

# **Des Moines University Osteopathic Medical Center**

Financial Report  
June 30, 2024

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## Independent Auditor's Report

RSM US LLP

Board of Trustees  
Des Moines University Osteopathic Medical Center

### Opinion

We have audited the financial statements of Des Moines University Osteopathic Medical Center (the University), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 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 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.

### Other Matter

The U.S. Department of Education (Department) issued a regulation titled Financial Responsibility, Administrative Capability, Certification Procedures, Ability to Benefit, which requires institutions of higher education that participate in financial assistance programs under Title IV of the Higher Education Act to disclose in their financial statements all related party transactions. The regulations also require additional identifying information to be disclosed that would enable the Department to readily identify the related party. If there are no related party transactions during the audit period, the Department requires management to disclose this fact in the notes to the financial statements. Management is responsible for the presentation of this information. Note 14, which is unaudited, includes related party transactions not otherwise required by generally accepted accounting standards to be disclosed to comply with this requirement. Our opinion on the financial statements does not cover the information presented in Note 14, and we do not express an opinion or any form of assurance thereon.

### 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 University'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.

### **Auditor's Responsibilities for the Audit 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 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 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 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 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 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.

*RSM US LLP*

Des Moines, Iowa  
October 4, 2024

**Des Moines University Osteopathic Medical Center**

**Statements of Financial Position  
June 30, 2024 and 2023**

	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$ 5,913,476	\$ 6,999,404
Patient and other accounts receivable, net	1,544,533	4,484,687
Contributions receivable, net	827,190	983,201
Prepays and other assets	4,825,899	4,432,584
Right-of-use assets—operating leases	680,856	748,548
Loans to students, net	4,155,845	4,407,049
Investments	177,940,933	185,454,821
Investments, restricted	359	1,710,192
Property and equipment, net	306,763,844	303,250,739
<b>Total assets</b>	<b>\$ 502,652,935</b>	<b>\$ 512,471,225</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 1,002,821	\$ 2,299,831
Accrued expenses	7,415,518	20,879,580
Deferred revenue	5,746,177	5,079,139
Deposits held in custody for others	107,986	123,593
U.S. Government grants refundable	4,633,585	4,885,664
Interest rate swap liability	624,102	891,699
Lease liability	700,217	759,173
Bonds payable, net	228,038,417	233,139,491
<b>Total liabilities</b>	<b>248,268,823</b>	<b>268,058,170</b>
Net assets:		
Net assets without donor restrictions:		
Available for operations	85,987,498	92,688,626
Board designated endowment	67,968,337	58,334,939
U.S. Government loan programs	186,736	237,038
Net investment in plant	78,725,785	71,821,441
<b>Total net assets without donor restrictions</b>	<b>232,868,356</b>	<b>223,082,044</b>
Net assets with donor restrictions	21,515,756	21,331,011
<b>Total net assets</b>	<b>254,384,112</b>	<b>244,413,055</b>
<b>Total liabilities and net assets</b>	<b>\$ 502,652,935</b>	<b>\$ 512,471,225</b>

See notes to financial statements.

# Des Moines University Osteopathic Medical Center

## Statement of Activities Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Tuition and fees, net of scholarships (\$3,356,560)	\$ 72,944,188	\$ -	\$ 72,944,188
Federal grants and contracts	700,966	-	700,966
State grants	250,000	-	250,000
Private gifts and grants	337,682	319,199	656,881
Net patient service revenue	3,894,303	-	3,894,303
Investment income	7,770,656	-	7,770,656
Interest on loans to students	7,111	-	7,111
Other income	1,042,416	-	1,042,416
Net assets released from with donor restrictions	1,277,492	(1,277,492)	-
<b>Total operating revenues</b>	<b>88,224,814</b>	<b>(958,293)</b>	<b>87,266,521</b>
Operating expenses:			
Instruction and research	34,826,797	-	34,826,797
Academic support	12,574,309	-	12,574,309
Patient care clinics	7,691,194	-	7,691,194
Student services	5,472,816	-	5,472,816
Institutional support	28,223,744	-	28,223,744
<b>Total operating expenses</b>	<b>88,788,860</b>	<b>-</b>	<b>88,788,860</b>
<b>Change in net assets from operating activities</b>	<b>(564,046)</b>	<b>(958,293)</b>	<b>(1,522,339)</b>
Nonoperating activities:			
Private gifts and grants	6,000	888,966	894,966
Investment income, net of amounts designated for operations and investment fees	9,742,522	1,307,807	11,050,329
Change in fair value of interest rate swap agreements	267,597	-	267,597
Other nonoperating expenses	(719,496)	-	(719,496)
Net assets released from with donor restrictions	1,053,735	(1,053,735)	-
<b>Change in net assets from nonoperating activities</b>	<b>10,350,358</b>	<b>1,143,038</b>	<b>11,493,396</b>
<b>Total change in net assets</b>	<b>9,786,312</b>	<b>184,745</b>	<b>9,971,057</b>
Net assets at beginning of year	223,082,044	21,331,011	244,413,055
Net assets at end of year	<b>\$ 232,868,356</b>	<b>\$ 21,515,756</b>	<b>\$ 254,384,112</b>

See notes to financial statements.

# Des Moines University Osteopathic Medical Center

## Statement of Activities Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Tuition and fees, net of scholarships (\$2,790,094)	\$ 67,914,742	\$ -	\$ 67,914,742
Federal grants and contracts	2,328,790	-	2,328,790
State grants	248,311	-	248,311
Private gifts and grants	551,696	392,104	943,800
Net patient service revenue	3,880,631	-	3,880,631
Investment income	7,797,525	-	7,797,525
Interest on loans to students	5,957	-	5,957
Other income	498,702	-	498,702
Net assets released from with donor restrictions	1,290,210	(1,290,210)	-
<b>Total operating revenues</b>	<b>84,516,564</b>	<b>(898,106)</b>	<b>83,618,458</b>
Operating expenses:			
Instruction and research	25,135,381	-	25,135,381
Academic support	12,451,653	-	12,451,653
Patient care clinics	7,785,379	-	7,785,379
Student services	4,906,320	-	4,906,320
Institutional support	18,401,834	-	18,401,834
<b>Total operating expenses</b>	<b>68,680,567</b>	<b>-</b>	<b>68,680,567</b>
<b>Change in net assets from operating activities</b>	<b>15,835,997</b>	<b>(898,106)</b>	<b>14,937,891</b>
Nonoperating activities:			
Private gifts and grants	6,000	2,113,109	2,119,109
Investment income, net of amounts designated for operations and investment fees	3,788,057	928,104	4,716,161
Change in fair value of interest rate swap agreements	714,760	-	714,760
Other nonoperating expenses	(6,480,407)	-	(6,480,407)
Net assets released from with donor restrictions	1,828,590	(1,828,590)	-
<b>Change in net assets from nonoperating activities</b>	<b>(143,000)</b>	<b>1,212,623</b>	<b>1,069,623</b>
<b>Total change in net assets</b>	<b>15,692,997</b>	<b>314,517</b>	<b>16,007,514</b>
Net assets at beginning of year	207,389,047	21,016,494	228,405,541
Net assets at end of year	<u>\$ 223,082,044</u>	<u>\$ 21,331,011</u>	<u>\$ 244,413,055</u>

See notes to financial statements.

**Des Moines University Osteopathic Medical Center**

**Statements of Functional Expenses  
Years Ended June 30, 2024 and 2023**

	Program Services				Institutional Support		Total
	Instruction and Research	Academic Support	Patient Care Clinics	Student Services	Management and General	Fundraising	
<b>Year Ended June 30, 2024:</b>							
Compensation	\$ 19,089,408	\$ 6,471,892	\$ 5,413,304	\$ 3,256,213	\$ 9,761,494	\$ 1,071,759	\$ 45,064,070
Occupancy	1,213,315	339,324	229,496	141,173	1,346,356	-	3,269,664
Travel	99,425	81,260	4,704	30,499	88,130	66,059	370,077
Interest and financing charges	4,161,426	1,166,054	54,263	485,983	2,990,789	-	8,858,515
Depreciation	4,962,774	1,090,849	789,845	399,824	4,010,659	-	11,253,951
Insurance	-	21,025	84,663	-	875,808	-	981,496
Services and professional fees	4,261,600	1,278,077	615,645	393,118	4,655,162	17,247	11,220,849
Supplies and other	1,038,849	2,125,828	499,274	766,006	3,229,109	111,172	7,770,238
<b>Total operating expenses</b>	<b>\$ 34,826,797</b>	<b>\$ 12,574,309</b>	<b>\$ 7,691,194</b>	<b>\$ 5,472,816</b>	<b>\$ 26,957,507</b>	<b>\$ 1,266,237</b>	<b>\$ 88,788,860</b>
<b>Year Ended June 30, 2023:</b>							
Compensation	\$ 16,615,028	\$ 7,374,252	\$ 5,602,324	\$ 2,922,551	\$ 9,157,279	\$ 995,017	\$ 42,666,451
Occupancy	1,080,313	356,135	297,800	233,048	416,787	-	2,384,083
Travel	102,722	100,725	5,488	27,513	60,642	60,944	358,034
Interest and financing charges	628,487	314,269	53,915	300,484	366,227	-	1,663,382
Depreciation	1,611,639	598,603	536,245	293,052	847,150	-	3,886,689
Insurance	-	16,394	79,895	-	507,929	-	604,218
Services and professional fees	4,300,657	1,493,170	767,664	462,109	2,874,959	13,714	9,912,273
Supplies and other	796,535	2,198,105	442,048	667,563	2,911,830	189,356	7,205,437
<b>Total operating expenses</b>	<b>\$ 25,135,381</b>	<b>\$ 12,451,653</b>	<b>\$ 7,785,379</b>	<b>\$ 4,906,320</b>	<b>\$ 17,142,803</b>	<b>\$ 1,259,031</b>	<b>\$ 68,680,567</b>

See notes to financial statements.



# Des Moines University Osteopathic Medical Center

## Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 9,971,057	\$ 16,007,514
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,323,096	3,955,833
Amortization of bond premium	(1,140,219)	(1,194,614)
Net realized (gain) loss on investments	(8,735,386)	2,971,561
Net unrealized gain on investments	(6,513,438)	(11,934,894)
Change in fair value of interest rate swap agreements	(267,597)	(714,760)
Contributions, net of income restricted for long-term investment	(480,646)	(243,575)
(Increase) decrease in assets:		
Patient and other accounts receivable	2,940,154	(3,088,864)
Contributions receivable	156,011	212,304
Prepays and other assets	(393,315)	(575,282)
Right-of-use assets—operating leases	67,692	65,423
Increase (decrease) in liabilities:		
Accounts payable	(1,297,010)	1,750,358
Accrued expenses	384,270	944,456
Deferred revenue	667,038	203,497
Deposits held in custody for others	(15,607)	(17,687)
Lease liability	(58,956)	(54,798)
<b>Net cash provided by operating activities</b>	<b>6,607,144</b>	<b>8,286,472</b>
Cash flows from investing activities:		
Purchase of property and equipment	(28,615,388)	(98,384,268)
Purchase of investments	(235,348,913)	(334,441,829)
Proceeds from sales of investments	259,821,458	359,468,446
Proceeds from the sale of donor restricted financial assets	-	161,120
Proceeds from payments on student loans	591,204	576,240
Payments for issuance of loans to students	(340,000)	(400,000)
<b>Net cash used in investing activities</b>	<b>(3,891,639)</b>	<b>(73,020,291)</b>
Cash flows from financing activities:		
Principal payments on bonds payable	(4,030,000)	(1,390,000)
Bond issuance costs	-	(479,785)
Issuance of bonds payable	-	50,461,213
Proceeds from U.S. Government grants refundable, net	(252,079)	(44,556)
Contributions net of loss restricted for long-term investment	480,646	243,575
<b>Net cash (used in) provided by financing activities</b>	<b>(3,801,433)</b>	<b>48,790,447</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,085,928)</b>	<b>(15,943,372)</b>
Cash and cash equivalents:		
Beginning	6,999,404	22,942,776
Ending	\$ 5,913,476	\$ 6,999,404

(Continued)

**Des Moines University Osteopathic Medical Center**

**Statements of Cash Flows (Continued)**

**Years Ended June 30, 2024 and 2023**

	2024	2023
Supplemental disclosure of cash flow information:		
Cash payments for interest, net of capitalized interest of 2024—\$141,786; 2023—\$6,718,040	<u><u>\$ 9,890,298</u></u>	<u><u>\$ 2,799,538</u></u>
Supplemental schedule of noncash investing activity:		
Purchase of property and equipment in accrued expenses	<u><u>\$ 333,987</u></u>	<u><u>\$ 14,182,319</u></u>

See notes to financial statements.

## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Nature of activities:** Des Moines University Osteopathic Medical Center, West Des Moines, Iowa, (the University) is organized to operate and maintain an academic institution consisting of various colleges for education and research in the healing arts, particularly the science and art of osteopathic medicine, podiatric medicine and related allied health services. In addition, the University operates patient care clinics to provide educational experience for students and also to benefit the general public.

**Basis of presentation:** The financial statements of the University have been prepared on the accrual basis of accounting. Financial statement presentation follows the recommendations of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, the University is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net assets without donor restrictions:** Net assets which are not restricted by donor-imposed restrictions and represent the portion of expendable assets available for support of the University's operations, including funds designated by the Board of Trustees to function as endowment.

**Net assets with donor restrictions:** Net assets subject to donor-imposed restrictions that either expire by passage of time or can be fulfilled by actions of the University pursuant to those stipulations. As donor-imposed restrictions are met, net assets are reclassified as net assets without donor restriction. This category also includes net assets subject to donor-imposed restrictions that are to exist in perpetuity and neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the University. Contributions received for long-lived assets are reclassified as net assets without donor restriction when the related asset is placed in service.

**Revenue recognition:** Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restriction, such as the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as released from restrictions between net assets with and without donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Contributions with donor-imposed restrictions that are met within the same reporting period are reported as revenue without donor restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions and investment income are reported as follows:

- As increases in net assets with donor restrictions if the terms of the gift or the interpretation of relevant state law require that they be added to the principal of an endowment fund with donor restrictions. In addition, any investment income or loss from the perpetual trust is treated as restricted with donor restrictions until distributed.

## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

- As increases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income or by law. Effective with the enactment of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as of June 30, 2009, gains and losses on investments related to donor-restricted endowment funds are reported as increases or decreases in net assets with donor restrictions. Expirations of restrictions on net assets with donor restriction (i.e., the donor-stipulated purpose has been fulfilled, the stipulated time period has elapsed and/or the Board has appropriated) are reported in the statements of activities as net assets released from donor restrictions.
- As increases in net assets without donor restrictions in all other cases.

The statement of activities reports the change in net assets from operating and nonoperating activities. Operating revenues consist of substantially all the activity of the University except for certain items specifically considered to be of a nonoperating nature. Contributions included in nonoperating activities consist primarily of gifts restricted for the acquisition of capital assets or endowment funds. Nonoperating activities also include realized and unrealized gains (losses) on investments, endowment income in excess of the established spending policy, and other items of an unusual or nonrecurring nature. The University's established spending policy for endowed investment income is equal to 4.5% of the 20 quarter rolling average market value of total endowment investments.

**Tuition and fees:** Students are billed tuition and fees prior to the term start date either at a fixed flat rate or on a per credit hour rate based on the program. Tuition, fees and credit hour rates are updated and published annually prior to each academic year. The University recognizes tuition revenue in the same academic year in which the performance obligation is satisfied. Student income received in advance of services to be rendered is recorded as deferred revenue which totaled \$5,647,248, \$5,033,450 and \$4,829,706 at June 30, 2024, 2023 and 2022, respectively, primarily to be recognized in the subsequent fiscal year. The academic year is finished prior to the University's fiscal year-end. Adjustments to tuition revenue due to leave of absences or withdrawals are recorded when incurred. Student financial aid is applied prior to the term start dates for clinical cohort programs and subsequent to the add or drop period for nonclinical programs. Financial aid and financing utilized by students includes University scholarships, outside scholarships and loans, Federal Direct Loans, and campus-based federal and institutional loans. Balances due after financial aid is applied are considered to be past due if any portion of the receivable balance is outstanding after the start of the term to which the charges relate or payments are not received as agreed upon. Students with outstanding balances from a prior term are not able to register for future terms until the balance has been paid or the student has an agreed upon payment plan.

**Net patient service revenue:** Net patient service revenue is reported at the estimated net realizable amount which represents the consideration which the University expects to be entitled to in exchange for providing services which are due from patients, third-party payors and others for services rendered. Revenue is recognized at the time the service is rendered and concurrent with the satisfaction of the University's performance obligation to the patient. The University is subject to payment limits and variable consideration for each procedure code imposed by Medicare and Medicaid and has also entered into payment agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations to provide care at rates that differ from established charges. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Amounts due representing patient responsibility after insurance is processed are billed out to the patients and due within 30 days. The University estimates unrealizable amounts as a price concession and are reflected as a reduction to accounts receivable. Subsequent changes in estimates of collectability are recognized as adjustments to the variable consideration included in the transaction price unless due to a change in the financial status of a payor, for example a bankruptcy, which are recognized as bad debt expense.

## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** For the purposes of reporting cash flows, the University considers all cash and highly liquid investments with a maturity of three months or less, other than money market mutual funds and other cash equivalents included in the investment portfolio, to be cash and cash equivalents. Cash at June 30, 2024 and 2023, included \$50,741 and \$88,067, respectively, restricted to use in the Federal Perkins Loan Program and included \$615,855 and \$631,107 at June 30, 2024 and 2023, respectively, restricted to use in the Health Professions Student Loan Program.

**Concentration of credit risk:** The University had cash balances with a financial institution in excess of Federal Deposit Insurance Corporation insured limits during the years ended June 30, 2024 and 2023. The University has not experienced any losses due to these concentrations.

**Patient receivables:** Patient receivables are carried at a net amount determined by the original charge for the service provided, less an estimate made for implicit and explicit price concessions. Management determines the estimate for implicit price concessions by historical collection experience, adjusted for current conditions and asset-specific risk characteristics as well as reasonable and supportable forecasts. The University does not charge interest on patient receivables. Patient receivables are written off as credit loss expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of credit loss expense when received. Credit loss expense for the years ended June 30, 2024 and 2023 was not significant. Opening balance of patient and other accounts receivable, net as of July 1, 2022, was \$1,395,823.

**Accounts receivable and loans to students:** Accounts receivable are carried at the unpaid balance of the original amount billed to students, and student loan receivables are carried at the amount of unpaid principal. Both accounts receivable and loans to students are net of allowance for expected credit losses. Management determines the allowance for credit losses by calculating a specific percent reserve on the aging of the accounts based on historical experience, current conditions, asset-specific risk characteristics, reasonable and supportable forecasts about future economic and market conditions and by identifying specific past due amounts. Student accounts and loans receivable are written off when deemed uncollectible and when student loans receivable are assigned to the U.S. Department of Education. Recoveries of student accounts and loans receivable previously written off are recorded when received. Account and loans receivable are net of allowance made for expected credit losses of \$34,000 at both June 30, 2024 and 2023.

Late fees are charged to student accounts receivable that are past due and are recognized as they are charged. A student account receivable is considered to be past due if any portion of the receivable balance is outstanding after the start of the term to which the charges relate or payments are not received as agreed upon. Once a receivable is sent to a collection agency, accrual of late fees is suspended and recorded only if collected.

Interest is charged and recognized on student loans receivable after a student is no longer enrolled in an institution of higher education and after a grace period. Interest is recognized as charged. Late fees are charged if payments are not paid by the payment due date and are recognized as they are received. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education or, in the case of loan funds of the University, based on the respective program.

## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

For Federal Perkins Loans, Federal Health Professions Student Loans, and Federal Primary Care Loans, since these are homogenous loans with small balances they are collectively evaluated for impairment. The University has determined no allowance for uncollectible accounts is necessary based on historical default experience. For Institutional loans, these are also homogenous loans with small balances. The University identifies all loans and evaluates for collectability and then applies a quantitative factor based on historical default experience to the remaining institutional loan balance.

**Investments and investments, restricted:** The University carries investments in debt and equity securities and hedge funds with readily determinable fair values based on quoted market prices, in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Fund of funds and private equity are carried at net asset value using the practical expedient. Annually, the net asset value, from the respective funds' audited financial statements as of their respective year end of either December 31 or March 31, is adjusted to the University's year end of June 30 for contributions, purchases, sales, withdrawals, distributions and gains and losses that are included in earnings and recorded on the University's statements of activities. Certificates of deposit are reported at cost and investments in money market funds are reported at fair value which was determined to approximate cost.

The University is the beneficiary of a perpetual trust held by a third party. Under the terms of the trust, the University has the irrevocable right to receive the income generated by the trust in perpetuity, but never the corpus of the trust. The beneficial interest in the perpetual trust is recorded in investments at the fair value of the underlying trust assets.

Investment income for the years ended June 30, 2024 and 2023, consisted of the following:

	2024	2023
Interest and dividends	\$ 3,572,161	\$ 3,550,353
Realized gains and (losses), net	8,735,386	(2,971,561)
Unrealized gains and (losses), net	6,513,438	11,934,894
	<u>\$ 18,820,985</u>	<u>\$ 12,513,686</u>

The investments of the University are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

The University holds investments reported at fair value that are held by the bond trustee and restricted for capitalized interest payments and project funds on bonds funding the new University campus project. These restricted funds were expended down to a balance of \$359 as of June 30, 2024.

## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Property and equipment:** Property and equipment is stated at cost at the date of acquisition or at fair value at the date of gift less accumulated depreciation computed by the straight-line method over the estimated useful lives of the assets.

	<u>Years</u>
Land improvements	10
Buildings and building improvements	20-50
Equipment	3-20

**Right-of-use assets and lease liabilities:** The right-of-use assets and lease liabilities for operating leases are included in right-of-use assets—operating leases and lease liability, respectively, in the statements of financial position. Lease assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease.

**U.S. Government grants refundable:** Funds provided by the U.S. Government under the Federal Perkins Loan Program, Federal Health Professions Student Loans, and the Federal Primary Care Loan Program are loaned to qualified students. The Federal Primary Care Loan Program and the Federal Health Professions Student Loans program funds may be reloaned after collections. These funds are ultimately refundable to the U.S. Government and are included as a liability in the financial statements.

**Derivative financial instruments:** Changes in the fair value of derivatives during the year are reported in the statements of activities. The University's participation in interest rate swap agreements as described in Note 4 are considered derivative financial instruments and have been reported in the statements of financial position at fair value. Changes in the fair value of the University's participation in the agreements during the year are reported in the statements of activities as a change in fair value of interest rate swap agreements. The net cash received or paid under the terms of the University's participation is reported as a component of interest expense.

**Allocation of expenses:** The costs of providing the program and support services of the University have been allocated by management. Depreciation, plant operations and interest and financing expenses are allocated based on square footage. Expenditures for certain clinicians' salaries, staff benefits and payroll taxes are allocated between instruction and patient care clinics based on the responsibilities of the employees and time spent. In addition, nonoperating expenses of \$719,496 and \$6,480,407 for the years ended June 30, 2024 and 2023, respectively, were incurred by the University and not included in the Statements of Functional Expenses, but would be reported within interest and financing charges and depreciation, if included.

**Income taxes:** The University is recognized as exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The University may be subject to federal and state income taxes on any net income from unrelated business activities. The University files a Form 990 (Return of Organization Exempt from Income Tax) annually and unrelated business taxable income (UBIT) is reported on Form 990-T, as appropriate. Management has evaluated their material tax positions, which include such matters as the tax-exempt status and various positions relative to potential sources of UBIT. As of June 30, 2024 and 2023, there were no uncertain tax benefits identified and recorded as a liability.

**Subsequent events:** Subsequent events have been evaluated through October 4, 2024, the date the financial statements are issued.

## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

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#### Note 2. Contributions Receivable

Unconditional promises to give as of June 30, 2024 and 2023, consist of the following:

	2024	2023
Amount due in:		
Less than one year	\$ 512,478	\$ 517,774
One to five years	508,601	702,400
Gross unconditional promises to give	1,021,079	1,220,174
Less unamortized discount at rates from 0.38% to 4.64%	(47,889)	(52,973)
Less allowance for uncollectible accounts	(146,000)	(184,000)
Net unconditional promises to give	<u>\$ 827,190</u>	<u>\$ 983,201</u>

#### Note 3. Property and Equipment

A summary of property and equipment and related accumulated depreciation at June 30, 2024 and 2023, is as follows:

	2024	2023
Land and land improvements	\$ 38,528,564	\$ 36,637,732
Buildings and building improvements	304,106,395	260,277,785
Equipment	38,893,357	27,248,669
Construction in progress	1,661,450	44,542,006
	383,189,766	368,706,192
Less accumulated depreciation	(76,425,922)	(65,455,453)
	<u>\$ 306,763,844</u>	<u>\$ 303,250,739</u>

Property and equipment includes the net book value of assets that were acquired after July 1, 2019, of \$266,300,044, of which \$196,975,000 was acquired through outstanding debt as of June 30, 2024.

#### Note 4. Bonds Payable

Bonds payable at June 30, 2024 and 2023, consists of the following:

	2024	2023
Private College Facility Revenue Bonds, Series 2020 (A)	\$ 146,975,000	\$ 149,555,000
Private College Facility Revenue Bonds, Series 2022 (B)	50,000,000	50,000,000
Private College Facility Refunding Revenue Bonds, Series 2018 (C)	16,855,000	18,305,000
Unamortized premium on bonds payable, Series 2020 and 2022	15,822,268	16,962,487
Less unamortized financing costs	(1,613,851)	(1,682,996)
	<u>\$ 228,038,417</u>	<u>\$ 233,139,491</u>



## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

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#### Note 4. Bonds Payable (Continued)

- (A) Iowa Higher Education Loan Authority Private College Facility Revenue Bonds, Series 2020, in the original amount of \$149,555,000, with semiannual interest-only payments due April 1 and October 1 through October 1, 2023, when principal becomes due annually each October 1 through 2050 and bearing interest at a coupon interest rate of 5.0% through 2040 and 4.0% from 2041 through 2050. The total proceeds received from the bonds was \$169,173,377 with a net premium of \$19,618,377 in excess of the principal amount. The premium is being amortized over the life of the bond using the effective interest method. The proceeds from the Series 2020 Bonds (including premium) were used to fund the West Des Moines campus project, costs of issuance, and capitalized interest. The University is required to prepay the loan in whole and to cause all of the bonds to be redeemed if a mandatory redemption event would occur.
- (B) Iowa Higher Education Loan Authority Private College Facility Revenue Bonds, Series 2022, in the original amount of \$50,000,000. The bonds contain semiannual interest-only payments at a fixed rate of 5.1% through April 1, 2034. Principal is due annually starting October 1, 2034 through 2052, and bearing interest at coupon interest rates ranging from 4.75% to 5.375%. The bonds contain an eight-year call provision and certain financial covenants aligning with the Series 2020 bonds. The total proceeds received from the bonds was \$50,461,213 with a net premium of \$461,213 in excess of the principal amount used to fund the West Des Moines campus project and costs of issuance. The premium is being amortized over the life of the bond using the effective interest method. The University is required to prepay the loan in whole and to cause all of the bonds to be redeemed if a mandatory redemption event would occur.
- (C) Iowa Higher Education Loan Authority Private College Facility Refunding Revenue Bonds, Series 2018, through a private placement in the original amount of \$23,505,000, with principal due annually each October 1 through 2052 with variable interest at the one month secured overnight financing rate (SOFR) plus a SOFR adjustment of 0.10% multiplied by an applicable factor of 82.95% plus an applicable spread of 0.75% (5.3% as of June 30, 2024). The proceeds from the Series 2018 Bonds were used to refund the Series 2003 Variable Rate Demand Private College Facility Revenue Bonds, refund the Series 2004 Private College Facility Refunding Revenue Bonds and pay issuance costs of the bonds. In conjunction with this refunding the University maintained two existing interest rate swap agreements. The first interest rate swap of \$12,000,000 provides for the University to pay interest to the counterparty at a fixed rate of 3.685% terminating October 1, 2033. The second interest rate swap, with a notional value of \$995,000 at June 30, 2024, provides for the University to pay interest to the counterparty at a fixed rate of 3.620% terminating October 1, 2024.

The University entered into separate loan agreements with the issuer of the Series 2018, Series 2020 and Series 2022 bonds that provide for certain covenants including financial ratios. For the Series 2018 bonds, the University's gross revenues are used as collateral in the event of default. For the Series 2020 and 2022 bonds, the University's buildings and related land on which they are constructed for the West Des Moines campus project are used as collateral in the event of a default.

The University entered into interest rate swap agreements to hedge the University's exposure to interest rate risk related to their variable rate Series 2003 and 2004 bonds refunded during the year ended June 30, 2019. The University's specific goal was to lower (where possible) the cost of its borrowed funds over the borrowing term. Although the University believes its interest rate swap agreements are economic hedges, none have been designated as a hedge for accounting purposes and they are recorded on the statements of financial position at their fair market value, with changes in fair value recognized in the current period change in net assets without donor restriction.

Unamortized financing costs are amortized by the effective interest method over the term of the related debt.

## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

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#### Note 4. Bonds Payable (Continued)

Maturities required on bonds payable at June 30, 2024, are as follows:

Years ending June 30:

2025	\$ 3,725,000
2026	3,850,000
2027	4,000,000
2028	4,150,000
2029	4,315,000
Thereafter	193,790,000
Total bonds payable	<u>\$ 213,830,000</u>

#### Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following purposes at June 30, 2024 and 2023:

	2024	2023
Subject to expenditure for specified purpose:		
Scholarships and loans	\$ 6,470,723	\$ 6,304,182
Operating activities	2,853,050	2,759,802
Facilities	707,634	1,293,324
	<u>10,031,407</u>	<u>10,357,308</u>
Invested in perpetuity for which income is restricted for the following:		
Scholarships and loans	9,018,999	8,578,773
Operating activities	2,465,350	2,394,930
	<u>11,484,349</u>	<u>10,973,703</u>
	<u>\$ 21,515,756</u>	<u>\$ 21,331,011</u>

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

	2024	2023
Purpose restrictions accomplished:		
Scholarships and loans	\$ 925,686	\$ 923,567
Operating activities	351,806	418,440
Facilities	1,053,735	1,776,793
Total restrictions released	<u>\$ 2,331,227</u>	<u>\$ 3,118,800</u>

## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

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#### Note 6. Liquidity

The University's financial assets available within one year from the statement of financial position date for general operating expenses are as follows as of June 30:

	2024	2023
Cash and cash equivalents, less restricted cash	\$ 5,246,880	\$ 6,280,230
Patient and other accounts receivable	1,336,076	3,889,116
Contributions receivable	23,935	22,284
Short-term investments	875,187	19,599,542
Other investments available for current use	7,100,000	6,900,000
	<u>\$ 14,582,078</u>	<u>\$ 36,691,172</u>

As part of the University's liquidity management, the University has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. General expenditures include administrative and general expenses, fundraising expenses and programming expenses including instruction, academic support, research, patient care services and student services. The University invests cash in excess of daily requirements in insured cash sweep accounts or short-term four-week to 13-week certificates of deposit. The University also has approximately \$875,000 in unrestricted liquid fixed income investment funds which it could liquidate in the event of an unanticipated liquidity need. Additionally, the University's endowment funds consist of donor-restricted endowments and board designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 7, the Endowment Fund has a spending percentage of 4.5%. Approximately \$7,100,000 and \$6,900,000 in spending allowance will be available within the next 12 months for the years ended June 30, 2024 and 2023.

#### Note 7. Endowment Fund and Net Asset Classifications

The University's Endowment Fund consists of various donor-restricted endowment funds and funds designated as endowment (quasi-endowment) by the Board of Trustees. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported as net assets with donor restrictions or without donor restrictions based on the existence or absence of donor-imposed restrictions.

The University has interpreted the UPMIFA adopted by the 2008 Iowa legislature as requiring the 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 classifies as net assets with donor restrictions (a) the original value of gifts donated to the net assets with donor-restrictions (permanent) endowment, (b) the original value of subsequent gifts to net assets with donor-restrictions (permanent) endowment and (c) accumulations to the net assets with donor-restrictions (permanent) endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is included in net assets with donor restrictions is classified as net assets with donor restrictions (temporary) until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the State of Iowa in its enacted version of UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the Endowment Fund; (2) the purposes of the University and the donor-restricted Endowment Funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the University; and (7) the investment policies of the University.

## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

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#### Note 7. Endowment Fund and Net Asset Classifications (Continued)

The University has adopted investment and spending policies for its Endowment Fund. The objective of these policies is to provide the University a predictable funding stream for its programs while protecting the purchasing power of the Endowment Fund. The University, through its investment policy, has established a target (inflation-adjusted) annualized rate of return over the long-term of at least 5% plus Consumer Price Index; the total return during any single measurement period may deviate from the long-term return objective. To satisfy its long-term rate-of-return objective, the University expects to maintain appropriate diversification among equity, fixed income, and alternative investment allocations. The purpose is to moderate the overall investment risk of the Endowment Fund.

The Board of Trustees of the University may appropriate for expenditure or accumulate so much of the Endowment Fund as the University determines is prudent for the uses, benefits, purposes, and duration for which the Endowment Fund is established. The amount appropriated, the spending policy, is a Board approved percentage applied to the average fair value of the endowment fund assets during the prior 20 quarters. The Board approved spending percentage was 4.5% for each of the fiscal years ended June 30, 2024 and 2023.

A summary of changes in the endowment fund net assets for the year ended June 30, 2024, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 58,334,939	\$ 21,331,011	\$ 79,665,950
Contributions	6,000	1,208,165	1,214,165
Investment income and other income	16,703,622	1,307,807	18,011,429
Appropriation of endowment funds for expenditure	(7,076,224)	(2,331,227)	(9,407,451)
Net assets, end of year	<u>\$ 67,968,337</u>	<u>\$ 21,515,756</u>	<u>\$ 89,484,093</u>

A summary of changes in the endowment fund net assets for the year ended June 30, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 54,605,527	\$ 21,016,494	\$ 75,622,021
Contributions	6,000	2,505,213	2,511,213
Investment income (loss) and other income	10,390,856	928,104	11,318,960
Appropriation of endowment funds for expenditure	(6,667,444)	(3,118,800)	(9,786,244)
Net assets, end of year	<u>\$ 58,334,939</u>	<u>\$ 21,331,011</u>	<u>\$ 79,665,950</u>

## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

#### Note 7. Endowment Fund and Net Asset Classifications (Continued)

A summary of endowment fund net assets by type of fund as of June 30, 2024, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated for:			
Operating activities	\$ 61,715,636	\$ -	\$ 61,715,636
Scholarships and loans	5,816,768	-	5,816,768
Instruction	435,933	-	435,933
Donor-restricted	-	21,515,756	21,515,756
	<u>\$ 67,968,337</u>	<u>\$ 21,515,756</u>	<u>\$ 89,484,093</u>

A summary of endowment fund net assets by type of fund as of June 30, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated for:			
Operating activities	\$ 52,784,159	\$ -	\$ 52,784,159
Scholarships and loans	5,192,416	-	5,192,416
Instruction	358,364	-	358,364
Donor-restricted	-	21,331,011	21,331,011
	<u>\$ 58,334,939</u>	<u>\$ 21,331,011</u>	<u>\$ 79,665,950</u>

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. As of June 30, 2024 and 2023, none of the University's donor-restricted endowment funds were underwater. The University's spending policy does not allow management to spend the corpus of any gifts donated to net assets with donor-restrictions (permanent) endowment.

#### Note 8. Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach is required. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, accounting standards establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

**Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other 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.

# Des Moines University Osteopathic Medical Center

## Notes to Financial Statements

### Note 8. Fair Value Measurements (Continued)

**Level 3:** Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

**Investments:** Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow and are classified within Level 2 of the valuation hierarchy. Level 2 securities would include mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy when significant redemption restrictions exist.

**Interest rate swaps:** The fair value is estimated by the issuing bank using inputs that are observable or that can be corroborated by observable market data, and therefore, are classified within Level 2 of the valuation hierarchy.

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 and 2023, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

		June 30, 2024			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:		Total			
Investments:					
Money market funds	\$	2,214,662	\$	2,214,662	\$ -
Equity mutual funds:					
Developed international		1,310,557		1,310,557	-
S&P 500 index		22,949,185		22,949,185	-
Emerging markets		7,660,222		7,660,222	-
Corporate stock and preferred stock		61,535,364		61,535,364	-
Corporate bonds		5,715,251		5,715,251	-
U.S. Government securities		17,969,363		17,969,363	-
Fixed income mutual funds:					
Intermediate duration		4,863,500		4,863,500	-
Opportunistic fixed income		2,940,810		2,940,810	-
Strategic hedge fund		3,927,871		3,927,871	-
Perpetual trust		5,231,587		-	5,231,587
		<u>136,318,372</u>	<u>\$</u>	<u>131,086,785</u>	<u>\$</u> 5,231,587
Other investments, not at fair value:					
Fund of funds		17,041,750			
Private equity		24,581,170			
		<u>41,622,920</u>			
Total investments and investments, restricted	\$	<u>177,941,292</u>			
Liabilities, interest rate swaps	\$	624,102	\$	-	\$ 624,102

# Des Moines University Osteopathic Medical Center

## Notes to Financial Statements

### Note 8. Fair Value Measurements (Continued)

		June 30, 2023		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:		Total		
Investments:				
Money market funds	\$ 2,072,754	\$ 2,072,754	\$ -	\$ -
Equity mutual funds:				
Developed international	37,628	37,628	-	-
S&P 500 index	18,999,550	18,999,550	-	-
Emerging markets	7,153,038	7,153,038	-	-
Corporate stock and preferred stock	55,934,162	55,934,162	-	-
Corporate bonds	5,715,491	5,715,491	-	-
U.S. Government securities	25,607,325	25,607,325	-	-
Fixed income mutual funds:				
Intermediate duration	4,002,210	4,002,210	-	-
Opportunistic fixed income	3,112,095	3,112,095	-	-
Strategic hedge fund	4,483,635	4,483,635	-	-
Perpetual trust	4,850,552	-	-	4,850,552
	131,968,440	\$ 127,117,888	\$ -	\$ 4,850,552
Other investments, not at fair value:				
Fund of funds	19,453,700			
Private equity	21,742,873			
Certificates of deposit	14,000,000			
	55,196,573			
Total investments and investments, restricted	\$ 187,165,013			
Liabilities, interest rate swaps	\$ 891,699	\$ -	\$ 891,699	\$ -

During the year ended June 30, 2024, the University did not make significant transfers between Level 1, 2 or 3 assets and liabilities.

Level 3 investments consist of a perpetual trust. The following table presents further information about the University's Level 3 investment activity for the years ended June 30, 2024 and 2023:

	Perpetual Trust
Balance, June 30, 2022	\$ 4,721,531
Realized gain (loss), net	129,021
Balance, June 30, 2023	4,850,552
Realized gain (loss), net	381,035
Balance, June 30, 2024	\$ 5,231,587

## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

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#### Note 8. Fair Value Measurements (Continued)

Other investments are redeemable with the fund at net asset value under the original terms of the partnership and/or subscription agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the University's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the University were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

The following table provides a summary of information for other investments, by net asset class that are calculated using a net asset value per share, or its equivalent, as of June 30, 2024 and 2023:

Description	Fair Value	
	2024	2023
Fund of funds (A)	\$ 17,041,750	\$ 19,453,700
Private equity (B)	24,581,170	21,742,873
	<u>\$ 41,622,920</u>	<u>\$ 41,196,573</u>

- (A) Includes globally diversified feeder funds and fund of funds invested in illiquid investments in closed end funds that allow periodic redemptions requiring up to a 105 day notice period. Investments in foreign entities will incur exposure to risks from currency fluctuations and approximately 85% of funds balance domiciled in the Cayman Islands. Approximately \$4,970,000 of the investments as of June 30, 2024, cannot be redeemed due to the nature of the funds. The University has unfunded commitments of approximately \$7,108,000 as of June 30, 2024, with approximately \$5,767,000 of callable distributions.
- (B) Includes investments in globally diversified private equity funds. The funds are composed of underlying investments with various restrictions including approximately \$24,581,000 that cannot be redeemed due to the nature of the funds. Investments in foreign entities will incur exposure to risk from currency fluctuations and approximately 45% of funds balance domiciled outside the United States. The University has unfunded commitments of approximately \$7,940,000 as of June 30, 2024. The University has received approximately \$2,614,000 of callable distributions.

#### Note 9. Retirement Plan

The University has a contributory defined contribution retirement plan covering virtually all full time employees. Contributions by the University are based on specific requirements set forth in the plan document. Amounts contributed to the plan totaled approximately \$2,729,000 and \$2,638,000 for the years ended June 30, 2024 and 2023, respectively.

The University also provides certain employees the opportunity to defer compensation under both a 457(b) and a 457(f) plan. The assets and related liabilities to employees under these plans totaled approximately \$1,324,000 and \$1,252,000 at June 30, 2024 and 2023, respectively, and are included in other assets and accrued expenses on the statements of financial position.



## **Des Moines University Osteopathic Medical Center**

### **Notes to Financial Statements**

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#### **Note 10. Liability Insurance Coverage**

The University maintains professional malpractice liability insurance on a claims-made basis, with coverage up to \$2,000,000 per loss event and \$4,000,000 per covered person in the aggregate, with no deductible. Should the claims-made policy not be renewed or be replaced with equivalent insurance, claims based on occurrences during the policy terms but reported subsequently will be uninsured. The University has had no lapse in insurance coverage or change in insurance policies during the year ended June 30, 2024, and accordingly, no accrual for these costs is required.

Directors' and officers' liability insurance is maintained with a policy limit, in the aggregate, of \$10,000,000 with a \$100,000 deductible. Network security coverage is maintained with a policy limit in the aggregate of \$3,000,000 with a \$50,000 deductible.

Builder's risk insurance related to the new campus project was converted to the University's blanket building and property policy coverage during the year ended June 30, 2023, and covers the project value plus other general University property.

#### **Note 11. Leases, Contingencies and Commitments**

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues of patient services. Management believes that the University is in substantial compliance with current laws and regulations.

As a result of recently enacted federal health care reform legislation, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers, and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over approximately the next decade. This federal health care reform legislation does not affect the financial statements for the year ended June 30, 2024.

The University entered into a 10-year lease agreement with the City of West Des Moines, Iowa for facilities that requires monthly rental payments of \$7,887, beginning July 1, 2022, and subject to a 2% annual increase in years two through five and 3% annual increases in years six through 10.

Operating lease cost is recognized on a straight-line basis over the lease term. The lease cost recorded for the years ending both June 30, 2024 and June 30, 2023 was approximately \$105,000.

## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

#### Note 11. Leases, Contingencies and Commitments (Continued)

The operating lease right-of-use asset and associated lease liability are recognized based on the present value of future minimum lease payments to be made over the expected lease term using the University's weighted average incremental borrowing rate of 5.1%. Future minimum payments for the lease as of June 30, 2024, are as follows:

Years ending June 30:

2025	\$ 98,460
2026	100,428
2027	102,432
2028	105,504
2029	108,672
Thereafter	345,984
Total lease payments	861,480
Less imputed interest	(161,263)
Total present value of lease liabilities	<u>\$ 700,217</u>

#### Note 12. Student Loan Receivables

The University's student loan receivables consist of a revolving loan fund for Federal Perkins Loans, Federal Primary Care Loans, and Health Professions Student Loans for which the University acts as an agent for the federal government in administering the loan program and an institutional loan fund created by the University to assist students in funding their education.

The University determined their allowance for estimated losses on these student loans by looking at historical default rates and analyzing the aging of the past due loans.

The aging of the student loan portfolio by classes of loans as of June 30, 2024 and 2023, is presented as follows:

Classes of Loans	2024						Total
	Not in Repayment	Current	Days Past Due	Greater than 240 Days but Years Past Due	Greater than than 5 Years Past Due	5 Years Past Due	
Federal Perkins Loans	\$ -	\$ 117,407	\$ -	\$ -	\$ -	\$ -	\$ 117,407
Federal Primary Care Loans	740,000	3,234,922	-	-	-	-	3,974,922
Health Professions Student Loans	-	-	-	-	-	65,357	65,357
Institutional Loans	-	2,727	-	-	-	9,432	12,159
	<u>\$ 740,000</u>	<u>\$ 3,355,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,789</u>	<u>\$ 4,169,845</u>
As a percentage of total loan portfolio	17.75%	80.46%	0.00%	0.00%	0.00%	1.79%	100.00%

# Des Moines University Osteopathic Medical Center

## Notes to Financial Statements

### Note 12. Student Loan Receivables (Continued)

Classes of Loans	2023						Total
	Not in Repayment	Current	Less than 240 Days Past Due	Greater than 240 Days but Less than 2 Years Past Due	Greater than 2 Years Less than 5 Years Past Due	Greater than 5 Years Past Due	
Federal Perkins Loans	\$ -	\$ 175,234	\$ -	\$ -	\$ -	\$ -	\$ 175,234
Federal Primary Care Loans	400,000	3,765,102	-	-	-	-	4,165,102
Health Professions Student Loans	-	-	-	-	-	65,357	65,357
Institutional Loans	-	3,932	-	-	-	11,424	15,356
	<u>\$ 400,000</u>	<u>\$ 3,944,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,781</u>	<u>\$ 4,421,049</u>
As a percentage of total loan portfolio	9.04%	89.22%	0.00%	0.00%	0.00%	1.74%	100.00%

The allowance for estimated losses on student loans in aggregate was \$14,000 for the years ended June 30, 2024 and 2023.

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of June 30, 2024 and 2023:

	2024				
	Federal Perkins Loans	Federal Primary Care Loans	Health Professions Student Loans	Institutional Loans	Total
Performing	\$ 117,407	\$ 3,974,922	\$ -	\$ 2,727	\$ 4,095,056
Nonperforming	-	-	65,357	9,432	74,789
	<u>\$ 117,407</u>	<u>\$ 3,974,922</u>	<u>\$ 65,357</u>	<u>\$ 12,159</u>	<u>\$ 4,169,845</u>

  

	2023				
	Federal Perkins Loans	Federal Primary Care Loans	Health Professions Student Loans	Institutional Loans	Total
Performing	\$ 175,234	\$ 4,165,102	\$ -	\$ 3,932	\$ 4,344,268
Nonperforming	-	-	65,357	11,424	76,781
	<u>\$ 175,234</u>	<u>\$ 4,165,102</u>	<u>\$ 65,357</u>	<u>\$ 15,356</u>	<u>\$ 4,421,049</u>

For student loans, the credit quality indicator is performance determined by delinquency status and, for Federal Perkins Loans, Federal Primary Care Loans, and Health Professions Student Loans, origination and servicing of the loan. Delinquency status is updated monthly by the University's loan servicer. Federal Perkins Loans, Federal Primary Care Loans, and Health Professions Student Loans that are originated and serviced properly under Department of Education regulations can be assigned to the Department of Education when deemed no longer collectible. The University is not aware of any material amount of loans not properly originated or serviced under Department of Education regulations.

## Des Moines University Osteopathic Medical Center

### Notes to Financial Statements

#### Note 13. Net Patient Service Revenue

A summary of net patient service revenue for the years ended June 30, 2024 and 2023, is as follows:

	2024	2023
Gross patient service revenue	\$ 8,463,686	\$ 8,762,400
Less explicit price concessions	(4,536,013)	(4,830,894)
Net patient service revenue, net of contractual allowances	3,927,673	3,931,506
Less implicit price concessions	(33,370)	(50,875)
Net patient service revenue	<u>\$ 3,894,303</u>	<u>\$ 3,880,631</u>

#### Note 14. Related Party Disclosures Required by the U.S. Department of Education (Unaudited)

The following list of related party transactions is provided solely to comply with the Financial Responsibility, Administrative Capability, Certification Procedures, Ability To Benefit regulation promulgated by the U.S. Department of Education:

Related Party	Location	Nature	Relationship	2024		2023	
				Revenue (Expense)	Asset (Liability)	Revenue (Expense)	Asset (Liability)
Eric Barp	West Des Moines, IA	Contribution/Promise to Give	Board Member	\$ -	\$ 20,000	\$ 100	\$ 30,000
Laurence Baker	West Des Moines, IA	Promise to Give	Board Member	-	30,000	-	40,000
Barry Braver	West Des Moines, IA	Contribution	Board Member	3,000	-	3,000	-
Hijinio Carreon	West Des Moines, IA	Contribution	Board Member	3,500	-	1,000	-
Jay Christensen	West Des Moines, IA	Contribution	Board Member	3,000	-	-	-
Anthony Coleman	West Des Moines, IA	Contribution	Board Member	-	-	3,000	-
Marcia Hammers	West Des Moines, IA	Contribution	Board Member	3,000	-	3,000	-
Renee Hardman	West Des Moines, IA	Contribution	Board Member	2,500	-	3,500	-
Michael Helak	West Des Moines, IA	Contribution	Board Member	1,500	-	3,000	-
Victoria Herring	West Des Moines, IA	Contribution	Board Member	3,425	-	2,225	-
David Kapaska	West Des Moines, IA	Contribution/Promise to Give	Board Member	4,000	10,000	2,500	15,000
Sally Mason	West Des Moines, IA	Contribution	Board Member	3,000	-	3,000	-
Mark Menadue	West Des Moines, IA	Contribution	Board Member	3,000	-	3,000	-
Shahbaz Merchant	West Des Moines, IA	Contribution	Board Member	10,000	-	10,000	-
Nicki Nigro	West Des Moines, IA	Contribution	Board Member	3,000	-	-	-
Stephen Richards	West Des Moines, IA	Contribution/Promise to Give	Board Member	-	-	744	150,000
Stanley Skopit	West Des Moines, IA	Contribution	Board Member	3,500	-	5,000	-
David Stark	West Des Moines, IA	Contribution	Board Member	3,100	-	2,600	-
Bernard Swift	West Des Moines, IA	Contribution/Promise to Give	Board Member	-	150,000	250,000	200,000
Mary Radia	West Des Moines, IA	Contribution/Promise to Give	Board Member	3,000	20,000	1,000,000	20,000
Michael Witte	West Des Moines, IA	Contribution	Board Member	6,000	-	3,500	-
Angela Walker Franklin	West Des Moines, IA	Contribution/Promise to Give	President & CEO	18,150	18,150	16,500	16,500
Mark Peiffer	West Des Moines, IA	Contribution/Promise to Give	Senior VP & CFO	5,004	5,004	5,004	5,004
Kim Brown	West Des Moines, IA	Contribution/Promise to Give	VP for Academic and Student Affairs	4,000	4,000	3,600	3,600
				<u>\$ 85,679</u>	<u>\$ 257,154</u>	<u>\$ 1,324,273</u>	<u>\$ 480,104</u>