

Fund management and donations that support small group liberal arts education

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In order to fulfill its mission to cultivate people who serve God and humankind and can make practical contributions to world peace and coexistence, International Christian University (ICU) has worked to deepen and strengthen its liberal arts education since its establishment. In FY 2014, the university was designated as a “Top Global University” (Ministry of Education, Culture, Sports, Science and Technology [MEXT] Top Global University Project), and it received a grade of S, the highest, for the midterm evaluation conducted in FY 2017. Together with ICU High School, which was designated as a “Super Global High School,” ICU is further promoting global liberal arts education and is steadily producing results.

Aiming to enrich its educational environment even more, ICU is also focusing on facilities improvements. In terms of new facilities, the student dormitories Momi House and Maple House (capacity: 320 students) opened in April 2017. With this, the university accommodated students who want to live in ICU dormitories (whose numbers greatly exceeded total capacity) and prepared a system for accepting international students to strengthen its global education. Furthermore, in November 2017, construction of new physical education facilities (gymnasium, pool building, etc.) began. (Construction completed in the winter of 2018.) This construction had been planned since the existing physical education facilities were envisioned – a gateway leading to the new physical education facilities was created on the second floor of the Central Locker Building – and the vision of 50 years’ standing will be realized. ICU is one of the few universities to require physical education courses even after they became unnecessary with the 1991 revision of the Standards for Establishment of Universities. However, the capacity of the existing facilities was insufficient, since they were originally premised on joint use with additional physical education facilities. With the completion of the new physical education facilities, physical education suitable for small group education will be realized. In addition, with the 60th anniversary of the establishment of ICU now past, facilities showing age are being comprehensively evaluated in terms of urgency of repairs, necessity of repairs, and economic justifiability and repaired/renovated as appropriate. Since interest rates are low and stable and the borrowing environment is good, funds necessary for these facilities improvements are mainly procured via long-term loans from Promotion and Mutual Aid Corporation for Private Schools of Japan (PMAC) and private financial institutions.

In addition to facilities improvements, maintaining ICU’s small group liberal arts education requires a budget that exceeds revenues such as student tuition & fees and subsidies. What supports these in the long term are fund management gains. Currently, funds amounting to approximately 46 billion yen are invested in securities such as stocks, bonds, hedge funds, and real estate, and a total of approximately 16 billion yen has been transferred from these funds to the university budget in the past 10 years. Management of funds is deliberated and determined by the Endowment Committee, a committee of the Board of Trustees, with reference to the advice of external consultants, advisory committees, etc. In particular, strategies that aim to increase long-term rates of return within the scope of liquidity risk constraints based on future fund demand are being adopted. FY 2016 policies decreased allocations to bonds (increased risk of rise in interest rates) and increased investments in non-traditional assets (starting with hedge funds) and unlisted stocks.

There is no other university whose foundation is built with the goodwill and support of many international people to the extent that ICU is. The total amount of donations since the start of fundraising in 2006 exceeds approximately 500 million yen. ICU has received support from many people for, among other things, the Peace Bell Scholarships (awarded to 123 students as of FY 2017), the Sakura Fund (which achieved its target of 40 million yen in the approximately 2 years since April 2014), and the New Student Dormitories Fundraising Campaign (which likewise achieved its target of 40 million yen). In aiming for sound financial management while continuously providing a good educational environment, the importance of donations is increasing more and more. Your continuing support for the enrichment of ICU's education and research, including educational environment improvements, is requested.

ICU's financial picture for FY 2017 is explained below based on its statement of revenues and expenses, which is a metric for determining financial soundness and safety. In addition, the statement of cash flows and the statement of financial position, whose creation is required by accounting standards for educational corporations, are provided. The use of external funds at ICU is also reported.

#### 1. FY 2017 Revenues and Expenses

Overall, revenues totaled 8,765 million yen (+2,204 million yen compared to the previous fiscal year), and expenses totaled 7,697 million yen (+355 million yen compared to the previous fiscal year).

For educational activities, the difference between revenues and expenses was -1,233 million yen, -97 million yen compared to the previous fiscal year. In terms of revenues, student tuition and fees increased by 66 million yen, subsidies increased by 26 million yen, auxiliary enterprises increased by 117 million yen, and miscellaneous increased by 136 million yen, whereas donations decreased by 157 million yen. In terms of expenses, personnel (including provisions for retirement allowance reserves) increased by 64 million yen, education/research/administration increased by 130 million yen, and depreciation increased by 89 million yen.

For non-educational activities, the difference between revenues and expenses was +2,230 million yen, +2,003 million yen compared to the previous fiscal year. Due to an increase in fund management gains, investment income increased by 2,007 million yen.

The balance between educational and non-educational activities (or the sum of the differences between revenues and expenses for educational and non-educational activities) was +996 million yen, +1,905 million yen compared to the previous fiscal year.

For special activities, the difference between revenues and expenses was +70 million yen, -56 million yen compared to the previous fiscal year. Other special revenues increased by 9 million yen due to an increase in subsidies for facilities and equipment, and special expenses increased by 65 million yen due to, among other things, an increase in disposal of assets accompanying demolition of old facilities.

The difference between revenues and expenses before transfers to capital funds, which is the sum of the differences between revenues and expenses for these 3 categories (educational activities, non-educational activities, and special activities) was +1,067 million yen, +1,849 million yen compared to the previous fiscal year. Furthermore, total transfers to capital funds (amount corresponding to expenses covered by ICU's own resources for construction/expansion of facilities, etc.) was -677 million yen, an increase of 89 million yen compared to the previous fiscal year.

As a result, the difference between revenues and expenses after transfers to capital funds (difference between revenues and expenses for educational activities + difference between revenues and expenses for non-educational activities + difference between revenues and expenses for special activities – total transfers to capital funds) was +390 million yen. As explained above, steady progress is being made toward a balanced budget through, among other things, increase in revenues from the solar power generation project (a new revenue-generating enterprise) and implementation of various measures to reduce expenditures, taking into account ICU's unique financial structure stemming from small group education. With a view to establishing sustainable finances, ICU will continue to make efforts to, among other things, further cut costs based on reevaluations of returns on investments; improve operational efficiency through the promotion of information technology; obtain external funds such as project subsidies and competitive research funds; and increase revenues through active development of revenue-generating enterprises (e.g. implementation of new educational programs) and fund-raising.

Table 1: Expenditures per student (FY 2016)

Unit: thousand yen

Item	ICU	Private universities (excluding medical and dental universities)	The Japan Association of Private Universities And Colleges (JAPUC) member universities (humanities/social sciences)
Personnel	1,358	743	687
Education, research	426	353	314
Administration	379	95	82
Interest paid on debt	19	3	2
Scheduled principal paid on debt	133	32	40
Facilities	876	141	132
Equipment	37	48	37
Total	3,228	1,415	1,293

Table 2: Educational environment (FY 2016)

	ICU	Average for private universities
Number of students per full-time faculty member	20	26
Number of students per full-time staff member	27	41
Number of books per student	275	
Campus area per student	208 m <sup>2</sup>	
Building area per student	32 m <sup>2</sup>	

1. The average for private universities refers to the average of JAPUC member universities.
2. Source: Data on the financial pictures of member universities (FY 2016 account settlements, JAPUC)
3. The number of students is the total number of undergraduate and graduate students.

## 2. Use of External Funds

ICU has obtained a wide variety of project subsidies, contract research funds, etc. as external funds and is effectively utilizing them for educational and research activities. Highlights include the MEXT 21st Century Center of Excellence Program (COE), MEXT programs to support university education reforms, MEXT Top Global University Project, and MEXT Grants-in-Aid for Scientific Research.

- a. COE: 520 million yen (FY 2003 - FY 2007)
- b. Programs to support university education reforms through national, public, and private universities: 270 million yen (FY 2003 - FY 2009) (Distinctive University Education Support Program (Good Practice [GP]),

Program to Promote Internationalization of University Education [Strategic Support for International Collaboration], Initiatives for Attractive Education in Graduate Schools, Support for Research in Advanced Education Overseas, etc.)

- c. Project for Promotion of Global Human Resource Development: 87 million yen (FY 2012 - FY 2014) (integrated with the Top Global University Project in FY 2014)
- d. Top Global University Project: 1.42 billion yen (planned) (FY 2014 - FY 2023)

The amounts of MEXT Grants-in-Aid for Scientific Research, contract research funds, etc., which are vital for building ICU's research foundation and which ICU obtained from FY 2013 to FY 2017, are summarized below. (MEXT Grants-in-Aid for Scientific Research are not included in ICU's accounting and instead are selectively distributed among individual researchers and/or research groups according to their research achievements.)

Unit: million yen

Fiscal year	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
External fund type					
MEXT Grants-in-Aid for Scientific Research	92.7	81.2	72.7	92.6	77.8
Contract research funds, etc. <sup>1</sup>	4.9	12.5	4.6	9.8	20.6
Total	97.6	93.7	77.3	102.4	98.4

<sup>1</sup> External research funds other than MEXT Grants-in-Aid for Scientific Research, e.g. contract research funds, joint research funds, and donations to support education and research.

## Statement of Revenues and Expenses for the Year Ended March 31, 2018

Unit: thousand yen

		University		Consolidated Amount for School Juridical Person		
		FY 2017	Compared with FY 2016	FY 2017	Compared with FY 2016	
Educational activities	Revenues	Student tuition and fees	4,303,706	66,318	5,000,189	32,938
		Entrance exam and other processing fees	94,626	△ 743	125,066	△ 3,473
		Dornations	147,146	△ 157,936	191,001	△ 134,103
		Subsidies	780,776	26,592	1,097,811	37,915
		Auxiliary enterprises	516,601	117,028	575,956	111,390
		Miscellaneous	318,709	136,939	363,495	115,672
		Total	6,161,564	188,198	7,353,518	160,339
	Expenses	Personnel	4,112,171	64,780	4,939,778	18,540
		Education, research, and administration	2,376,985	130,179	2,870,676	276,807
		Depreciation	902,195	89,550	1,013,414	91,582
		Uncollectable payments	3,566	1,545	3,566	1,545
Total		7,394,917	286,054	8,827,434	388,474	
Difference between revenues and expenses		△ 1,233,353	△ 97,856	△ 1,473,916	△ 228,135	
Non-educational activities	Revenues	Investment income	2,393,012	2,007,117	2,505,837	2,007,151
		Other	50,000	0	50,000	0
		Total	2,443,012	2,007,117	2,555,837	2,007,151
	Expenses	Interest paid on debt	57,821	960	65,355	1,398
		Other	154,904	2,596	154,915	2,573
		Total	212,725	3,556	220,270	3,971
	Difference between revenues and expenses		2,230,287	2,003,561	2,335,567	2,003,180
Balance between educational & non-educational activities		996,934	1,905,705	861,651	1,775,045	
Special	Revenues	Proceeds from the sale of assets	0	0	0	0
		Other	161,052	9,294	161,566	4,461
		Total	161,052	9,294	161,566	4,461
	Expenses	Disposal of assets	89,692	82,086	101,483	93,412
		Other	436	△ 16,108	436	△ 16,108
		Total	90,128	65,978	101,919	77,304
	Difference between revenues and expenses		70,924	△ 56,684	59,647	△ 72,843
Difference between revenues and expenses before transfers to capital funds		1,067,858	1,849,021	921,298	1,702,202	
Total transfers to capital funds		△ 677,077	△ 89,107	△ 715,269	△ 116,680	
Difference between revenues and expenses after transfers to capital funds		390,781	1,759,914	206,029	1,585,522	
(Reference)						
Total revenues		8,765,628	2,204,609	10,070,921	2,171,951	
Total expenses		7,697,770	355,588	9,149,623	469,749	

## Statement of Cash Flows for the Year Ended March 31, 2018

\*Consolidated Amount for School Juridical Person

Unit: thousand yen

	FY 2017	Compared with FY 2016
<b>Revenues</b>		
Student tuition and fees	5,000,189	32,938
Entrance exam and other processing fees	125,066	△ 3,473
Dornations	192,406	△ 233,128
Subsidies	1,213,136	133,755
Auxiliary enterprises	625,956	111,390
Investment income	2,505,837	2,007,151
Other incomes	4,557,798	△ 604,975
Cash inflow adjustments	△ 1,121,663	△ 150,269
Cash carried over from previous year	1,786,880	521,153
Total	14,885,605	1,814,542
<b>Expenses</b>		
Personnel	4,965,124	21,449
Education, research, and administration	2,999,626	258,034
Interest paid on debt and scheduled principal paid on debt	601,703	89,342
Facilities	1,143,070	△ 1,478,611
Equipment	107,845	△ 8,471
Other expenses	3,453,104	2,767,631
Cash outflow adjustments	△ 453,778	△ 116,863
Cash carried over to next year	2,068,911	282,031
Total	14,885,605	1,814,542

## Statement of Financial Position at March 31, 2018

\*Consolidated Amount for School Juridical Person

Unit: thousand yen

<b>Assets</b>	
Noncurrent assets	66,115,076
Property, plant and equipment	23,290,646
Designated assets	42,221,448
Other assets	602,982
Current assets	2,408,678
Total	68,523,754
<b>Liabilities and Net Assets</b>	
Noncurrent liabilities	8,197,816
Current liabilities	2,018,195
Capital funds	53,872,141
Balance carried forward to next year	4,435,602
Total	68,523,754