

Facility Development and Financial Management To Support Liberal Arts Education in Small Classes

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In order to fulfill the mission to cultivate people who serve God and humankind and make practical contributions to world peace and coexistence, International Christian University (ICU) has endeavored to enrich and strengthen liberal arts education since its establishment. Selected by the Ministry of Education, Culture, Sports, Science and Technology (MEXT) as a “Top Global University Project (FY2014–FY2023)” in FY2014, the University received the highest grade of “S” in the interim evaluations conducted in FY2017 and FY2020, and completed its eighth year in FY2021. Along with advancing the Top Global University Project at ICU, we are making steady progress in promoting the global educational activities of liberal arts.

In an effort to further improve its learning environment, ICU has also been working on campus facility developments. The East Wing of the Diffendorfer Memorial Hall (D-kan) underwent extensive renovations, which were completed in December 2021. The Auditorium was renovated with the latest equipment for air conditioning, lighting, and stage equipment, and individual air conditioning systems were installed in student club rooms. Moreover, an elevator was installed to make the facility barrier-free, and the multipurpose restroom was renovated. D-kan was comprehensively renovated by repairing deteriorated parts with the lapse of time while preserving W.M. Vories’ modernist design.

In November 2022, the construction of Troyer Memorial Arts and Sciences Hall, a new educational facility that will provide a “Hub Central” where students and faculty can relax and study with adjacent seminar rooms, as well as large classrooms for large-scale lectures and classes, will be completed. In addition, the Science Hall’s current facilities and functions will be transferred there, including faculty offices and laboratories. It will also house several research institutes for social sciences studies and administrative offices.

Furthermore, the University Hall, the Science Hall, the Integrated Learning Center, and other important buildings that have long supported ICU’s liberal arts education will sequentially undergo a large-scale renovation. The Science Hall will go through a major renovation after its functions are moved to Troyer Memorial Arts and Sciences Hall, and then renovations of the University Hall will follow.

The funds required for these facility improvements are primarily procured through long-term loans from outside financial institutions in order to ensure the long-term sustainability of the ICU endowment, which supports educational and research activities, and to equalize the burden across generations who use these facilities.

Maintaining ICU’s liberal arts education in small group education requires a budget that exceeds revenues such as student tuitions and subsidies. The ICU endowment has long supported education at ICU with the investment gains. The ICU endowment, valued at approximately 56.6 billion yen (current market value) has been invested in various financial assets, such as equities in Japan and abroad. During the past ten years, approximately 13.4 billion yen has been transferred from the endowment to the university budget. The

Endowment Committee, a sub-organization of the Board of Trustees, deliberates and decides on endowment management while consulting with external advisors, advisory committees and others. The investment performance and future policy of the ICU endowment are made public on the University's website.

ICU is a university founded with the goodwill and support of many international individuals, and that tradition continues to this day. In FY2021, the total amount of donations was approximately 279.45 million yen. The Peace Bell Scholarship (PBS) received approximately 49.12 million yen in FY2021, bringing the total amount raised to more than 760 million yen since the start of this fundraising in 2006, enabling 160 students to study as scholars. In addition, in FY2021, a "Pay Forward Fund" was established with the aim of assisting students. Donations will become an even more important factor as we strive for sound financial management while providing a high-quality educational environment on a continuous basis. We would be grateful for your continued support in enriching ICU education and research, including improvements to the educational environment.

Hereafter, the ICU's financial situation for FY2021 is reported. In the first chapter, we report the Statement of Revenues and Expenses as an indicator for assessing financial soundness and safety, as well as the Statement of Cash Flows and the Statement of Financial Position, which are obligated to be prepared in accordance with the accounting standards for educational corporations. In the second chapter, we report the use of external funds at ICU.

1. FY2021 Revenues and Expenses in University Division

The closing figures for the overall FY2021 Revenues and Expenses in the University Division were total revenues of 9,127 million yen (+2,082 million yen from the previous fiscal year) and total expenses of 7,635 million yen (+409 million yen from the previous fiscal year).

Regarding the Educational Activities Category, the difference between revenues and expenses was -1,418 million yen, a decrease of 240 million yen from the previous fiscal year. In terms of revenues, while the auxiliary enterprise income and miscellaneous incomes increased by 195 million yen, subsidies for ordinary expenses, etc., decreased by 82 million yen, and student tuition and fees, etc., decreased by 40 million yen. In terms of expenses, personnel expenses (including the transfers to retirement allowance reserves) increased by 231 million yen, and education, research, and administrative expenses (including depreciation) increased by 81 million yen. The auxiliary enterprise income (including dormitory fees), personnel expenses as well as education, research, and administrative expenses, which had decreased in the previous year due to the COVID-19 pandemic, increased with the gradual recovery of education and research activities.

As regards the Non-educational Activities Category, the difference between revenues and expenses was +2,880 million yen (+1,886 million yen compared to the previous fiscal year). The significant increase was mainly because of increases in realized profits accrued by ICU endowment management, which contributed to increases in interest earned and investment income.

The total difference (combined revenue and expenses) between the Educational Activities and the Non-educational Activities was +1,462 million yen, +1,646 million yen compared to the previous fiscal year.

In the Special Activities Category, the difference between revenues and expenses was +30 million yen, +27 million yen compared to the previous fiscal year. This rise was mainly because of increased donations for

facilities and equipment, as well as increased subsidies.

The sum of the differences between revenues and expenses for the three categories (Educational Activities, Non-educational Activities, and Special Activities) *before* transfers to capital funds was +1,492 million yen, an increase of 1,673 million yen from the previous fiscal year.

As a result, in FY2021, the total difference between revenues and expenses *after* transfers to capital funds (i.e., the 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 – transfers to capital funds) showed significant improvement with a surplus of revenues over expenses of 1,143 million yen.

Taking into account the unique financial structure of ICU, which stems from ICU's education in small classes (see Tables 1 and 2), we strive to operate the ICU endowment with the aim of supporting education and research initiatives. At the same time, we will continue to strive to maintain a balanced financial situation through fundraising efforts, acquisitions of outside funding (such as project subsidies and competitive research funds), and income from our solar power generation business (profit-making business), cost-cutting, effective budgeting, and improving operational efficiency through the promotion of information technology.

Table 1: Expenses per Student (FY2020)

Unit: thousand yen

| Item | ICU | Private Universities (excluding medical and dental universities) | Japan Association of Private Universities and Colleges (JAPUC) Member Universities (humanities and social sciences) |
|-------------------------------------|-------|---|--|
| Personnel | 1,226 | 733 | 691 |
| Educational and Research | 418 | 411 | 377 |
| Administrative | 296 | 89 | 79 |
| Interest Paid on Debt | 19 | 2 | 2 |
| Scheduled Principal Paid on Debt | 154 | 31 | 29 |
| Facilities | 519 | 139 | 161 |
| Equipment | 53 | 50 | 36 |
| Total | 2,685 | 1,454 | 1,375 |

Table 2: Educational Environment (FY2020)

| | ICU | Average for Private Universities |
|---|--------------------|-------------------------------------|
| Number of Students per Full-time Faculty | 22 | 26 |
| Number of Students per Full-time Staff Member | 26 | 41 |
| Number of Books per Student | 252 | |
| Campus Area per Student | 195 m ² | |
| Building area per student | 31 m ² | |

1. The average for private universities refers to the average of JAPUC member universities.

2. Source: Data on the financial pictures of member universities (FY2020 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 Grants-in-Aid for Scientific Research (*Kakenhi*), MEXT 21st Century Center of Excellence Program (COE), MEXT Programs to Support University Education Reforms, and MEXT Top Global University Project.

- (1) MEXT Program COE (Center of Excellence): 520 million yen (FY2003 - FY2007)
- (2) MEXT Programs to Support University Education Reforms through National, Public, and Private Universities: 270 million yen (FY2003 - FY2009)
(Distinctive University Education Support Program [Good Practice, i.e., 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.)
- (3) MEXT Project for Promotion of Global Human Resource Development: 87 million yen (FY2012 - FY2014) *integrated with the Top Global University Project in FY2014
- (4) MEXT Top Global University Project: 1.42 billion yen in total (planned) (FY2014 - FY2023)

The following table is a summary of MEXT Grants-in-Aid for Scientific Research (*Kakenhi*: government grants and subsidies) and contract research funds that ICU obtained from FY2017 to FY2021, which are the vital funding source for building ICU's research foundation. (*Please note that MEXT Grants-in-Aid for Scientific Research (*Kakenhi*) are not included in ICU's accounting. Instead, they are distributed selectively among individual researchers and research groups according to their research achievements.)

Unit: million yen

| Fiscal Year Type of External Fund | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|---|--------|--------|--------|--------|--------|
| MEXT Grants-in-Aid for Scientific Research (<i>Kakenhi</i>) | 77.8 | 84.8 | 64.2 | 73.1 | 75.0 |
| Contract Research Funds, etc. ⁽¹⁾ | 20.6 | 20.0 | 41.8 | 27.3 | 26.7 |
| Total | 98.4 | 104.8 | 106.0 | 100.4 | 101.7 |

⁽¹⁾ Contract Research Funds, etc.: 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, 2022

Unit: thousand yen

| | | | University | | Consolidated Amount for School Juridical Person | |
|--|--|--|-------------|-----------------------|---|-----------------------|
| | | | FY 2021 | Compared with FY 2020 | FY 2021 | Compared with FY 2020 |
| Educational activities | Revenues | Student tuition and fees | 4,424,575 | △ 8,962 | 5,098,406 | △ 19,992 |
| | | Entrance exam and other processing fees | 87,739 | △ 11,612 | 116,040 | △ 12,898 |
| | | Donations | 197,127 | △ 19,180 | 224,790 | △ 12,119 |
| | | Subsidies | 605,084 | △ 81,685 | 921,855 | △ 85,434 |
| | | Auxiliary enterprises | 363,344 | 89,493 | 443,006 | 125,626 |
| | | Miscellaneous | 226,407 | 105,185 | 251,077 | 65,579 |
| | | Total | 5,904,276 | 73,239 | 7,055,174 | 60,762 |
| | Expenses | Personnel | 4,089,514 | 231,463 | 4,899,662 | 148,499 |
| | | Education, research, and administrative expenses | 2,168,424 | 30,261 | 2,401,930 | 8,506 |
| | | Depreciation | 1,064,024 | 50,988 | 1,225,951 | 60,578 |
| | | Uncollectible payments | 752 | 752 | 752 | 752 |
| | | Total | 7,322,714 | 313,464 | 8,528,295 | 218,335 |
| | Difference between revenues and expenses | | △ 1,418,438 | △ 240,225 | △ 1,473,121 | △ 157,573 |
| Non-educational activities | Revenues | Interest and investment income | 3,094,842 | 1,949,193 | 3,203,692 | 1,949,793 |
| | | Other | 41,000 | △ 1,000 | 41,000 | △ 1,001 |
| | | Total | 3,135,842 | 1,948,193 | 3,244,692 | 1,948,792 |
| | Expenses | Interest paid on debt | 83,311 | 22,706 | 94,165 | 25,656 |
| | | Other | 172,510 | 39,370 | 172,510 | 39,370 |
| | | Total | 255,821 | 62,076 | 266,675 | 65,026 |
| | Difference between revenues and expenses | | 2,880,021 | 1,886,117 | 2,978,017 | 1,883,766 |
| Balance between educational and non-educational activities | | 1,461,583 | 1,645,892 | 1,504,896 | 1,726,193 | |
| Special revenues and expenses | Revenues | Proceeds from sales of assets | 0 | 0 | 0 | 0 |
| | | Other | 87,163 | 60,603 | 97,399 | 70,486 |
| | | Total | 87,163 | 60,603 | 97,399 | 70,486 |
| | Expenses | Loss on disposal of assets | 56,617 | 33,412 | 57,947 | 26,355 |
| | | Other | 0 | 0 | 0 | 0 |
| | | Total | 56,617 | 33,412 | 57,947 | 26,355 |
| | Difference between revenues and expenses | | 30,546 | 27,191 | 39,452 | 44,131 |
| Difference between revenues and expenses before transfers to capital funds | | 1,492,129 | 1,673,083 | 1,544,348 | 1,770,324 | |
| Total transfers to capital funds | | △ 349,056 | 209,299 | △ 428,352 | 139,082 | |
| Difference between revenues and expenses after transfers to capital funds | | 1,143,073 | 1,882,382 | 1,115,996 | 1,909,406 | |

(Reference)

| | | | | |
|----------------|-----------|-----------|------------|-----------|
| Total revenues | 9,127,281 | 2,082,035 | 10,397,265 | 2,080,040 |
| Total expenses | 7,635,152 | 408,952 | 8,852,917 | 309,716 |

Statement of Cash Flows for the Year Ended March 31, 2022

*Consolidated Amount for School Juridical Person

Unit: thousand yen

| | FY 2021 | Compared with FY 2020 |
|--|-------------------|--------------------------|
| Revenues | | |
| Student tuition and fees | 5,098,406 | △ 19,992 |
| Entrance exam and other processing fees | 116,040 | △ 12,898 |
| Donations | 283,076 | 43,581 |
| Subsidies | 948,324 | △ 69,178 |
| Proceeds from sales of assets | 0 | 0 |
| Auxiliary enterprises | 484,006 | 124,626 |
| Investment income | 3,203,692 | 1,949,793 |
| Miscellaneous | 240,443 | 55,864 |
| Loans | 5,354,000 | 2,781,000 |
| Unearned revenue | 779,353 | 63,054 |
| Other | 652,738 | △ 1,041,849 |
| Cash inflow adjustments | △ 883,930 | △ 21,883 |
| Cash carried over from previous year | 2,647,784 | 572,644 |
| Total | 18,923,932 | 4,424,762 |
| Expenses | | |
| Personnel | 4,946,597 | 185,407 |
| Education, research, and administrative expenses | 2,566,423 | 45,864 |
| Interest paid on debt | 94,165 | 25,656 |
| Schedules principal paid on debt | 1,254,421 | 675,503 |
| Facilities | 4,689,533 | 2,261,998 |
| Equipment | 139,253 | △ 65,855 |
| Transfer to capital fund(s), etc. | 3,024,405 | 1,913,067 |
| Other | 414,910 | 10,718 |
| Cash outflow adjustments | △ 304,909 | △ 78,946 |
| Cash carried over to next year | 2,099,134 | △ 548,650 |
| Total | 18,923,932 | 4,424,762 |

Statement of Financial Position at March 31, 2022

*Consolidated Amount for School Juridical Person

Unit: thousand yen

| | |
|-------------------------------|-------------------|
| Assets | |
| Noncurrent assets | 73,542,804 |
| Property, plant and equipment | 29,168,992 |
| Designated assets | 43,904,127 |
| Other assets | 469,685 |
| Current assets | 2,270,900 |
| Total | 75,813,704 |

| | |
|--------------------------------------|-------------------|
| Liabilities and Net Assets | |
| Noncurrent liabilities | 14,822,617 |
| Current liabilities | 1,964,890 |
| Capital funds | 56,214,798 |
| Balance carried forward to next year | 2,811,399 |
| Total | 75,813,704 |