,549
Non-endowment operating funds	4,856,873	-	4,856,873
	$ 6,033,878	$ 57,746,544	$ 63,780,422

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

The net asset with donor restrictions class includes assets and trust obligations of the School related to gifts with explicit donor-imposed restrictions that have not been met as to specific purpose, or to later periods of time, or after specific dates.

	2023	2022
Purpose restricted:		
Loan funds	**$ 12,212**	$ 12,212
Endowed chairs, scholarships, and programs	**61,001,105**	57,734,332
	$ 61,013,317	$ 57,746,544

NOTE 13 - FUNCTIONAL EXPENSE ALLOCATION

The School follows the direct allocation method for wage, employee benefits, and depreciation. Costs that can be identified to specific programs or administrative services are charged directly to those services. Overhead costs that benefit multiple programs or services, are allocated based on management's assessment and are reviewed on an on-going basis.

NOTE 14 - RELATED PARTY

The School had loans receivable balances of $76,560 and $80,700 for the years 2023 and 2022. Loans receivable primarily represents amounts due from employees and students, and as such is related party activity.

NOTE 15 - NON-QUALIFIED DEFERRED COMPENSATION PLAN

The School has a non-qualified deferred compensation plan for clergy provided through Lincoln National Life Insurance. Under this agreement, the School and Plan participants made monthly contributions to purchase individually owned annuity contracts. The amount of contributions made by the participant and the School were based on the employee's earnings. Vesting provisions are full and immediate. The Plan was frozen on December 31, 2006.

The School has adopted a 457(b) Deferred Compensation Plan for the benefit of all regular, full-time employees who are also ordained clergy. Under this Plan, elective deferrals of participants may be made up to the maximum amount permitted by law. The School will make matching contributions equal to 8% of the amount of annual salary that participants declare as "housing" allowance. The School's expense related to this Plan was $36,490 and $34,587 for 2023 and 2022. The value of the annuity contracts included in investments and in deferred compensation liability was $2,757,555 and $2,613,871 at June 30, 2023 and 2022.

NOTE 16 - RETIREMENT BENEFIT PLAN

The School provides a 403(b) retirement annuity program for substantially all employees through the Teachers Insurance and Annuity Association (T.I.A.A.), and the College Retirement Equities Fund (C.R.E.F.), national organizations used to fund retirement benefits for educational institutions. The School contributes a non-elective 8% of an employee's compensation to an annuity. The School's expense related to this Plan was $177,671 and $163,090 for 2023 and 2022.

METHODIST THEOLOGICAL SCHOOL IN OHIO

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULES

YEAR ENDED JUNE 30, 2023

Primary Reserve Ratio:

	Expendable Net Assets		
SFP	Net assets without donor restrictions		$ 4,958,213.00
SFP	Net assets with donor restrictions		61,013,317.00
SFP	Secured and unsecured related party receivable	$ 76,560.00	
SFP	Unsecured related party receivable		76,560.00
SFP	Property, plant and equipment, net	7,766,925.00	
SFP	Property, plant and equipment pre-implementation		7,766,925.00
N/A	Property, plant and equipment post-implementation		-
N/A	Construction in progress		-
N/A	Lease right-of-use asset, net		-
N/A	Intangible assets		-
SFP	Post-employment and pension liabilities		2,757,555.00
N/A	Long-term debt - for long term purposes		-
N/A	Long-term debt - for long term purposes pre-implementation		-
N/A	Long-term debt - for long term purposes post implementation		-
N/A	Line of credit for construction in progress		-
N/A	Lease right-of-use asset liability		-
N/A	Pre-implementation right-of-use asset liability		-
N/A	Post-implementation right-of-use asset liability		-
SFP	Annuities with donor restrictions		147,771.00
Note A	Term endowments with donor restrictions		57,979,723.00
N/A	Life income funds with donor restrictions		-
N/A	Net assets with donor restrictions: restricted in perpetuity		-
	Total Expendable Net Assets		$ 2,758,106.00
	Total Expenses and Losses		
SOA	Total expenses without donor restrictions		$ 6,295,902.00
Note B	Non-operating and net investment (loss)		12,227.00
N/A	Net investment losses		-
N/A	Pension-related changes other than periodic costs		-
	Total Expenses and Losses without donor restriction		$ 6,308,129.00
	Primary Reserve Ratio		0.4372

Note A: As of June 30, 2023 the board of the Organization approved a draw of $2,885,823 for use in fiscal year 2024, as such this amount will be included in expendable net assets. Balances of $147,771 and $57,979,723 sum to $58,127,494 which represents net assets with donor restrictions in Note 3 of the financial statements.

Note B: Non-operating and net investment (loss) represents the sum of the change in annuity obligations on the statement of activities. $12,227 loss for the year ended June 30, 2023.

METHODIST THEOLOGICAL SCHOOL IN OHIO

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULES - CONTINUED

YEAR ENDED JUNE 30, 2023

Equity Ratio

Modified Net Assets			
SFP	Net assets without donor restrictions		$ 4,958,213.00
SFP	Net assets with donor restrictions		$ 61,013,317.00
N/A	Intangible assets		-
SFP	Secured and unsecured related party receivable	$ 76,560.00	
SFP	Unsecured related party receivable		76,560.00
	Total Modified Net Assets		$ 65,894,970.00
Modified Assets			
SFP	Total assets		$ 69,487,032.00
N/A	Lease right-of-use asset pre-implementation		-
N/A	Pre-implementation right-of-use asset liability		-
N/A	Intangible assets		-
SFP	Secured and unsecured related party receivable	$ 76,560.00	
SFP	Unsecured related party receivable		76,560.00
	Total Modified Assets		$ 69,410,472.00
		Equity Ratio	0.9494

Net Income Ratio

SOA	Change in net assets without donor restrictions before non-operating activities	$ (1,063,438.00)
SOA	Total revenue, gains, and other support	$ 5,232,464.00
SOA	Investment return on net assets without donor restrictions	-
	Total	$ 5,232,464.00
	Net Income Ratio	-0.2032

Composite Score

Step 1: Calculate the strength factor score for each ratio by using the following algorithms:
Primary Reserve strength factor score = 10x the primary reserve ratio result
Equity strength factor score = 6x the equity ratio result
Negative net income ratio result: Net Income strength factor = 1 + (25x net income ratio)
Positive net income ratio result: Net Income strength factor = 1 + (50x net income ratio)
Zero result net income ratio: Net Income strength factor = 1

If the strength factor score for any ratio is greater than or equal to 3, strength factor score is 3
If the strength factor score for any ratio is less than or equal to -1, strength factor score is -1

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores.
Primary Reserve weighted score = 40%x the primary reserve strength factor score
Equity weighted score = 40%x the primary reserve strength factor score
Net Income weighted score = 20%x the primary reserve strength factor score
Composite Score = the sum of all weighted scores
Round the Composite score to one digit after the decimal point to determine the final score

	Ratio	Strength Factor	Weight	Composite Score
Primary Reserve Ratio	0.4372	3	40%	1.2
Equity Ratio	0.9494	3	40%	1.2
Net Income Ratio	-0.2032	-1	20%	-0.2
	Total Composite Score - Rounded			2.2

See independent auditors' report.