Thomas M. Cooley Law School

Financial Report
with Supplementary Information
August 31, 2024

Contents

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Independent Auditor's Report

To the Board of Directors
Thomas M. Cooley Law School

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Thomas M. Cooley Law School (the "School"), which comprise the balance sheet as of August 31, 2024 and 2023 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of August 31, 2024 and 2023 and the changes in its net assets, functional expenses, and 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the School and to meet our 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.

Substantial Doubt about the School's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 14 to the financial statements, the School has suffered recurring losses from operations, has not met a required debt covenant, and has stated that substantial doubt exists about the School's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

To the Board of Directors
Thomas M. Cooley Law School

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2025 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Plante & Moran, PLLC

February 14, 2025

Balance Sheet

August 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash	$ 626,730	$ 899,747
Restricted cash equivalents (Note 3)	10,000,000	10,000,000
Restricted investments (Notes 4 and 9)	6,048,471	22,856,828
Investments (Notes 4 and 9)	18,740,380	27,960,216
Receivables:		
Student accounts receivable	173,289	155,370
Contributions receivable - Less than one year	6,500	1,500
Inventories	216,840	213,803
Prepaid expenses and other current assets	2,161,744	1,120,792
Total current assets	37,973,954	63,208,256
Contributions Receivable - Net	17,700	1,737
Property and Equipment - Net (Note 5)	23,341,624	35,949,261
Assets Held for Resale - Net (Note 5)	11,350,774	13,338,394
Total assets	**$ 72,684,052**	**$ 112,497,648**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 418,030	$ 933,072
Deferred tuition and fees	3,072,772	2,597,715
Deferred compensation - Current (Note 7)	192,415	320,635
Current portion of debt (Note 6)	23,124,170	59,392,430
Accrued liabilities	1,584,865	2,280,146
Total current liabilities	28,392,252	65,523,998
Deferred Compensation (Note 7)	240,339	323,889
Total liabilities	28,632,591	65,847,887
Net Assets		
Without donor restrictions	38,302,543	41,443,235
With donor restrictions	5,748,918	5,206,526
Total net assets	44,051,461	46,649,761
Total liabilities and net assets	**$ 72,684,052**	**$ 112,497,648**

See notes to financial statements.

Statement of Activities

Years Ended August 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Tuition and fees:						
Tuition and fees	$ 19,960,115	$ -	$ 19,960,115	$ 19,853,147	$ -	$ 19,853,147
Scholarships	(3,244,086)	-	(3,244,086)	(3,571,533)	-	(3,571,533)
Net tuition and fees	16,716,029	-	16,716,029	16,281,614	-	16,281,614
Auxiliary activities	337,172	-	337,172	371,050	-	371,050
Contributions	153,058	122,856	275,914	461,936	127,804	589,740
In-kind gifts	-	482,000	482,000	-	-	-
Investment income	2,118,336	162,057	2,280,393	1,900,962	119,693	2,020,655
Gain on sale of fixed assets	8,151,879	-	8,151,879	11,180	-	11,180
Other income	559,368	-	559,368	520,683	-	520,683
Net assets released from restrictions	224,521	(224,521)	-	197,409	(197,409)	-
Total revenue, gains, and other support	28,260,363	542,392	28,802,755	19,744,834	50,088	19,794,922
Expenses						
Program services:						
Instructional and academic support	11,481,837	-	11,481,837	13,463,557	-	13,463,557
Public services	1,639,684	-	1,639,684	1,642,844	-	1,642,844
Academic computing support	2,059,343	-	2,059,343	2,034,237	-	2,034,237
Student support services	4,136,996	-	4,136,996	4,243,656	-	4,243,656
Libraries	4,831,370	-	4,831,370	4,754,217	-	4,754,217
Auxiliary enterprise	553,096	-	553,096	602,357	-	602,357
Support services - General administrative	4,982,589	-	4,982,589	5,656,174	-	5,656,174
Impairment expense (Note 5)	1,970,303	-	1,970,303	-	-	-
Total expenses	31,655,218	-	31,655,218	32,397,042	-	32,397,042
(Decrease) Increase in Net Assets - Before nonoperating activities	(3,394,855)	542,392	(2,852,463)	(12,652,208)	50,088	(12,602,120)
Nonoperating Activities						
Realized gains on investments	1,335,737	-	1,335,737	425,089	-	425,089
Unrealized (losses) gains investments	(285,150)	-	(285,150)	503,905	-	503,905
Loss on debt issuance costs	(796,424)	-	(796,424)	-	-	-
Total nonoperating activities	254,163	-	254,163	928,994	-	928,994
(Decrease) Increase in Net Assets	(3,140,692)	542,392	(2,598,300)	(11,723,214)	50,088	(11,673,126)
Net Assets - Beginning of year	41,443,235	5,206,526	46,649,761	53,166,449	5,156,438	58,322,887
Net Assets - End of year	**$ 38,302,543**	**$ 5,748,918**	**$ 44,051,461**	**$ 41,443,235**	**$ 5,206,526**	**$ 46,649,761**

See notes to financial statements.

Statement of Functional Expenses

Year Ended August 31, 2024

	Program Services							Support Services	
	Instructional and Academic Support	Public Services	Academic Computing Support	Student Support Services	Libraries	Auxiliary Enterprise	Total Program Services	General Administrative	Total
Personnel compensation	$ 4,801,522	$ 688,487	$ 628,755	$ 1,763,741	$ 961,516	$ 108,860	$ 8,952,881	$ 1,344,890	$ 10,297,771
Personnel benefits	1,815,751	350,848	236,954	726,623	447,779	46,693	3,624,648	625,486	4,250,134
Adjunct professors' compensation and benefits	676,535	45,000	-	-	-	-	721,535	-	721,535
Professional fees	317,865	116,674	102,315	54,652	-	-	591,506	600,018	1,191,524
Office expenses	5,895	10,067	2,871	20,043	3,561	1,267	43,704	60,846	104,550
Publications and subscriptions	8,720	-	-	4,084	1,393,360	-	1,406,164	101,501	1,507,665
Software license and technology supplies	-	-	866,609	-	-	-	866,609	31,572	898,181
Events, meetings, conferences, and travel	40,710	8,525	1,845	128,309	1,349	-	180,738	99,905	280,643
Advertising	-	-	-	-	-	-	-	365,655	365,655
Merchandise	-	-	-	-	-	252,482	252,482	-	252,482
Occupancy, utilities, and facility costs	1,184,775	135,267	96,964	439,915	699,177	38,860	2,594,958	418,261	3,013,219
Depreciation	957,618	130,690	65,086	438,228	492,682	57,047	2,141,351	451,712	2,593,063
Interest	1,657,684	144,387	57,238	481,906	806,132	47,637	3,194,984	497,785	3,692,769
Other	14,762	9,739	706	79,495	25,814	250	130,766	384,958	515,724
Total functional expenses	**$ 11,481,837**	**$ 1,639,684**	**$ 2,059,343**	**$ 4,136,996**	**$ 4,831,370**	**$ 553,096**	**$ 24,702,326**	**$ 4,982,589**	**$ 29,684,915**

See notes to financial statements.

Statement of Functional Expenses

Year Ended August 31, 2023

	Program Services							Support Services	
	Instructional and Academic Support	Public Services	Academic Computing Support	Student Support Services	Libraries	Auxiliary Enterprise	Total Program Services	General Administrative	Total
Personnel compensation	$ 6,213,056	$ 805,784	$ 641,018	$ 1,848,049	$ 1,021,401	$ 132,134	$ 10,661,442	$ 1,917,808	$ 12,579,250
Personnel benefits	2,021,692	348,180	247,553	774,230	434,429	66,400	3,892,484	730,637	4,623,121
Adjunct professors' compensation and benefits	647,873	30,000	-	-	-	-	677,873	-	677,873
Professional fees	187,045	52,892	65,111	86,721	-	-	391,769	596,350	988,119
Office expenses	12,143	9,751	4,632	17,863	5,538	1,559	51,486	71,123	122,609
Publications and subscriptions	950	-	-	13,386	1,319,506	-	1,333,842	104,480	1,438,322
Software license and technology supplies	-	-	877,163	-	-	-	877,163	23,622	900,785
Events, meetings, conferences, and travel	33,165	4,025	84	101,152	89	-	138,515	115,128	253,643
Advertising	-	-	-	-	-	-	-	329,494	329,494
Merchandise	-	-	-	-	-	277,967	277,967	-	277,967
Occupancy, utilities, and facility costs	1,031,957	97,989	81,727	318,108	516,689	28,166	2,074,636	337,753	2,412,389
Depreciation	1,292,784	130,857	57,383	431,738	581,419	46,453	2,540,634	495,495	3,036,129
Interest	2,005,191	148,177	58,853	494,202	846,488	49,253	3,602,164	571,839	4,174,003
Other	17,701	15,189	713	158,207	28,658	425	220,893	362,445	583,338
Total functional expenses	**$ 13,463,557**	**$ 1,642,844**	**$ 2,034,237**	**$ 4,243,656**	**$ 4,754,217**	**$ 602,357**	**$ 26,740,868**	**$ 5,656,174**	**$ 32,397,042**

See notes to financial statements.

Statement of Cash Flows

Years Ended August 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Decrease in net assets	$ (2,598,300)	$ (11,673,126)
Adjustments to reconcile decrease in net assets to net cash and restricted cash equivalents from operating activities:		
Depreciation	2,593,063	3,036,129
Amortization of bond issuance costs	861,740	65,316
Impairment expense	1,970,303	-
Unrealized loss (gain) on investments	285,150	(503,905)
Bad debt expense	61,666	45,610
Gain on disposal of assets	(8,151,879)	(11,180)
Changes in operating assets and liabilities that (used) provided cash and restricted cash equivalents:		
Tuition and other receivables	(79,585)	511,461
Inventories	(3,037)	660
Prepaid expenses and other assets	(1,040,952)	(61,505)
Pledges receivable	(20,963)	3,272
Accounts payable	(515,042)	322,126
Accrued liabilities	475,057	475,877
Deferred compensation	(211,770)	45,109
Deferred tuition and fees	(695,281)	(381,997)
Net cash and restricted cash equivalents used in operating activities	(7,069,830)	(8,126,153)
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	19,530,819	11,180
Purchase of property and equipment	(1,347,049)	(934,038)
Proceeds from investments - Net	25,743,043	19,490,261
Net cash and restricted cash equivalents provided by investing activities	43,926,813	18,567,403
Cash Flows Used in Financing Activities - Principal payments on bonds	(37,130,000)	(1,305,000)
Net (Decrease) Increase in Cash and Restricted Cash Equivalents	(273,017)	9,136,250
Cash and Restricted Cash Equivalents - Beginning of year	10,899,747	1,763,497
Cash and Restricted Cash Equivalents - End of year	**$ 10,626,730**	**$ 10,899,747**
Supplemental Cash Flow Information - Cash paid for interest	$ 4,108,752	$ 4,187,053

See notes to financial statements.

Note 1 - Nature of Business

Thomas M. Cooley Law School (the "School") is a private law school serving students throughout the United States and internationally at two campuses in Michigan and Florida. The School also offers some online courses.

The financial statements have been prepared in accordance with the accounting principles and financial statement format set forth in the American Institute of Certified Public Accountants' audit and accounting guide, *Not-for-Profit Entities*. The financial statements of the School are maintained on an accrual basis.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the School have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern (see Note 14).

Cash and Cash Equivalents

Cash reported on the balance sheet includes deposits with financial institutions in excess of federally insured limits. The School evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits. The School considers certain money market accounts to be cash and cash equivalents.

Inventories

Inventory primarily consists of items held for sale at the School's bookstore and is recorded at the lower of specific cost or net realizable value on a first-in, first-out (FIFO) basis.

Pledges Receivable and Contributions

The School reports gifts of cash or other assets as increases in net assets with donor restrictions until payment is made, at which time the net assets are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

The School reports gifts of property and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the gifts are reclassified to net assets without donor restrictions once the donated or acquired long-lived asset is placed in service.

Unconditional contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Conditional contributions are reported as revenue when the measurable barrier that the School is required to meet has been met.

Accounts Receivable

The School records receivables when students register for classes. The students' outstanding balances are due by the end of the semester or they may not register for classes or graduate. The gross amount is reduced by law school scholarships. The balance is billed to the students. See revenue recognition policy within this note for further detail.

Note 2 - Significant Accounting Policies (Continued)

Bond Issuance Costs

Debt issuance costs are reported as a direct deduction from the carrying amount of the related debt. The costs continue to be amortized over the term of the related debt.

Bond issuance costs at August 31, 2024 and 2023 consist of deferred financing costs of $515,830 and $1,377,570, respectively, related to the issuance of the Series 2014 bonds. Amortization of the deferred financing costs was $65,316 for both years ended August 31, 2024 and 2023 and is included in interest expense. During 2024, the School reduced the carrying value of the bond issuance costs to reflect the proportion of the additional principal payment made during the year, which resulted in recording an additional expense of $796,424.

Investments

Investments in equity securities with readily determinable fair values and investments in some debt securities are stated at fair value. These investments are stated at current market value based on quoted prices for publicly traded securities. Investments in certain debt securities purchased at a discount are valued at amortized cost.

Property and Equipment

Property and equipment are recorded at cost or, if acquired by gift, at fair market value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful life of the property ranging from 3 to 40 years. Library holdings include books and other reference materials and are depreciated over 15 years. Maintenance and repairs are charged to expense when incurred.

Assets Held for Sale

A long-lived asset is classified as held for sale when the School's management commits to a plan to sell the asset, the asset is available for immediate sale, a program to sell the asset at its estimated market value has been initiated, the sale is probable within one year, and it is unlikely that the plan will change. Once an asset is designated as held for sale, the reliability of the asset's carrying value is reviewed. If the estimated net sale price of the asset is less than the net book value of the asset, an impairment charge is recorded to reduce the asset's carrying value to its estimated fair value less costs to sell. Assets classified as held for sale are not depreciated. See Note 5 for further details.

Impairment of Long-lived Assets

The School reviews the recoverability of long-lived assets, including buildings, equipment, and furniture and fixtures, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations. See Note 5 for further details.

Classification of Net Assets

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the School. This category also includes board-designated net assets, which are primarily funds functioning as endowments but can be appropriated at the board's discretion and formal action.

Note 2 - Significant Accounting Policies (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Revenue Recognition

During the years ended August 31, 2024 and 2023, the academic programs were offered in three standard terms (January-April, May-August, and September-December). Revenue from tuition and student fees and sales and services of certain auxiliary enterprises was recognized during the academic term. Tuition revenue was reported at the established rates net of institutional financial aid and discounts provided directly by the School to students.

The School has one primary revenue stream, tuition revenue (which includes registration and other fees), that constitutes significant revenue from contracts with customers. Revenue for tuition is generally recognized ratably throughout the term. The nature, amount, timing, and uncertainty of the School's tuition revenue vary depending on the following factors:

- Enrollment status (i.e., part-time vs. full-time)
- Courses selected
- Tuition discounts

The transaction price of a contract with a student is the amount of consideration to which the School expects to be entitled in exchange for transferring promised services to the student. To determine the transaction price of a contract, the School considers its customary business practices and the terms of the contract. For the purpose of determining transaction prices, the School assumes that the services will be transferred to the student as promised in accordance with existing contracts and that the contracts will not be canceled, renewed, or modified. Student tuition and fee revenue and certain other revenue from students are reported net of scholarship discounts and allowances in the statement of activities. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the School and the amount that is paid by students and/or third parties making payments on the students' behalf. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the School has recorded a scholarship discount and allowance.

Services that the School transfers to students are performed by the School. In no case does the School act as an agent (i.e., the School does not provide a service of arranging for another party to transfer services to students).

The School typically satisfies its performance obligations over time, as services are rendered, because students typically obtain the benefits of such services as the services are performed. The School typically uses days elapsed during the semester to measure progress toward completion of performance obligations satisfied over time. Days elapsed during the semester most accurately depicts the School's transfer of services because control of the services is transferred to the student during each day of the applicable semester.

Changes in estimates or student enrollment status during the current reporting period may result in changes to the revenue recognized for performance obligations that were previously fully or partially satisfied. Student accounts are adjusted accordingly to reflect any adjustment. There were no significant changes in estimates or student enrollment status in 2024 or 2023 that affected amounts fully or partially satisfied in a prior year. Each contract with the student typically contains only one performance obligation. Accordingly, the School does not need to allocate the transaction price.

Note 2 - Significant Accounting Policies (Continued)

Tuition is generally due at the beginning of the semester unless the student participates in a tuition payment plan. Unearned revenue from early payments is recognized over the periods to which the tuition and other revenue relate. Unearned revenue is recorded net of scholarships committed to by the School. At August 31, 2024 and 2023, these scholarships totaled approximately $1,300,000 and $1,288,000, respectively.

Accounts receivable are stated at the amount billed to the students less applied or tuition discounts and loan proceeds, net of an allowance for expected credit losses. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The School calculates the allowance using and expected loss model that considers the School's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts and includes the type of students with receivable balances. Since the receivables share the same risk characteristics, the School pools the student balances in its analysis, taking into consideration the age of past-due accounts, an assessment of the student's ability to pay, and historical bad debt experience. Uncollectible accounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. Recoveries are amounts previously written off that are recognized when received.

For the year ended August 31, 2024, the closing balances of the School's student accounts receivable and unearned revenue were $173,289 and $3,072,772, respectively. For the year ended August 31, 2023, the closing balances of the School's student accounts receivable and unearned revenue were $155,370 and $2,597,715, respectively. For the year ended August 31, 2023, the opening balances of the School's student accounts receivable and unearned revenue were $712,441 and $2,979,712, respectively. The allowance for credit losses was $632,000 and $570,000 at August 31, 2024 and 2023, respectively. During the years ended August 31, 2024 and 2023, the School recognized bad debt expenses on student accounts receivable of $61,666 and $45,610, respectively.

Nonoperating Revenue (Expense)

Changes in the fair market value of investments, realized gains and losses on investments, and other losses are not considered a function of the School's operating activities and are classified as nonoperating revenue (expense).

Advertising

Advertising costs are expensed as incurred and were $426,174 and $337,457 for the years ended August 31, 2024 and 2023, respectively.

Fundraising Expenses

Fundraising costs consist of salaries, fringe benefits, publications, and other costs incurred by the development department. Fundraising costs are included in the statement of activities as general administrative and totaled $196,661 and $224,129 for the years ended August 31, 2024 and 2023, respectively.

Retirement Program

The School provides a 403(b) tax sheltered retirement plan for its employees. The School's annual contribution is based on specific percentages of each employee's salary, taking into consideration the Social Security wage base. Retirement expenses are included in the statement of activities and totaled $484,108 and $614,439 for the years ended August 31, 2024 and 2023, respectively.

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

The School is recognized by the Internal Revenue Service as a tax-exempt school under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is reflected in the financial statements. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Functional Allocation of Expenses

Certain expenditures were allocated to individual expense functions on the statements of activities and functional expenses. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts. See Note 10 for amounts allocated for the years ended August 31, 2024 and 2023.

Federal Financial Assistance Programs

The School participates in Federal Work-Study and Federal Direct Loan Programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996; the U.S. Office of Management and Budget Uniform Guidance 2 CFR 200, *Audit of States, Local Governments, and Non-Profit Organizations*; and the Compliance Supplement.

During 2024 and 2023, the School distributed education loans totaling approximately $21,620,000 and $20,198,000, respectively, which are not included as revenue and expenditures on the accompanying financial statements.

Adoption of New Accounting Pronouncement

As of August 1, 2023, the School adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses of Financial Instruments*. The ASU included changes to the accounting and measurement of financial assets, including the School's accounts receivable, by requiring the School to recognize an allowance for all expected credit losses over the life of the financial asset at origination. The School elected to adopt the ASU using the modified retrospective method as of August 1, 2023.

The School reviewed its practices of the accounting and measurement of its allowance for credit losses and determined the impact of the adoption of the ASU was not significant to the financial statements as a whole.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including February 14, 2025, which is the date the financial statements were available to be issued.

Note 3 - Cash and Restricted Cash Equivalents

Cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the balance sheet and the statement of cash flows as of and for the years ended August 31, 2024 and 2023 are composed of the following:

	2024	2023
Cash	$ 626,730	$ 899,747
Restricted money market	10,000,000	10,000,000
Total	$ 10,626,730	$ 10,899,747

Note 3 - Cash and Restricted Cash Equivalents (Continued)

Amounts included in restricted money market represent those required to be set aside by a contractual agreement with the trustee for the payment of specific debt. The restriction will be removed when the related debt is paid off.

Note 4 - Investments

The School's investments are stated at fair value. The following tables summarize the carrying value of investments by investment classification for the years ended August 31, 2024 and 2023:

	2024			
	Without Donor Restrictions	Board Designated	With Donor and Contractual Restrictions	Total
Money market mutual funds and CD	$ 2,073,029	$ 1,033,387	$ 1,127,749	$ 4,234,165
Corporate equities	154,747	2,236,934	-	2,391,681
Government securities	-	-	9,176,441	9,176,441
Mutual funds	-	8,197,435	789,129	8,986,564
Total	$ 2,227,776	$ 11,467,756	$ 11,093,319	$ 24,788,851

	2023			
	Without Donor Restrictions	Board Designated	With Donor Restrictions	Total
Money market mutual funds and CD	$ 1,679,351	$ 419,316	$ 1,344,217	$ 3,442,884
Corporate equities	140,155	4,516,704	-	4,656,859
Corporate bonds	-	-	67,834	67,834
Government securities	-	-	25,471,337	25,471,337
Mutual funds	-	16,420,472	757,658	17,178,130
Total	$ 1,819,506	$ 21,356,492	$ 27,641,046	$ 50,817,044

The School 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 those changes could materially affect the amounts reported in the balance sheet.

The issuance of bonds during the year ended August 31, 2015 required the School to set aside funds for a debt service reserve fund. The funds had $6,048,471 and $22,856,828 for the years ended August 31, 2024 and 2023, respectively. The debt service reserve fund is restricted in use and serves as collateral for the annual debt service on the bonds. The remaining investments classified as restricted had restrictions imposed by the third parties contributing to the funds.

Note 5 - Property and Equipment

The following table summarizes the components of property and equipment:

	2024	2023	Depreciable Life - Years
Land	$ 133,045	$ 2,872,548	-
Building and improvements	46,764,978	65,189,288	7-40
Library holdings	10,908,662	10,664,517	15
Furniture and equipment	10,491,681	9,535,461	3-7
Assets held for sale	43,280,236	43,280,236	-
Construction in progress	344,016	208,699	-
Total cost	111,922,618	131,750,749	
Accumulated depreciation - Building and improvements, library holdings, and furniture and equipment	77,230,220	82,463,094	
Net property and equipment	$ 34,692,398	$ 49,287,655	

Depreciation expense for the years ended August 31, 2024 and 2023 was $2,593,063 and $3,036,129, respectively.

During 2024, sale of the Tampa Bay campus was finalized for a purchase price of $20,500,000, with net proceeds of approximately $19,518,000. Proceeds from the sale were used for the defeasance of the 2014 bonds, redeeming $19,210,000 of principal. The net carrying amount of the Tampa Bay campus was $11,405,000, resulting in a gain of $8,113,000. In conjunction with the sale of the building, the School entered into a short-term lease with the buyer of the existing Tampa Bay campus building to continue with operations while the School's new leased facility renovations are completed. The lease ends on December 31, 2024, and the School incurred total expense of approximately $623,000. The School entered an operating lease in May 2024 for the new facility and required a $1,000,000 deposit that was recorded in other prepaids and current assets on the balance sheet. The lease term is 162 months at the beginning of the commencement date, which is contingent on the completion of the renovations, which are the responsibility of the landlord. The monthly rent payments range from approximately $110,000 to $152,000 throughout the lease term.

The Grand Rapids campus was closed at the end of fiscal year 2021. Annually, management completes an impairment analysis to determine the recoverability of the carrying value of the building. Accordingly, an impairment charge of approximately $1,970,000 was recorded as of August 31, 2024, and $7,800,000 was recorded in a previous year. The net carrying amount of the Grand Rapids campus is approximately $5,000,000 and $7,000,000 at August 31, 2024 and 2023, respectively. Management has recorded the property as held for sale. The School has listed the property and expects a sale in fiscal year 2025.

The School also vacated the buildings consisting of its main library and Center for Research and Study on the Lansing campus and made the properties, which consist of land, two buildings, and building improvements, available for sale in 2021. Due to the change in circumstances, management completed an impairment analysis and determined that the ability to recover the carrying value of the building and related properties was impaired. Accordingly, an impairment charge of approximately $2,100,000 was recorded in a previous year. The net carrying amount of the Lansing properties held for sale is approximately $6,400,000 at August 31, 2024 and 2023. Management has listed the properties.

The School is actively marketing the properties in Grand Rapids and the Lansing library buildings and has classified them as assets held for sale in the balance sheet.

Note 6 - Debt

Long-term debt at August 31 is as follows:

	2024	2023
Limited Obligation Revenue Refunding Bond Series 2014 issued by the Michigan Finance Authority, payable in varying installments, including interest ranging from 6.25 percent to 6.75 percent at August 31, 2024 and 2023. Final payment is due on July 1, 2044. The bond issue is secured by substantially all buildings and equipment of the Grand Rapids, Tampa Bay, and Lansing campuses. Subsequent to the sale of the Tampa Bay campus building, the assets were no longer secured by the agreement. In 2024, the payments were composed of the annual debt service payment of $1,385,000, plus the proceeds from the sale of the Tampa Bay campus of approximately $19,210,000, and additional payment of $16,535,000 from funds held in the restricted investments related to the sale of the Auburn Hills campus	$ 23,640,000	$ 60,770,000
Debt issuance costs related to the 2014 bonds. The bonds are amortized to interest expense	(515,830)	(1,377,570)
Total	23,124,170	59,392,430
Less current portion	23,124,170	59,392,430
Long-term portion	$ -	$ -

The balance of the above debt has required payments until maturity as follows:

Years Ending	Amount
2025	$ 1,475,000
2026	1,570,000
2027	1,670,000
2028	1,775,000
2029	1,890,000
Thereafter	15,260,000
Debt issuance costs	(515,830)
Total	$ 23,124,170

Interest expense for the years ended August 31, 2024 and 2023 was $3,692,769 and $4,174,003, respectively.

The bond and loan agreements are subject to financial covenants, including maintenance of days cash on hand and debt coverage ratio. In 2024 and 2023, the School failed to meet the bond agreement financial covenant for the debt coverage ratio. As a result, debt obligations and assets restricted to repay debt obligations are classified as current within the balance sheet. See management's plan in Note 14.

Note 7 - Deferred Compensation

The School has a deferred compensation agreement related to a contract with a previous employee. The liability is based on past services and has been calculated using age, mortality rates, and interest rates, which totaled $367,158 and $382,140 for the years ended August 31, 2024 and 2023, respectively.

Note 7 - Deferred Compensation (Continued)

The School also has a contract with its former president. Under the contract, he served as a consultant to the School with a guaranteed annual salary through December 31, 2022, regardless of services performed, if any. As of January 1, 2023, the School entered into an additional agreement extending the guaranteed salary based on the highest paid tenured professor for two years. The School has recorded a liability for the present value of the guaranteed payments totaling $65,596 and $262,384 at August 31, 2024 and 2023, respectively.

Note 8 - Donor-restricted and Board-designated Endowments

The School's endowment includes both donor-restricted endowment funds and funds designated by the board of directors of the School (the "Board") to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The School is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The School has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the School considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The School has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the School and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the School
- The investment policies of the School

	Endowment Net Asset Composition by Type of Fund as of August 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 11,467,756	$ -	$ 11,467,756
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	1,893,250	1,893,250
Accumulated investment gains	-	412,323	412,323
Total	$ 11,467,756	$ 2,305,573	$ 13,773,329

Note 8 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended August 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 21,356,492	$ 2,220,085	$ 23,576,577
Investment return:			
Investment income	612,104	84,395	696,499
Net appreciation in market value	751,530	-	751,530
Total investment return	1,363,634	84,395	1,448,029
Contributions	-	1,093	1,093
Other expenses	(52,370)	-	(52,370)
Appropriation of endowment assets for expenditure	(11,200,000)	-	(11,200,000)
Endowment net assets - End of year	$ 11,467,756	$ 2,305,573	$ 13,773,329

	Endowment Net Asset Composition by Type of Fund as of August 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 21,356,492	$ -	$ 21,356,492
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	1,892,156	1,892,156
Accumulated investment gains	-	327,929	327,929
Total	$ 21,356,492	$ 2,220,085	$ 23,576,577

	Changes in Endowment Net Assets for the Fiscal Year Ended August 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 36,788,838	$ 2,173,192	$ 38,962,030
Investment return:			
Investment income	1,249,230	45,020	1,294,250
Net appreciation in market value	1,234,939	-	1,234,939
Total investment return	2,484,169	45,020	2,529,189
Contributions	-	1,873	1,873
Other expenses	(105,515)	-	(105,515)
Appropriation of endowment assets for expenditure	(17,811,000)	-	(17,811,000)
Endowment net assets - End of year	$ 21,356,492	$ 2,220,085	$ 23,576,577

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the School to retain as a fund of perpetual duration. As of August 31, 2024 and 2023, there were no funds with deficiencies.

Note 8 - Donor-restricted and Board-designated Endowments (Continued)

Return Objectives and Risk Parameters

The School has adopted investment and spending policies for board-designated endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the stylized index while assuming a moderate level of investment risk. The School expects its endowment funds to provide a rate of return in excess of the rate of inflation over a full market cycle. The asset return goal is inflation plus 3 percent, net of investment and administrative fees. Actual returns in any given year may vary from this amount. A policy will be developed for the restricted endowment; therefore, the School is not currently spending on the endowment with donor restrictions.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The School has a policy for the board-designated endowment that permits spending up to 5 percent of the 12-quarter average market value of the fund. In establishing this policy, the School considered the long-term expected return on its endowment. The Board may also appropriate additional funds at its discretion. The board authorized draws on the board-designated endowment of $11,200,000 and $17,811,000 during the years ended August 31, 2024 and 2023, respectively.

Note 9 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the School has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 9 - Fair Value Measurements (Continued)

The following tables present information about the School's assets measured at fair value on a recurring basis at August 31, 2024 and 2023 and the valuation techniques used by the School to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at August 31, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at August 31, 2024
Assets - Investments:				
Money market mutual funds	$ 2,953,873	$ -	$ -	$ 2,953,873
Corporate equities - U.S. equities	2,391,681	-	-	2,391,681
Government securities	-	9,176,442	-	9,176,442
Mutual funds - Bond funds	2,134,544	-	-	2,134,544
Mutual funds - Index funds	4,417,763	-	-	4,417,763
Mutual funds - Alternatives funds	2,434,256	-	-	2,434,256
Total assets	$ 14,332,117	$ 9,176,442	$ -	$ 23,508,559

	Assets Measured at Fair Value on a Recurring Basis at August 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at August 31, 2023
Assets - Investments:				
Money market mutual funds	$ 2,926,249	$ -	$ -	$ 2,926,249
Corporate equities - U.S. equities	4,656,859	-	-	4,656,859
Corporate bonds	-	67,834	-	67,834
Government securities	-	25,471,336	-	25,471,336
Mutual funds - Bond funds	5,145,440	-	-	5,145,440
Mutual funds - Index funds	7,813,736	-	-	7,813,736
Mutual funds - Alternatives funds	4,218,955	-	-	4,218,955
Total assets	$ 24,761,239	$ 25,539,170	$ -	$ 50,300,409

The School classifies deposits and certificates of deposit in the amount of $1,280,292 and $516,635 at August 31, 2024 and 2023, respectively, as investments on the balance sheet, which are recorded at their carrying amounts.

Certain assets were assessed for fair value as part of the impairment process included in Note 6. The valuation methods and inputs used to determine fair value for assets and liabilities measured at fair value on a nonrecurring basis using unobservable inputs (Level 3 inputs) was based on an undiscounted cash flow method that included future operating cash flows until closure, as well as expected proceeds from sale. The expected proceeds were estimated based on appraisals performed by specialists or offers received by the School. The fair value of the properties still held was approximately $11,400,000 and $13,400,000 at August 31, 2024 and 2023, respectively.

Note 10 - Functional Allocation of Expenditures

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. The functional categories are as follows:

Instructional and academic support includes expenses for all activities that are part of the School's instructional program, such as expenses for academic instruction; academic programming, including competitions, externships, and foreign study; and academic support.

Public services include all expenses for activities organized to enhance the clinical experience of the students, including providing legal services to certain disadvantaged groups.

Academic computing support includes all expenses related to the student technology and device management, as well as distance education.

Student support services are considered programmatic and include activities that, as their primary purpose, contribute to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. This category also includes expenses incurred for office of admission, student financial services, and the registrar.

Library expenses are considered programmatic and include activities that, as their primary purpose, contribute to education of the students and their access to relevant reference materials and research.

Auxiliary services include all expenses related to the operation of the School's auxiliary activities, primarily the bookstore.

Support activities include centralized expenses incurred to provide support services for the School's primary missions and program functions. This category includes the School's fundraising activities, as well as executive management, fiscal operations, general administration, and central technology.

Costs have been allocated between the various program and support services based on estimates determined by management. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Significant costs are allocated as described below.

Salaries and related benefits are allocated based on departmental assignments of direct program staff and their direct supervisors. Departments are aligned with functional categories or allocated if necessary.

Direct costs are also allocated based on departmental assignments and include costs such as professional fees, publications and subscriptions, and supplies.

Expenses for the administration, supervision, operation, maintenance, preservation, and protection of the School's physical plant are allocated on square footage of respective departments to total square feet in use, including utilities and depreciation.

Interest expense on capital debt is allocated to the functional departments based on square footage of respective departments to total square feet that is debt-financed space.

Note 11 - Commitments

During 2022, the School entered into a noncancelable cloud computing arrangement. Cloud computing service fees under this arrangement were approximately $217,000 and $212,000 for the years ended August 31, 2024 and 2023, respectively. The future annual service fees through the year ending August 31, 2032 range from $208,000 to $245,000 per annum.

Note 12 - Contingent Liabilities

The School is subject to various legal proceedings and claims that arise in the ordinary course of its business. The School believes that the amount, if any, of ultimate liability with respect to legal actions will be insignificant or will be covered by insurance.

Note 13 - Liquidity and Availability of Resources

The School regularly reviews liquidity to meet operating needs and other contractual commitments while striving to maximize the investment of available funds. The School's sources of liquidity include cash, money market accounts, certificates of deposit, and marketable debt and equity securities.

For the purpose of analyzing available resources for meeting general expenditures over a 12-month period, the School considers all expenditures related to ongoing program-related activities and services to support those activities to be general expenditures.

The School currently maintains a board-designated endowment, the investment policy of which allows for 5 percent of the 12-quarter average market value of the fund to be spent, which has been included as available. The policy also allows for the Board to exceed that amount if deemed necessary to meet operating needs or other financial obligations.

Subsequent to year end, the School received a notice from the Department of Education related to a deficiency in the College's financial responsibility score. As such, the School concluded to provide a deposit of $2,069,910 to the Department of Education to remain eligible to participate in the Title IV loan program.

As of August 31, 2024 and 2023, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2024	2023
Cash	$ 626,730	$ 899,747
Restricted cash equivalents	10,000,000	10,000,000
Restricted investments	6,048,471	22,856,828
Accounts receivable - Net	173,289	155,370
Contributions receivable - Net	6,500	3,237
Investments	18,740,380	27,960,216
Total financial assets	35,595,370	61,875,398
Less amounts not available to meet general expenditures within one year:		
Contractually restricted investments (Note 4)	6,048,471	22,856,828
Contractually restricted cash equivalents (Note 4)	10,000,000	10,000,000
Restricted by donors for use in future periods	2,964,497	2,968,441
Contractually restricted deposits	2,069,910	-
Donor endowment	2,305,573	2,220,085
Board-designated endowment	11,467,755	21,356,492
Financial assets available to meet cash needs for general expenditures within one year	$ 739,164	$ 2,473,552

Note 14 - Management's Plan

The accompanying financial statements have been prepared assuming that the School will continue as a going concern.

As of and for the year ended August 31, 2024, the School experienced a substantial decrease in net assets due to continued operating losses. The operating losses have resulted primarily from continual declines in enrollment over the last several years and the semifixed costs to maintain a multiple-campus system. Forecasts for the next two years reflect additional operating losses.

The decline in enrollment is due primarily to the increased admissions standards implemented in response to a change in the bar exam passage standards in 2019, which the School must meet. The impact the increase in admissions standards has had on enrollment has been greater than anticipated. The School received a three-year extension to come into compliance with the bar passage standards from the American Bar Association in May 2022. The School has requested additional time to come into compliance, as the extension expires on May 27, 2025, and the School's bar passage does not currently meet the required standard. Graduates admitted under the increased admissions standards now taking the bar are passing at a rate that exceeds the standards

Additionally, the School continues to be out of compliance of the debt service ratio under the Series 2014 bond covenants. Management negotiated a two-year forbearance agreement with the bondholders and trustee. The agreement was signed in August 2023 and expires on July 31, 2025. The School was required to place $10,000,000 with the trustee as additional debt service reserve at that time. The School is current on all debt service payments. It is possible that debtholders may accelerate repayment in full at the expiration of the forbearance agreement. Management acknowledges that its financial resources could not sustain the repayment of the full amount of the outstanding debt if required on July 31, 2025 without proceeds from a sale of property or a new loan in addition to using the funds already restricted for debt service.

These factors raise substantial doubt about the School's ability to continue as a going concern.

Management has been making significant changes in an effort to continue as a going concern, including selling properties (Tampa Bay campus described in Note 5), working to balance the future budgets through a reduction in operating expenses, and working to gradually increase enrollment, with more significant enrollment recovery expected to occur once bar results improve.

Currently, management has implemented the following actions to improve the financial position of the School:

Sale of Properties

The School has listed properties for sale, as described in Note 5. The cash from the proceeds of the sale of any of the properties is expected to be used to redeem the bonds. The Lansing properties were under contract for sale for most of the period from April 2021 through September 2024. The purchaser terminated the purchase agreement in September 2024, and the buildings were relaunched as listed for sale.

The School is evaluating adjusting the sale price of the buildings held for sale to help facilitate a sale in the near term.

Refinancing

The School is also actively looking at financing options to repay the bond debt upon expiration of the forbearance arrangement. Refinancing will permit the School to negotiate terms it can meet under current operating conditions. Currently, there are no firm financing commitments.

Note 14 - Management's Plan (Continued)

Operating Loss Reduction

The School has implemented the cost-reduction strategies identified in a November 2022 restructuring plan, including elimination of many positions. The School has also budgeted to increase tuition up to 5 percent annually through fiscal year 2026-2027.

The School has engaged a consultant to analyze its historical admissions and scholarship information and assist in developing a new scholarship and financial aid strategy to improve yield and to assist in discount forecasting.

Management also plans to lease excess space at the Lansing campus once the bonds have been redeemed. This will be an additional source of revenue.

The Board has continued to approve the use of the board-designated endowment to cover the losses until the budget is expected to be balanced in fiscal year 2027-2028. The School has utilized the board-designated endowment fund to pay for operating expenses to support the turnaround effort since August 2022.

Because it is not possible at this time to predict the outcome of management's efforts, substantial doubt remains regarding the ability of the School to continue as a going concern during the following year.

Note 15 - Related Party

The School provided $242,578 and $383,914 in funding to Sixty Plus, Inc., an affiliated not-for-profit organization, in 2024 and 2023, respectively. Sixty Plus, Inc. provides free legal representation to seniors in Ingham, Eaton, and Clinton counties. The organization operates as a small general practice law office and is a clinical program for the School's students. Students are assigned cases under supervision of faculty members. The funding provided by the School includes faculty and staff salary and benefits, furniture and equipment, in-kind rent, mail, and phone service.

The School's related party transactions include amounts received as contributions from board members and the senior leaders and officers of the School, totaling approximately $37,800 and $25,600 for August 31, 2024 and 2023, respectively, with related contributions receivable of approximately $25,000 and $1,500 at August 31, 2024 and 2023, respectively. The School also paid insurance commissions to a company that has a relationship with a board member. Those expenses were approximately $3,900 and $16,500 for the years ended August 31, 2024 and 2023, respectively. The School also employees various board members as professors from time to time. During 2024 and 2023, the School paid $11,000 and $18,250, respectively, in salary and wages to board members for services performed.

Supplementary Information

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Independent Auditor's Report on Supplementary Information

To the Board of Directors
Thomas M. Cooley Law School

We have audited the financial statements of Thomas M. Cooley Law School (the "School") as of and for the years ended August 31, 2024 and 2023 and have issued our report thereon dated February 14, 2025, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The statement of activities - without donor restrictions and fiscal responsibility supplemental schedule, as required by Title 34 *U.S. Code of Federal Regulations* (CFR) Section 668.172, Department of Education Financial Ratios, are presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the School and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

February 14, 2025

Statement of Activities - Without Donor Restrictions

Year Ended August 31, 2024

	Without Donor Restrictions	Without Donor Restrictions - Board-designated Endowment	Total
Changes in Net Assets without Donor Restrictions			
Revenue and gains without donor restrictions:			
Tuition and fees:			
Tuition and fees	$ 19,960,115	$ -	$ 19,960,115
Scholarships	(3,244,086)	-	(3,244,086)
Total tuition and fees	16,716,029	-	16,716,029
Auxiliary activities	337,172	-	337,172
Donations	153,058	-	153,058
Interest income	1,506,233	612,103	2,118,336
Gain on sale of fixed assets	8,151,879	-	8,151,879
Other income	559,368	-	559,368
Net assets released from restrictions	224,521	-	224,521
Total revenue and gains without donor restrictions	27,648,260	612,103	28,260,363
Expenses:			
Program services:			
Instructional and academic support	11,481,837	-	11,481,837
Public services	1,639,684	-	1,639,684
Academic computing support	2,059,343	-	2,059,343
Student support services	4,136,996	-	4,136,996
Libraries	4,831,370	-	4,831,370
Auxiliary enterprise	553,096	-	553,096
Support services - General administrative	4,930,218	52,371	4,982,589
Impairment expense	1,970,303	-	1,970,303
Total expenses	31,602,847	52,371	31,655,218
(Decrease) Increase in Net Assets without Donor Restrictions - Before nonoperating activities	(3,954,587)	559,732	(3,394,855)
Nonoperating Activities			
Realized gains on investments	10,556	1,325,181	1,335,737
Unrealized gains (losses) on investments	288,500	(573,650)	(285,150)
Loss on debt issuance costs	(796,424)	-	(796,424)
Total nonoperating activities	(497,368)	751,531	254,163
(Decrease) Increase in Net Assets without Donor Restrictions - Before transfers	(4,451,955)	1,311,263	(3,140,692)
Transfers	11,200,000	(11,200,000)	-
Increase (Decrease) in Net Assets without Donor Restrictions	6,748,045	(9,888,737)	(3,140,692)
Net Assets - Beginning of year	20,086,743	21,356,492	41,443,235
Net Assets - End of year	**$ 26,834,788**	**$ 11,467,755**	**$ 38,302,543**

Statement of Activities - Without Donor Restrictions

Year Ended August 31, 2023

	Without Donor Restrictions	Without Donor Restrictions - Board-designated Endowment	Total
Changes in Net Assets without Donor Restrictions			
Revenue and gains without donor restrictions:			
Tuition and fees:			
Tuition and fees	$ 19,853,147	$ -	$ 19,853,147
Scholarships	(3,571,533)	-	(3,571,533)
Total tuition and fees	16,281,614	-	16,281,614
Auxiliary activities	371,050	-	371,050
Donations	461,936	-	461,936
Interest income	651,732	1,249,230	1,900,962
Gain on sale of fixed assets	11,180	-	11,180
Other income	520,683	-	520,683
Net assets released from restrictions	197,409	-	197,409
Total revenue and gains without donor restrictions	18,495,604	1,249,230	19,744,834
Expenses:			
Program services:			
Instructional and academic support	13,463,557	-	13,463,557
Public services	1,642,844	-	1,642,844
Academic computing support	2,034,237	-	2,034,237
Student support services	4,243,656	-	4,243,656
Libraries	4,754,217	-	4,754,217
Auxiliary enterprise	602,357	-	602,357
Support services - General administrative	5,550,659	105,515	5,656,174
Total expenses	32,291,527	105,515	32,397,042
(Decrease) Increase in Net Assets without Donor Restrictions - Before nonoperating activities	(13,795,923)	1,143,715	(12,652,208)
Nonoperating Activities			
Realized gains on investments	7,450	417,639	425,089
Unrealized (losses) gains on investments	(313,395)	817,300	503,905
Total nonoperating activities	(305,945)	1,234,939	928,994
(Decrease) Increase in Net Assets without Donor Restrictions - Before transfers	(14,101,868)	2,378,654	(11,723,214)
Transfers	17,811,000	(17,811,000)	-
Increase (Decrease) in Net Assets without Donor Restrictions	3,709,132	(15,432,346)	(11,723,214)
Net Assets - Beginning of year	16,377,611	36,788,838	53,166,449
Net Assets - End of year	**$ 20,086,743**	**$ 21,356,492**	**$ 41,443,235**

Ratio	Section	Line item or subsection	Financial element needed to calculate the composite score ratios	Gross Amounts	Net Amounts
	Cross-reference to the financial statement line or note disclosure				
Primary Reserve Ratio:					
Expendable Net Assets:					
	Statement of Financial Position	Net assets without donor restrictions	Net assets without donor restrictions		$ 38,302,543
		Net assets with donor restrictions	Net assets with donor restrictions		5,748,918
	SFP and FS Notes	Related party receivable, net and receivable from affiliate, net and related party note	Secured and Unsecured related party receivable	$ 26,500	
		Related party receivable, net and receivable from affiliate, net and related party note	Unsecured related party receivable		22,500
	Statement of Financial Position	Property, Plant, and Equipment, net	Property, plant, and equipment, net (including construction in progress)	34,692,398	
	Supplemental Schedule Footnotes	Property, Plant, and Equipment, net - Pre-implementation	Property, plant, and equipment, net - Pre-implementation less any construction in progress		31,015,061
		Property, Plant, and Equipment, net - Post-implementation with outstanding debt for original purchase	Property, plant, and equipment, net - Post-implementation less any construction in progress with outstanding debt for original purchase		-
		Property, Plant, and Equipment, net - Post-implementation without outstanding debt for original purchase	Property, plant, and equipment, net - Post-implementation less any construction in progress without outstanding debt for original purchase		3,333,321
		Property, Plant, and Equipment - Construction in process	Construction in progress		344,016
	Financial Statement Footnotes	Lease right-of-use asset	Lease right-of-use asset	-	
		Lease right-of-use asset pre-implementation	Lease right-of-use asset - Pre-implementation		-
		Lease right-of-use asset post-implementation	Lease right-of-use asset - Post-implementation		-
	Statement of Financial Position	Goodwill	Intangible assets		-
		Post-employment and pension liability	Post-employment and defined pension plan liabilities		-
		Notes payable and line of credit (both current and long-term) and line of credit for contruction in process	Long-term debt - For long-term purposes and construction in process debt	-	
	Financial Statement Footnotes	Notes payable and line of credit (both current and long-term) and line of credit for contruction in process	Long-term debt for long-term purposes - Pre-implementation		-
		Notes payable and line of credit (both current and long-term) for purchase of property, plant, and equipment	Qualified long-term debt for long-term purposes - Post-implementation for purchase of property, plant, and equipment		-
		Notes payable and line of credit for construction in process	Line of credit for construction in process		-
	Financial Statement Footnotes	Lease right-of-use asset liability (both current and long-term)	Lease right-of-use asset liability	-	
		Lease right-of-use asset liability (both current and long-term)	Pre-implementation right-of-use asset liability		-
		Lease right-of-use asset liability (both current and long-term)	Post-implementation right-of-use asset liability		-
	Financial Statement Footnotes	Annuities	Annuities with donor restrictions		-
		Term Endowments	Term endowments with donor restrictions		-
		Life Income Funds	Life income funds with donor restrictions		-
		Perpetual Funds	Net assets with donor restrictions: restricted in perpetuity		1,893,250
Total Expenses and Losses:					
	Statement of Activities	Total operating expenses	Total expenses without donor restrictions		31,655,218
		Non-operating (investment return appropriated for spending), investments, net of annual spending, gain (loss), other components of net periodic pension costs, pension-related changes other than net periodic pension, change in value of split-interest agreements, and other gains (losses)	Non-operating and net investment (loss)		-
		Operating (investment return appropriated for spending), Nonoperating investments, net of annual spending, gain (loss)	Net investment losses		-
		Pension-related changes other than periodic pension	Pension-related changes other than net periodic costs		-

Ratio	Cross-reference to the financial statement line or note disclosure: Section	Line item or subsection	Financial element needed to calculate the composite score ratios	Gross Amounts	Net Amounts
Equity Ratio:					
Modified Net Assets:					
	Statement of Financial Position	Net assets without donor restrictions	Net assets without donor restrictions		$ 38,302,543
		Net assets with donor restrictions	Net assets with donor restrictions		5,748,918
	Statement of Financial Position	Goodwill	Intangible assets		-
	FS Notes	Related party receivable	Secured and Unsecured related party receivable	26,500	
		Related party receivable	Unsecured related party receivable		22,500
Modified Assets:					
	Statement of Financial Position	Total assets	Total assets		72,684,052
	Supplemental Schedule Footnotes	Lease right-of-use asset pre-implementation	Lease right-of-use asset - Pre-implementation		-
		Lease right-of-use asset post-implementation	Pre-implementation right-of-use liability		-
	Statement of Financial Position	Goodwill	Intangible assets		-
	SFP or FS Notes	Related party receivable, net and receivable from affiliate, net and related party note	Secured and Unsecured related party receivable	26,500	
		Related party receivable, net and receivable from affiliate, net and related party note	Unsecured related party receivable		22,500
Net Income Ratio:					
Change in Net Assets Without Donor Restrictions	Statement of Activities	Change in net assets without donor restrictions	Change in net assets without donor restrictions		(3,140,692)
Total revenues and gains	Statement of Activities	Net assets released from restrictions, total operating revenue and other additions and sale of fixed assets, gains (losses)	Net assets released from restrictions, total operating revenue and other additions and sale of fixed assets, gains (losses)		29,853,342

The accompanying Financial Responsibility Supplemental Schedule (the "Schedule") includes the information necessary to calculate the financial responsibility score required by the Department of Education and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 34 CFR 668.172 Department of Education Financial Ratios. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic consolidated financial statements.

The Department of Education modified the calculation of the financial responsibility ratio that is required to be computed by all schools that receive Title IV funding. This modification requires schools to disclose certain pre and post amounts relating to long-term debt, property plant and equipment and right of use leases.

Property, Plant, and Equipment, net		
1 Pre-implementation property, plant, and equipment, net (PP&E, net)		
a. Beginning pre-implementation property, plant and equipment, net as of beginning of year	$	46,559,882
b. Less subsequent depreciation and amortization		(4,332,199)
c. Less subsequent disposals		(11,212,622)
d. Ending pre-implementation property, plant, and equipment, net as of end of year		31,015,061
2 Post-implementation property, plant, and equipment, net acquired without debt:		
a. Beginning post-implementation property, plant, and equipment, net as of beginning of year without debt		2,519,074
b. Long-lived assets acquired without use of debt		1,023,737
c. Transfer of post-implementation construction in progress placed into service WITHOUT DEBT (3c below)		187,995
d. Less subsequent depreciation and disposals		(397,485)
e. Ending post-implementation property, plant, and equipment, net as of end of year without debt		3,333,321
3 Post-implementation property, plant, and equipment, net acquired with debt:		
a. Beginning post-implementation property, plant, and equipment, net as of beginning of year		
b. Long-lived assets acquired with use of debt		
c. Transfer of post-implementation construction in progress put into service with DEBT (5c below)		
d. Less subsequent depreciation and disposals		
e. Ending post-implementation property, plant, and equipment, net as of end of year with debt		-
4 Post-implementation construction in progress, acquired without debt:		
a. Beginning post-implementation construction in progress as of beginning of year		208,699
b. Construction in progress acquired without use of debt		323,312
c. Transfer construction in progress put into service (2c above)		(187,995)
d. Ending post-implementation construction in progress as of end of year		344,016
5 Post-implementation construction in progress, acquired WITH debt:		
a. Beginning post-implementation construction in progress as of beginning of year		
b. Construction in progress acquired with use of debt		
c. Transfer construction in progress put into service (3c above)		
d. Ending post-implementation construction in progress as of end of year		
6 Total property, plant, and equipment, net as of end of year	$	34,348,382

Long-term debt, for long term purposes		
5 Pre-implementation debt:		
a. Beginning pre-implementation debt, net as of beginning of year	$	60,770,000
b. Less subsequent debt repayments		(37,130,000)
c. Less net effect of reclassification of debt		(23,640,000)
d. Ending pre-implementation debt, net as of end of year		-
6 Post-implementation debt, net:		
a. Beginning post-implementation debt for purchase of property, plant, and equipment, net beginning of year		-
b. Less subsequent debt repayments		-
c. Debt for property, plant, and equipment, net		-
d. Ending post-implementation debt for purchase of property, plant, and equipment, net as of end of year		-
7 Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value		-
8 Total debt, net as of end of year	$	-