




Kansas City University

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2024 and 2023



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Independent Auditor's Report

The Board of Trustees and Audit Committee
Kansas City University
Kansas City, Missouri

Opinion

We have audited the consolidated financial statements of Kansas City University (the University), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2024 and 2023, 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 (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the University, 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 Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the University'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Forvis Mazars, LLP

**Kansas City, Missouri
November 4, 2024**

Kansas City University
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 23,961,434	\$ 19,864,963
Accounts and interest receivable, net	1,777,020	1,544,342
Student loans receivable, net	1,686,790	2,025,183
Contributions receivable, net	3,273,112	6,124,323
Prepaid expenses and other	6,825,119	4,277,262
Beneficial interest in remainder trusts	4,622,141	4,032,023
Investments	236,662,017	195,032,417
Property and equipment, net	193,677,835	193,339,125
	<u>472,485,468</u>	<u>426,239,638</u>
Total assets	<u>\$ 472,485,468</u>	<u>\$ 426,239,638</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 3,870,661	\$ 5,417,620
Deferred tuition revenue	22,737,113	20,780,627
Charitable remainder annuity payable	80,776	94,823
Accrued expenses	9,098,004	7,559,908
Refundable government student loan programs	1,404,838	2,165,377
Long-term debt, net	33,285,655	34,539,028
	<u>70,477,047</u>	<u>70,557,383</u>
Total liabilities	<u>70,477,047</u>	<u>70,557,383</u>
Net Assets		
Without donor restrictions	365,636,609	324,964,990
With donor restrictions	36,371,812	30,717,265
	<u>402,008,421</u>	<u>355,682,255</u>
Total net assets	<u>402,008,421</u>	<u>355,682,255</u>
Total liabilities and net assets	<u>\$ 472,485,468</u>	<u>\$ 426,239,638</u>

Kansas City University
Consolidated Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Tuition and fees	\$ 109,912,208		\$ 109,912,208
Clinical contracting revenue	1,009,591		1,009,591
Net investment return	15,696,510	\$ 2,387,165	18,083,675
Change in beneficial interest in trust	-	590,118	590,118
Contributions	4,601,223	6,319,109	10,920,332
Grants	2,990,920		2,990,920
Other	1,313,549	-	1,313,549
Net assets released from restrictions	3,641,845	(3,641,845)	-
Total revenue, gains and other support	139,165,846	5,654,547	144,820,393
Expenses and Losses			
Program activities			
Instructional	53,761,004	-	53,761,004
Academic support and student services	12,743,537	-	12,743,537
Operation and maintenance	8,860,669	-	8,860,669
Support activities			
Fundraising costs	2,018,096	-	2,018,096
Institutional support	21,110,921	-	21,110,921
Total expenses and losses	98,494,227	-	98,494,227
Increase in Net Assets	40,671,619	5,654,547	46,326,166
Net Assets, Beginning of Year	324,964,990	30,717,265	355,682,255
Net Assets, End of Year	\$ 365,636,609	\$ 36,371,812	\$ 402,008,421

Kansas City University
Consolidated Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Tuition and fees	\$ 92,679,172		\$ 92,679,172
Clinical contracting revenue	761,775		761,775
Net investment return	9,884,260	\$ 1,705,955	11,590,215
Change in beneficial interest in trust	-	390,659	390,659
Contributions	1,462,688	3,516,826	4,979,514
Grants	2,288,907	-	2,288,907
Other	1,079,175	-	1,079,175
Net assets released from restrictions	30,283,723	(30,283,723)	-
Total revenue, gains and other support	138,439,700	(24,670,283)	113,769,417
Expenses and Losses			
Program activities			
Instructional	47,404,023	-	47,404,023
Academic support and student services	11,637,327	-	11,637,327
Operation and maintenance	7,970,845	-	7,970,845
Support activities			
Fundraising costs	1,904,532	-	1,904,532
Institutional support	16,754,658	-	16,754,658
Total expenses and losses	85,671,385	-	85,671,385
Increase (Decrease) in Net Assets	52,768,315	(24,670,283)	28,098,032
Net Assets, Beginning of Year	272,196,675	55,387,548	327,584,223
Net Assets, End of Year	\$ 324,964,990	\$ 30,717,265	\$ 355,682,255

Kansas City University
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Increase in net assets	\$ 46,326,166	\$ 28,098,032
Items not requiring (providing) operating activities cash flows		
Depreciation	10,880,230	8,410,642
Amortization of bond premium and issue costs, net	(38,373)	(21,805)
(Gain) / Loss on disposal of property and equipment	(26,438)	11,039
Net realized (gain) / loss on investments	75,274	(486,519)
Net unrealized gain on investments	(11,177,927)	(5,680,134)
Net change in beneficial interest in trust	(590,118)	(390,659)
Contribution of beneficial interest in trust	-	(11,932)
Contribution revenue restricted for long-term investment	(722,235)	(1,236,965)
Contribution restricted for long-lived assets	(5,280,000)	(1,001,132)
Changes in		
Accounts and loans receivable	105,715	(289,650)
Contributions receivable	251,211	213,206
Prepaid expenses and other	(2,547,857)	(492,043)
Charitable remainder annuity payable	(14,047)	5,184
Accounts payable	599,308	116,887
Accrued expenses	1,538,096	1,152,294
Deferred tuition revenue	1,956,485	3,020,655
Net cash provided by operating activities	<u>41,335,490</u>	<u>31,417,100</u>
Investing Activities		
Purchase of property and equipment	(13,338,768)	(35,301,554)
Proceeds from disposition of investments	85,280,813	54,840,522
Purchase of investments	(115,807,760)	(74,403,554)
Net cash used in investing activities	<u>(43,865,715)</u>	<u>(54,864,586)</u>
Financing Activities		
Principal payments on long-term debt	(1,215,000)	(1,350,000)
Proceeds from contributions restricted for long-term investment	722,235	1,237,073
Proceeds from contributions restricted for long-lived assets	7,880,000	3,027,000
Increase (decrease) in refundable government loan program	(760,539)	13,144
Net cash provided by financing activities	<u>6,626,696</u>	<u>2,927,217</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>4,096,471</u>	<u>(20,520,269)</u>
Cash and Cash Equivalents, Beginning of Year	<u>19,864,963</u>	<u>40,385,232</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 23,961,434</u></u>	<u><u>\$ 19,864,963</u></u>
Supplementary Cash Flows Information		
Interest paid	\$ 1,624,666	\$ 1,662,681
Property and equipment purchases in accounts payable	1,706,022	3,852,289

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Organization

Kansas City University (the "University") was organized for the purpose of the education and training of students in the practice of health professions. The University is a Missouri non-profit corporation and is exempt from income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. The accompanying consolidated financial statements for fiscal years 2024 and 2023 include the accounts of the University and Independence Avenue Development, a non-profit corporation controlled by the University.

Use of 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 consolidated financial statements and the reported amounts of revenues and expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts are not considered to be cash and cash equivalents. At June 30, 2024 and 2023, cash equivalents consisted primarily of money market accounts with brokers.

At June 30, 2024, the University's cash accounts exceeded federally insured limits by approximately \$16,994,000. However, management monitors the soundness of the financial institutions and believes the risk of loss is minimal.

Investments and Net Investment Return

The University measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized and unrealized gains and losses on other investments, less external investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return is reflected in the consolidated statements of activities as without donor restrictions or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The University 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 monthly 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.

Accounts and Student Loans Receivable

Accounts receivable are stated at the amount of consideration from the student, of which the University has an unconditional right to receive plus any accrued and unpaid interest. The University extends unsecured credit to its students and provides an allowance for credit losses, which is based upon a review of outstanding receivables,

Kansas City University
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. As of June 30, 2024 and 2023, the allowance recorded on accounts receivable was approximately \$58,000 and \$60,000, respectively. Tuition is due at the beginning of the term, unless the student has a payment plan established with the University. Charges that are past due and have had no response to the due diligence process are assigned to third-party collection agencies. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Student loans receivable consist of amounts due under the Health Professions Student Loan/Primary Care Loan (HPSL/PCL) and institutional loan programs and are stated at their outstanding principal amount. Loans are made to students based on demonstrated financial need for the HPSL/PCL. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. Interest income is recorded as received, which is not materially different from the amount that would have been recognized on the accrual basis. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

Beneficial Interest in Remainder Trusts

Trusts administered by third parties for the benefit of the University are included in the consolidated financial statements, with changes in such amounts recorded in the consolidated statements of activities as changes with donor restrictions.

Property and Equipment

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset, which ranges from three to 40 years.

Long-lived Asset Impairment

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2024 and 2023.

Charitable Remainder Annuity Payable

The University has entered into irrevocable agreements with certain donors whereby, in exchange for the gift from the donor, the University is obligated to provide an annuity to the donor or other designated beneficiaries during their lifetime.

A liability is recognized for the estimated present value of the annuity obligation, and the assets are recorded at their gross market value for those agreements where the University and the donor are the co-trustees. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables.

Deferred Revenues

Deferred tuition revenue is recognized over the applicable school term.

Kansas City University
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June 30, 2024 and 2023

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment which total \$14,669,746 and \$13,728,957 for June 30, 2024 and 2023, respectively.

Net Assets With Donor Restrictions – Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restrictions</i>	
Gifts that depend on the University overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The discount for contributions receivable is amortized over the collection period.

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method. 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 consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as net assets with donor restrictions and released from restriction. Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Tuition Revenue

Tuition revenue is recognized over the term as the University provides services to students. Revenue is reported at the amount of consideration to which the University expects to be entitled in exchange for providing educational services. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for student scholarships.

Grants

Support funded by grants is recognized as the University meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Deferred Financing Costs

Costs incurred in obtaining financing have been capitalized and are being amortized over the life of the debt obligation. In connection with the adoption of Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, deferred financing costs related to the bonds are shown as a reduction of the liabilities (see *Note 8*). Amortization expense related to the deferred financing fees for the years ended June 30, 2024 and 2023 totaled \$26,000 and \$42,000, respectively, and were recorded in institutional support.

Income Taxes

The University is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. For the years ended June 30, 2024 and 2023, the University did not incur any unrelated business income tax.

The University files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated functional expenses (see *Note 14*) present the natural classification detail of expenses by function. Certain costs have been allocated among the educational programs, institutional support and fundraising based on square footage and other methods.

Note 2. Revenue from Contracts with Students

Tuition and Fees Revenue – Revenue from contracts with students for tuition is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing educational services. These amounts are due from students, third-party payers and others and includes variable consideration for scholarships the University has offered to students. For the years ended June 30, 2024 and 2023, the University's revenue was reduced by approximately \$3,684,000 and \$3,658,000, respectively, as a result of scholarships. Revenue is recognized as performance obligations are satisfied, which is ratably over the academic term. Generally, the University bills students prior to the beginning of the academic term, and student accounts receivable are due in full prior to the term beginning. Revenue from fees is recognized over the course of the academic term.

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If a student withdraws within the first six days of class, the student is entitled to a full refund. If a student separates on or after the first day of class, but prior to completing 60% of the term, the student is entitled to a refund of eligible tuition based on the percentage of completion. After completing 60% of the term, no refunds are awarded. The University determines the refund liability based on actual experience subsequent to year-end. The University had no refund liabilities at June 30, 2024 and 2023.

Clinical Contracting Revenue and Other Income – Performance obligations are determined based on the nature of the goods or services provided by the University in accordance with the contract. Clinical contracting revenues and other income include medical equipment supplies, books, cafeteria sales, and other revenues that are recognized as performance obligations are provided to students and customers at a single point in time.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Because all of its performance obligations relate to contracts with a duration of less than one year, the University has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Generally, all courses offered by the University begin and end within a fiscal year. The unsatisfied or partially unsatisfied performance obligations are primarily related to providing instruction to students in which the course term overlaps into the subsequent fiscal year. The performance obligations for these contracts are generally completed when the academic term is completed.

During the years ended June 30, 2024 and 2023, the University recognized revenue of \$20,780,627 and \$17,759,972, respectively, that had been included in deferred tuition revenue at the prior year end.

Significant Judgments

The University determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid in accordance with the University's policies for granting aid.

The University estimates the transaction price for customers based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments and discounts. Subsequent changes that are determined to be the result of an adverse change in the customer's ability to pay are recorded as bad debt expense.

Kansas City University
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June 30, 2024 and 2023

Disaggregation of Revenue

The composition of revenue based on educational services and timing of revenue recognition for the years ended June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Tuition and Fees		
Tuition		
Graduate professional degree	\$ 99,176,195	\$ 85,100,342
Masters degrees	3,725,039	4,203,749
Doctoral degrees	2,964,972	2,467,757
Fees	<u>4,046,002</u>	<u>907,324</u>
Total tuition and fees	109,912,208	92,679,172
Clinical Contracting Revenue	1,009,591	761,775
Other	<u>1,313,549</u>	<u>1,079,175</u>
Total	<u><u>\$ 112,235,348</u></u>	<u><u>\$ 94,520,122</u></u>
 Timing of revenue and recognition		
Services transferred over time	\$ 109,912,208	\$ 92,679,172
Sales at point in time	<u>2,323,140</u>	<u>1,840,950</u>
	<u><u>\$ 112,235,348</u></u>	<u><u>\$ 94,520,122</u></u>

Financing Component

The University has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to the University's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payer pays for that service will be one year or less. However, the University does, in certain instances, enter into payment agreements with students that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contract Costs

The University has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the University otherwise would have recognized is one year or less in duration.

Contract Balances

Contract assets primarily relate to the University's rights to consideration for services provided but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities represent the University's obligation to transfer goods or services to a customer when consideration has already been received from the customer.

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June 30, 2024 and 2023

Significant changes in contract liabilities during the period are as follows:

	Deferred Revenue	
	2024	2023
Balance, beginning of the year	\$ 20,780,627	\$ 17,759,972
Effects of		
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(20,780,627)	(17,759,972)
Increases due to cash received, excluding amounts recognized as revenue during the period	22,737,113	20,780,627
Balance, end of the year	22,737,113	20,780,627

The following table provides information about the University's receivables from contracts with customers:

	2024	2023
Accounts and interest receivable, net, beginning of year	\$ 1,544,342	\$ 1,031,548
Accounts and interest receivable, net, end of year	1,777,020	1,544,342
Student loans receivable, net, beginning of year	2,025,183	2,248,327
Student loans receivable, net, end of year	1,686,790	2,025,183

Note 3. Investments, Fair Value Measurements and Disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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June 30, 2024 and 2023

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

Fair Value Measurements Using					
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)
June 30, 2024					
Investments					
Mutual funds and exchange-traded funds					
Vanguard Total Stock Mkt Idx Inst	\$ 17,010,495	\$ 17,010,495	\$ -	\$ -	\$ -
Vanguard Total Intl Stock 1x Inst	15,481,715	15,481,715	-	-	-
iShares Core S&P 500 ETF	12,613,652	12,613,652	-	-	-
Other mutual funds and exchange-traded funds	83,100,071	83,100,071	-	-	-
U.S. Government agency securities					
U.S. Treasury notes	105,789,843	-	105,789,843	-	-
Money market funds	1,201,317	1,201,317	-	-	-
Alternative investment					
Private equity fund	1,464,924	-	-	-	1,464,924
Investments	236,662,017	129,407,250	105,789,843	-	1,464,924
Beneficial interest in remainder trusts	4,622,141	-	4,622,141	-	-
	<u>\$ 241,284,158</u>	<u>\$ 129,407,250</u>	<u>\$ 110,411,984</u>	<u>\$ -</u>	<u>\$ 1,464,924</u>
Fair Value Measurements Using					
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)
June 30, 2023					
Investments					
Mutual funds and exchange-traded funds					
Vanguard Total Stock Mkt Idx Inst	\$ 13,806,228	\$ 13,806,228	\$ -	\$ -	\$ -
Vanguard Total Intl Stock 1x Inst	11,164,574	11,164,574	-	-	-
iShares Core S&P 500 ETF	10,362,758	10,362,758	-	-	-
Other mutual funds and exchange-traded funds	65,004,819	65,004,819	-	-	-
U.S. Government agency securities					
U.S. Treasury notes	82,558,600	-	82,558,600	-	-
Federal home loan bank notes	9,887,200	-	9,887,200	-	-
Money market funds	1,103,272	1,103,272	-	-	-
Alternative investment					
Private equity fund	1,144,966	-	-	-	1,144,966
Investments	195,032,417	101,441,651	92,445,800	-	1,144,966
Beneficial interest in remainder trusts	4,032,023	-	4,032,023	-	-
	<u>\$ 199,064,440</u>	<u>\$ 101,441,651</u>	<u>\$ 96,477,823</u>	<u>\$ -</u>	<u>\$ 1,144,966</u>

Kansas City University
Notes to Consolidated Financial Statements
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- (A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2024.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include common stocks, mutual funds and exchange-traded funds and money market funds. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. Level 2 securities include U.S. Government agency securities.

Charitable Remainder Unitrust

Fair value for the charitable remainder unitrust, included on the consolidated statements of financial position as a beneficial interest in remainder trusts, are estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the charitable remainder unitrust is classified within Level 2 of the hierarchy.

Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

2024				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period Notice
Alternative Investment Private equity fund	\$ 1,464,924	\$ 1,545,120	At Fund Liquidation	n/a
2023				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period Notice
Alternative Investment Private equity fund	\$ 1,144,966	\$ 1,901,370	At Fund Liquidation	n/a

Deferred Compensation (457b) Other Asset and Accrued Expenses

Fair value of the pooled separate accounts are valued at net asset value which approximates fair value. The carrying value of the accrued expenses related to the deferred compensation liability is based on the present value of the future cash flows to settle the obligation, which approximates the fair value of the related assets. The deferred compensation other asset and the corresponding accrued expenses are classified as a fair value measurement Level 1.

Note 4. Student Loans

The University makes uncollateralized loans to students through its participation in the (HPSL/PCL) program. Cumulative funds advanced by the federal government to the HPSL/PCL program, net of repayments, totaled approximately \$394,000 for years ended June 30, 2024 and 2023. These advances are ultimately recorded as a liability in the consolidated statements of financial position along with any gains or losses allocated to the cumulative federal capital contributions. Outstanding loans canceled under the program result in a reduction of funds available for future loans and a decrease in the University's liability to the federal government. These loan amounts represent less than 1% of total assets as of June 30, 2024 and 2023.

Allowances for doubtful accounts are established based on current economic factors and specific circumstances of the borrower which, in management's judgment, could influence the ability of the borrower to repay the amounts per the loan terms. For the HPSL/PCL program, the federal government bears the risk of loss of uncollectible loans provided the University performs required collection due diligence procedures.

Categories of loans on June 30 include:

	2024	2023
Student loans receivable		
Federal government programs	\$ 1,665,284	\$ 1,998,664
Institutional programs	129,897	135,947
	<hr/>	<hr/>
Total student loans receivable	1,795,181	2,134,611
	<hr/>	<hr/>
Less allowance for doubtful accounts		
Balance, beginning of year	109,428	74,428
Provision (recovery) charged to expense	(1,037)	35,000
	<hr/>	<hr/>
Balance, end of year	108,391	109,428
	<hr/>	<hr/>
Net loans receivable	\$ 1,686,790	\$ 2,025,183
	<hr/> <hr/>	<hr/> <hr/>

Kansas City University
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

The following table represents payment status of the University's student loan programs as of June 30, 2024 and 2023:

	2024	2023
Not in repayment status - current	\$ 1,107,261	\$ 1,402,485
On schedule in repayment status - current	255,674	385,609
Past due, less than 240 days	58,742	143,578
Past due, 240 days or more	373,504	202,939
Total	1,795,181	2,134,611
Less allowance for doubtful accounts	108,391	109,428
	<u>\$ 1,686,790</u>	<u>\$ 2,025,183</u>

Note 5. Contributions Receivable

Contributions receivable consisted of the following:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 7,500	\$ 2,571,802	\$ 2,579,302
Due within one to five years	2,500	782,800	785,300
	10,000	3,354,602	3,364,602
Less			
Unamortized discount			41,760
Allowance for uncollectible contributions			49,730
			<u>\$ 3,273,112</u>

Kansas City University
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 8,300	\$ 3,117,500	\$ 3,125,800
Due within one to five years	5,000	3,262,600	3,267,600
	13,300	6,380,100	6,393,400
Less			
Unamortized discount			193,107
Allowance for uncollectible contributions			75,970
			<u>\$ 6,124,323</u>

Discount rates were 5% for both 2024 and 2023. At June 30, 2024 and 2023, contribution receivables from Trustees and employees was \$108,550 and \$149,600, respectively.

Note 6. Conditional Gifts

The University has received the following conditional promises to give at June 30, 2024 and 2023 that are not recognized in the consolidated financial statements:

	2024	2023
Conditional promises to give upon matching of scholarship funds	\$ -	\$ 130,000

Note 7. Property and Equipment

Property and equipment at June 30, 2024 and 2023 consisted of:

	2024	2023
Land and improvements	\$ 25,953,383	\$ 25,914,542
Buildings and improvements	207,873,245	201,738,325
Equipment	42,859,389	42,385,146
Construction in progress	5,756,798	5,645,947
	282,442,815	275,683,960
Less accumulated depreciation	88,764,980	82,344,835
	<u>\$ 193,677,835</u>	<u>\$ 193,339,125</u>

Kansas City University
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

For the years ended June 30, 2024 and 2023, the University capitalized a portion of interest expense incurred on certain capital projects. Interest expense was recorded as follows:

	<u>2024</u>	<u>2023</u>
Interest costs capitalized	\$ 72,072	\$ 1,445,239
Interest costs charged to expense	<u>1,488,426</u>	<u>150,414</u>
Total interest incurred	<u>\$ 1,560,498</u>	<u>\$ 1,595,653</u>

At June 30, 2024 and 2023, the University had commitments outstanding for capital expenditures under construction contracts for approximately \$4,189,100 and \$4,477,000, respectively.

Note 8. Long-term Debt

Long-term debt at June 30 consisted of the following:

	<u>2024</u>	<u>2023</u>
Educational Facilities Revenue Bond		
(A) Revenue; Series 2013 A	\$ 13,785,000	\$ 15,000,000
(B) Revenue; Series 2017 A	<u>18,540,000</u>	<u>18,540,000</u>
	32,325,000	33,540,000
Add unamortized premium on bonds	1,366,899	1,431,068
Less unamortized debt issuance costs	<u>(406,244)</u>	<u>(432,040)</u>
	<u>\$ 33,285,655</u>	<u>\$ 34,539,028</u>

- (A) In December 2013, the University borrowed \$25,000,000 through issuance of Educational Facilities Revenue Bonds, Series 2013, by the Health and Educational Facilities Authority of the State of Missouri. The Series 2013 Bonds are payable annually through 2033, in payments ranging from \$1,215,000 to \$1,850,000. Interest is payable semi-annually at rates ranging from 3.75% to 5.0%.
- (B) In February 2017, the University borrowed \$18,540,000 through issuance of Educational Facilities Revenue Bonds, Series 2017, by the Health and Educational Facilities Authority of the State of Missouri. The Series 2017 Bonds are payable at various dates from 2034 through 2047, in payments ranging from \$950,000 to \$8,105,000. Interest is payable semi-annually at 5.0%.

Kansas City University
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Aggregate annual maturities of long-term debt at June 30, 2024 are:

2025	\$ 1,265,000
2026	1,320,000
2027	1,380,000
2028	1,440,000
2029	1,515,000
Thereafter	<u>25,405,000</u>
	<u>\$ 32,325,000</u>

Note 9. Beneficial Interest in Remainder Trusts

The University has been named as an irrevocable beneficiary of charitable remainder unitrust held and administered by independent trustees. The trust provides for a distribution of earnings annually to the donor until the trust termination date. The remainder of the trust will then be distributed to the University. At the date the University receives notice of a beneficial interest, a contribution with the donor restrictions is recorded in the consolidated statements of activities and a beneficial interest in trust is recorded in the consolidated statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trust are reported at the fair value of the trust assets in the consolidated statements of financial position, with trust distributions and changes in fair value recognized in the consolidated statements of activities.

Assets held in the charitable remainder trusts are recorded at fair value of \$4,622,141 and \$4,032,023 as of June 30, 2024 and 2023, respectively. The University recognized an unrealized gain of \$590,118 and \$390,659 in 2024 and 2023, respectively, related to the trusts.

Note 10. Annuities Payable

The University 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 University has recorded a liability at June 30, 2024 and 2023 of \$80,776 and \$94,823, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 5%.

Note 11. Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2024 and 2023 are restricted for the following purposes or periods:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
Capital projects	\$ 5,036,343	\$ 100,000
Scholarships and student assistance	89,827	108,800
Academic and educational support	2,119,743	1,602,625
Promises to give, the proceeds from which have been restricted by donors for		
Capital projects	2,939,615	5,183,036
Educational programs	83,114	491,928
Endowment	<u>240,764</u>	<u>437,075</u>
	<u>10,509,406</u>	<u>7,923,464</u>
Subject to the passage of time		
Beneficial interest in remainder trusts	<u>4,622,141</u>	<u>4,032,023</u>
Endowments		
Subject to spending policy and appropriation		
Scholarships	20,547,308	18,210,755
Academic support	<u>692,957</u>	<u>551,023</u>
	<u>21,240,265</u>	<u>18,761,778</u>
Total net assets with donor restrictions	<u><u>\$ 36,371,812</u></u>	<u><u>\$ 30,717,265</u></u>

Kansas City University
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The amounts released during the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Satisfaction of purpose restrictions		
Scholarships given	\$ 586,593	\$ 621,110
Community outreach	162,273	338,647
Departmental use and other	186,597	359,896
Property, plant, equipment and other placed in service	2,706,382	28,964,070
	<u>\$ 3,641,845</u>	<u>\$ 30,283,723</u>

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 have been designated for the following purposes:

	2024	2023
Undesignated	\$ 350,966,863	\$ 311,236,033
Designated by the Board for endowment	14,669,746	13,728,957
	<u>\$ 365,636,609</u>	<u>\$ 324,964,990</u>

Note 12. Endowment

The University's endowment consists of numerous individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with the endowment funds, including board-designated endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's governing body has interpreted the *State of Missouri Prudent Management of Institutional Funds Act* (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University maintains perpetuity in (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the University in a manner consistent with the standard of prudence prescribed by SPMIFA. The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund

Kansas City University
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

The composition of net assets by type of endowment fund at June 30, 2024 and 2023 were:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2024			
Board-designated endowment funds	\$ 14,669,746	\$ -	\$ 14,669,746
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	15,731,226	15,731,226
Accumulated investment gains	-	5,509,039	5,509,039
	<u>\$ 14,669,746</u>	<u>\$ 21,240,265</u>	<u>\$ 35,910,011</u>
June 30, 2023			
Board-designated endowment funds	\$ 13,728,957	\$ -	\$ 13,728,957
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	15,018,990	15,018,990
Accumulated investment gains	-	3,742,788	3,742,788
	<u>\$ 13,728,957</u>	<u>\$ 18,761,778</u>	<u>\$ 32,490,735</u>

Kansas City University
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Changes in endowment net assets for the years ended June 30, 2024 and 2023 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	\$ 13,114,749	\$ 16,429,450	\$ 29,544,199
Investment return, net	1,265,708	1,664,818	2,930,526
Contributions	-	1,236,965	1,236,965
Appropriation for expenditure	<u>(651,500)</u>	<u>(569,455)</u>	<u>(1,220,955)</u>
Endowment net assets, June 30, 2023	13,728,957	18,761,778	32,490,735
Investment return, net	1,639,750	2,351,039	3,990,789
Contributions	-	722,235	722,235
Appropriation for expenditure	<u>(698,961)</u>	<u>(594,787)</u>	<u>(1,293,748)</u>
Endowment net assets, June 30, 2024	<u>\$ 14,669,746</u>	<u>\$ 21,240,265</u>	<u>\$ 35,910,011</u>

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level the University is required to retain as a perpetual fund of perpetual duration pursuant to donor stipulations or SPMIFA. For the year ended June 30, 2023, funds with original gift values of \$740,555; fair values of \$724,636; and deficiencies of \$15,919 were reported in net assets with donor restrictions. There were no underwater endowments for the year ended June 30, 2024. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions.

The University has adopted an endowment spending policy which attempts to provide a predictable stream of funding to designated programs, while seeking to maintain the purchasing power of the endowment. The policy anticipates annual appropriations from the endowment to be in the range of 4-6% of the five-year trailing average market value. Endowment assets include those assets of donor-restricted endowment funds that the University must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds.

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

Kansas City University
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 13. Liquidity and Availability

The following reflects the University's financial assets as of June 30, 2024 and 2023, less funds not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year including annuities, trust assets, certain donor-restricted and board-designated funds. The board-designated funds can be drawn upon if the board approves that action.

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 23,961,434	\$ 19,864,963
Accounts and contributions receivable	6,736,922	9,693,848
Investments and beneficial interest in remainder trusts	241,284,158	199,064,440
Financial assets, at year-end	271,982,514	228,623,251
Less those unavailable for general expenditure within one year, due to		
Contributions receivable collectible beyond one year	(785,300)	(3,267,600)
Contributions receivable restricted for purpose due within one year	(2,571,802)	(3,117,500)
Beneficial interest in remainder trusts	(4,622,141)	(4,032,023)
Private equity investment	(1,464,924)	(1,144,966)
Donor-restricted funds	(28,210,678)	(20,386,103)
Board-designated funds	(14,669,746)	(13,728,957)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 219,657,923</u>	<u>\$ 182,946,102</u>

Note 14. Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest and information technology expenses, which are allocated on a square footage basis. Certain costs have been allocated among the education and general auxiliary enterprises based on time expended, usage and other methods.

	2024					
	Program Activities			Support Activities		Total University
	Instructional	Academic Support and Student Services	Operation and Maintenance	Fundraising Costs	Institutional Support	
Salaries	\$ 27,014,621	\$ 6,184,112	\$ 3,758,631	\$ 1,065,003	\$ 9,046,377	\$ 47,068,744
Benefits	6,975,261	1,878,825	1,270,488	282,957	458,631	10,866,162
Teaching and educational resources	8,096,721	1,719,104	41,251	24,724	1,889,451	11,771,251
Depreciation	6,301,420	896,481	132,781	50,323	3,499,225	10,880,230
Professional services	1,371,353	739,204	504,076	294,724	3,368,856	6,278,213
Insurance, utilities and maintenance	90,400	12,425	1,871,497	697	1,183,161	3,158,180
Equipment, supplies and other expenses	2,343,250	161,231	1,236,980	26,534	987,829	4,755,824
Interest expense	862,041	122,639	18,165	6,884	478,697	1,488,426
University travel and events	705,937	1,029,516	26,800	266,250	198,694	2,227,197
Total expenses	<u>\$ 53,761,004</u>	<u>\$ 12,743,537</u>	<u>\$ 8,860,669</u>	<u>\$ 2,018,096</u>	<u>\$ 21,110,921</u>	<u>\$ 98,494,227</u>

Kansas City University
Notes to Consolidated Financial Statements
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	2023					
	Program Activities			Support Activities		Total University
	Instructional	Academic Support and Student Services	Operation and Maintenance	Fundraising Costs	Institutional Support	
Salaries	\$ 23,580,121	\$ 5,902,601	\$ 3,590,123	\$ 1,013,124	\$ 7,481,946	\$ 41,567,915
Benefits	6,152,559	1,795,676	1,238,274	258,673	1,871,414	11,316,596
Teaching and educational resources	8,106,528	1,623,745	61,900	15,861	742,110	10,550,144
Depreciation	5,843,460	692,998	151,814	38,901	1,683,469	8,410,642
Professional services	1,209,144	548,007	394,032	284,703	3,028,802	5,464,688
Insurance, utilities and maintenance	110,329	11,787	1,467,604	662	852,036	2,442,418
Equipment, supplies and other expenses	1,870,061	158,189	1,039,472	15,194	909,449	3,992,365
Interest expense	104,503	12,393	2,715	696	30,107	150,414
University travel and events	427,318	891,931	24,911	276,718	155,325	1,776,203
Total expenses	<u>\$ 47,404,023</u>	<u>\$ 11,637,327</u>	<u>\$ 7,970,845</u>	<u>\$ 1,904,532</u>	<u>\$ 16,754,658</u>	<u>\$ 85,671,385</u>

Note 15. Employee Benefit Plans

Defined Contribution Plan

The University has a 403(b) defined contribution retirement plan covering all employees. The University contributes 4% for all employees and also matches 2 for 1 on the first 1% and then dollar for dollar on the employee's contributions above the 1% up to the maximum limit set by the plan. The University's expense under the plan was \$3,825,626 and \$3,400,570 for the years ended June 30, 2024 and 2023, respectively.

Deferred Compensation Plan

On June 1, 2002, the University created a defined contribution 457(b) executive benefit plan covering key members of management. Participant plan deferrals were \$402,686 and \$325,808 for 2024 and 2023, respectively. An asset and corresponding liability are recorded in the consolidated statements of financial position for \$2,886,719 and \$2,164,190 as of June 30, 2024 and 2023, respectively, representing the amounts held in the plan which have been contributed by the plan participants and the funds owed to the participants.

Note 16. U.S. Department of Education Financial Responsibility Ratio Information

The following information is required by the U.S. Department of Education for the year ended June 30, 2024:

Annuities with donor restrictions	<u>\$ 4,622,141</u>
Unsecured related party receivables	<u>\$ 108,550</u>
Property, plant and equipment, net of accumulated depreciation - pre-implementation with outstanding debt for original purchase	\$ 78,217,920
Property, plant and equipment, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	-
Property, plant and equipment, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	109,703,117
Construction in progress	<u>5,756,798</u>
Total property, plant and equipment, net	<u>\$ 193,677,835</u>
Long-term debt obtained for long-term purposes - pre-implementation	<u>\$ 32,325,000</u>
Long-term debt obtained for long-term purposes - post-implementation	<u>\$ -</u>

Note 17. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Depreciation

As discussed in *Note 1*, depreciation is charged to expense using the straight-line method over the estimated useful life of each asset, which ranges from three to 40 years.

Charitable Remainder Trusts

As discussed in *Note 9*, the University values the charitable remainder trust on a periodic basis to determine the fair value to be recorded on the consolidated statements of financial position.

Refundable Government Student Loan Program

As discussed in *Note 1*, allowances for doubtful accounts are established based on current economic factors and specific circumstances of the borrower which, in management's judgment, could influence the ability of the borrower to repay the amounts per the loan terms. For the HPSL/PCL programs, the federal government bears the risk of loss of uncollectible loans provided the University performs required collection due diligence procedures.

Investments

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Contributions

Approximately 85% and 71% of all contribution revenue was received from two and three donors in 2024 and 2023, respectively.

General Litigation

The University is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the University. Events could occur that would change this estimate materially in the near term.

Note 18. Subsequent Events

Subsequent events have been evaluated through November 4, 2024, which is the date the consolidated financial statements were issued.