

## Research Update:

# Case Western Reserve University, OH Debt Rating Affirmed At 'AA-'

December 5, 2025

## Overview

- S&P Global Ratings affirmed its 'AA-' long-term rating on [Case Western Reserve University](#) (CWRU), Ohio's various series of debt.
- The outlook is stable.

## Rationale

### Security

The bonds are an unsecured general obligation of CWRU. Debt issued through the [Ohio Higher Educational Facility Commission](#) is secured by CWRU's general obligation pledge to make rental payments under a lease agreement with the commission. The university's obligation to make rental payments is absolute and unconditional and not subject to abatement, setoff, or counterclaim. As of June 30, 2025 (the most recent audit report), CWRU had \$967.5 million of debt outstanding. Included in the debt figures is the operating lease obligation and outstanding line of credit draws, which we view as manageable relative to the overall balance-sheet position.

In the two-year outlook period, CWRU may issue up to \$70 million in additional debt to act as bridge financing and cover the outstanding pledge payments. We believe there is some capacity for this intermediate-term debt at the current rating but would factor in the final amount at the time of issuance in light of other credit characteristics.

### Credit highlights

We assessed CWRU's enterprise risk profile as very strong, characterized by solid enrollment and selectivity, but offset by weak matriculation rates for the rating. We assessed CWRU's financial risk profile as strong, with positive operations on a full accrual basis, though with financial resource ratios relative to operations and debt that are below median levels. Combined, we believe these credit factors lead to an anchor of 'aa+'. As our criteria indicate, the final rating can be within one notch of the anchor, and we believe that 'AA-' better reflects CWRU's solid

### Primary Contact

**Jessica H Goldman**  
Hartford  
1-212-438-6484  
jessica.goldman  
@spglobal.com

### Secondary Contact

**Mary Ellen E Wriedt**  
San Francisco  
1-415-371-5027  
maryellen.wriedt  
@spglobal.com

## **Case Western Reserve University, OH Debt Rating Affirmed At 'AA-'**

enterprise profile, which is more in line with those of 'AA-' peers given the enrollment characteristics and significant research focus.

The rating reflects our assessment of CWRU's following strengths:

- Broad range of programs, research, and community medical coalitions that has historically led to healthy demand metrics despite strong competition for its high-quality students;
- Consistently positive operating results on a full accrual basis though results weakened in fiscal 2025 with a rising expense base; and
- Sizable cash and investments.

The rating also reflects our assessment of the following weaknesses:

- Low and weakened freshman matriculation rate (about 12% in fall 2025) compared with that of peer research institutions, indicative of significant national competition for high-quality students; and
- Increased debt load with the series 2022 issuances, borrowings on lines and anticipated bridge financing, which in part support strategic initiatives such as the construction of the interdisciplinary science and engineering building (ISEB) and construction of a dormitory.

CWRU, which is located in Cleveland, is Ohio's largest private university. It offers a wide range of undergraduate, graduate, and professional degree programs, including arts and sciences, law, business, medicine, engineering, nursing, social work, and dentistry. The university's research base is extensive, in our view. CWRU's campus is one of the anchor institutions in University Circle, a 500-acre concentration of more than 40 educational, social, medical, cultural, and religious institutions on the eastern edge of Cleveland.

We see heightened sector risks that could affect CWRU, primarily related to the university's research exposure given evolving federal policies. However, we view CWRU's financial position as solid, with healthy liquidity and flexibility to face short-term funding disruptions. In fiscal 2025, CWRU received approximately \$445 million in external research awards and indirect cost-recovery revenue, principally related to health sciences and the medical school. CWRU's indirect cost recovery rate was 61% and is now 57%; the university reports that some grants have been cancelled but overall, the funding has remained timely and stable and grant applications from faculty are up. Management is seeking to diversify its research funding sources as the majority of funds are from the National Institutes of Health (NIH).

The research funding figure increases when including revenue passed through to the Cleveland Clinic. CWRU and the Cleveland Clinic have an agreement for development and operation of a health education campus, which includes an academic building and dental clinic. Occupancy began in the spring of 2019, and we understand that the operations are as expected, with management reporting a solid working relationship and financial performance to date. Cleveland Clinic provided the interim financing for construction, and the two organizations are jointly fundraising for the project. Based on their agreement (\$50 million in five equal payments), CWRU has made all of its payments.

In addition, CWRU is monitoring changes to both federal immigration policy and federal student aid, including Grad PLUS loans, Parent PLUS loans, and Pell grants, and the potential effects of these changes. For fall 2025, with a total full-time-equivalent (FTE) enrollment of 11,645, undergraduates account for 55% of the total with while the remaining FTEs are graduate and professional students. The total international FTE to total FTE for fall 2024 was 17% (fall 2025 information is not yet available). Enrolled first-year international students for fall 2025 fell to 119

from a peak of 219 students a few years ago. We believe solid demand for undergraduate, graduate, and professional programs will prevent any significant disruptions to enrollment, but we will monitor demand and revenue given the level of exposure.

## Environmental, social, and governance

We analyzed the university's environmental, social, and governance (ESG) credit factors pertaining to its market position, management and governance, and financial performance. We view the university's ESG factors as neutral in our credit rating analysis.

## Outlook

The stable outlook reflects our expectation that CWRU will maintain stable-to-growing enrollment and demand, continue to produce positive operations on a generally accepted accounting principles basis, and, at a minimum, maintain stable-to-improving financial resources as it manages its increased debt burden.

### Downside scenario

We could consider a negative rating action if certain factors weaken such that enrollment, positive margins, or fundraising are no longer consistent with our expectations or sufficient to offset the debt load. We could also lower the rating if financial resources weaken relative to operations or debt.

### Upside scenario

A higher rating is not likely during the two-year outlook period given potential increases in debt, some margin compression, and the weakening matriculation. However, we could consider a positive rating action over the long term if the university's financial resources improve such that its metrics are in line with a higher rating, the university maintains robust full accrual surpluses, and enterprise profile characteristics, such as matriculation, improve to levels more in line with those of a higher rating.

## Credit Opinion

## Enterprise Risk Profile--Very Strong

### Market position and demand

CWRU has a broad draw for students, with less than one third coming from within Ohio. Applications for fall 2025 increased, and early indicators for next fall seem healthy based on preliminary information. Fall 2025 matriculation remained around 12%, which is below median and CWRU's historical levels. As a comprehensive research institution, CWRU has a significant proportion of graduate and professional students; at about 45% of enrollment, that is more than many of the school's peers. Student quality remained high as measured by average freshmen ACT and SAT scores, though the school remains test-optional. Retention and graduation rates remain below 'AA' category medians but are relatively consistent with historical levels. In our view, CWRU's enrollment and demand profile is relatively consistent, though matriculation has weakened and, if not stabilized, would be a negative credit factor.

## Management and governance

Leadership has been relatively stable, with the most recent change being the appointment of Brian Burnett as CFO. There are no significant management changes expected.

CWRU's regulations and bylaws do not provide for a maximum size for its board of trustees. Members are generally limited to four consecutive four-year terms, and may move to emeritus status once their term ends. Most board members are also alumni. We understand that board turnover has been routine. The full board meets formally three times a year and has a committee system. Recent commitment from the board and management to invest in strategic initiatives, such as growth in undergraduate population and research, are significant, and the increased debt burden in recent years is material but supports these initiatives.

## Financial Risk Profile--Strong

### Financial performance

CWRU typically produces operating surpluses on a full accrual basis, with margins ranging from 1%-6% in recent years. The consistent surpluses reflect increasing research revenues, net tuition revenue, and auxiliary revenues, along with focused expense-management efforts. For fiscal 2024 and 2025, the margin compressed somewhat, as expected, given new projects coming online and expense pressures. Results for fiscal 2025 were in line with budget. The fiscal 2026 budget shows continued surpluses with some improvement over fiscal 2025 results driven by a cost improvement initiative to offset revenue pressures.

Beginning in fiscal 2019, CWRU adopted a new endowment payout policy that compares the 10-year average of actual endowment activity and adjusts the annual distribution based on the comparison. We do not anticipate any unusual draws in the near term and the spend that management expects for fiscal 2026 should be about 4.6%.

Operating revenue streams are relatively diverse compared with those of peers, although CWRU is primarily dependent on student-related charges to fund operations. In fiscal 2025 (audited), gross tuition and student fees represented 47% of total revenue. The next-largest component of revenue is research. While the university receives a concentration of NIH funding, we understand that management has focused on remaining competitive for federal grants and is exploring efforts to bolster foundation and industry awards. In our opinion, management is positioned to adjust its research enterprise, which should remain a significant focus and revenue diversifier.

### Financial resources

On an absolute basis, CWRU maintains a significant pool of funds, with cash and investments equal to \$2.9 billion at fiscal 2025 year-end (audited); however, in our opinion, the cash and investments relative to operating expenses and relative to debt remain sufficient for the 'AA' category, though light compared with medians and some peers. The cash and investments amount excludes funds held by trusts, which the university does not manage, but are shown as assets on the financial statements.

The university's private equity, real assets, and private credit investments have mandatory capital calls related to future investments. Unfunded commitments remain manageable, in our opinion, at about \$301 million. The university maintains sufficient liquidity to address its unfunded calls. Investment returns for fiscal 2025 were 8.5%, and management reports that it

expects consistent asset allocation and liquidity. About 26% of the portfolio is liquid in one month's time.

In December 2018, CWRU closed its most recent campaign, which raised \$1.8 billion, which was ahead of goal. In addition to its own ongoing fundraising efforts, the university conducts joint fundraising with the Cleveland Clinic to support the health education campus project. CWRU is raising funds for scholarships and is exploring a broader campaign in the near term.

## Debt and contingent liabilities

Long-term debt as of fiscal 2025 year-end (audited) is approximately \$968 million (excluding premium and unamortized bond issuance costs). Financial resources relative to debt and debt burden weakened following the series 2022 issuances but remain sufficient for the rating, in our opinion. We calculate maximum annual debt service (MADS) as the total debt service averaged over 30 years (including the century bond), resulting in a smoothed MADS of about \$97 million. The majority of the debt is public, fixed-rate debt, though the series 2021B bonds are floating-rate notes and the series 2022A and 2022B are privately placed issuances with New York Life. Management notes that the variable-rate exposure is offset by CWRU's interest-rate swaps, resulting in a synthetic fixed rate. The university has three bank lines of credit, totaling \$200 million, available for working capital. There was \$93 million outstanding as of June 30, 2025. The series 2022C bonds are century bonds, with a bullet due at maturity in 2122.

The new second-year student dormitories, a 600-bed, \$110 million capital project, were completed in the first quarter of fiscal 2025. The ISEB, a \$300 million project with a 2026 completion date, was started in fiscal 2024. The potential additional debt plans (up to about \$70 million) mentioned above relate to providing bridge financing for campaign pledges for the ISEB project and the Maltz Performing Arts Center, phase II. The ISEB project is funded by \$150 million from the previously issued century bond proceeds and the remainder from philanthropy. The Maltz project (phase II) is a \$45 million project funded by philanthropy.

About \$180 million from the 2022 issuance is maintained as an "internal bank," which allows the university flexibility over time to fund future capital projects, provide a bridge as fundraising funds are collected, or to provide support for interest payments and the balloon payment at maturity; this should in part offset the additional debt.

The direct purchase agreements with New York Life have events of default that trigger acceleration (though no financial covenants). However, CWRU has sufficient liquidity, in our opinion, to mitigate risk related to these nonpublic debt transactions, with almost \$350 million with same-day liquidity as of June 30, 2025.

The university has one interest-rate swap contract remaining with a total notional amount of \$35 million with expiration in 2034. The contract is floating-to-fixed rate and Morgan Stanley is counterparty. The mark-to-market value was negative \$3 million as of the end of fiscal 2025. The university reports that its collateral threshold is \$20 million.

The university offers both a defined-contribution retirement plan to employees (which, by definition, is fully funded) and a defined-benefit plan. The latter is closed to new entrants. It had a funded status of negative \$6 million at the end of fiscal 2025 (audited). Defined-benefit contributions are made annually according to actuarial valuations. The university offers a retiree health care plan, but reports no related liability on its balance sheet because the cost is paid entirely by retirees.

## Case Western Reserve University, Ohio--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'AA' category rated private colleges and universities
	2026	2025	2024	2023	2022	2024
<b>Enrollment and demand</b>						
Full-time-equivalent enrollment	11,645	11,447	11,143	11,454	11,397	7,980
Undergraduates as a % of total enrollment	55.4	56.1	54.7	51.9	50.1	71.3
First-year acceptance rate (%)	35.3	36.5	28.7	25.9	30.2	13.9
First-year matriculation rate (%)	11.9	11.9	13.8	15.5	16.0	40.8
First-year retention rate (%)	93.3	92.0	91.9	92.8	93.7	95.0
Six-year graduation rate (%)	87.2	87.0	86.8	85.5	85.4	91.0
<b>Financial performance</b>						
Adjusted operating revenue (\$000s)	N.A.	1,664,180	1,576,650	1,516,597	1,355,428	MNR
Adjusted operating expense (\$000s)	N.A.	1,649,252	1,537,882	1,451,735	1,290,627	MNR
Net operating margin (%)	N.A.	0.9	2.5	4.5	5.0	1.4
Change in unrestricted net assets (\$000s)	N.A.	23,567	42,478	63,772	30,866	MNR
Tuition discount (%)	N.A.	47.3	46.1	44.1	42.4	40.1
Student dependence (%)	N.A.	47.3	46.8	45.7	48.1	60.3
Health care operations dependence (%)	N.A.	N.A.	0.0	N.A.	0.0	MNR
Research dependence (%)	N.A.	20.5	19.2	19.2	19.3	6.1
<b>Financial resources</b>						
Endowment market value (\$000s)	N.A.	2,169,059	2,067,848	1,956,613	1,890,708	2,339,507
Cash and investments (\$000s)	N.A.	2,862,899	2,803,912	2,746,301	2,577,137	2,893,418
Cash and investments to operations (%)	N.A.	173.6	182.3	189.2	199.7	369.6
Cash and investments to debt (%)	N.A.	295.9	298.9	301.4	321.5	436.0
Cash and investments to pro forma debt (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
<b>Debt</b>						
Outstanding debt (\$000s)	N.A.	967,549	938,067	911,196	801,710	619,619
Proposed debt (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Total pro forma debt (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Current MADS burden (%)	N.A.	5.9	6.4	7.2	7.5	4.7
Pro forma MADS burden (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	17.6	18.7	18.2	19.2	15.3

Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100\*(net adjusted operating income/adjusted operating expense). Student dependence = 100\*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current MADS burden = 100\*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Average age of plant = accumulated depreciation/depreciation and amortization expense. N.A.-Not available. MNR-Median not reported. MADS-Maximum annual debt service.

**Ratings List**

**Ratings Affirmed**

**Education**

Case Western Reserve Univ, OH General Obligation	AA-/Stable
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The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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