

The Methodist University, Inc.

Consolidated Financial Statements Years Ended June 30, 2024 and 2023

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



The Methodist University, Inc.

Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

The Methodist University, Inc.

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Independent Auditor's Report

Financial Affairs Committee
The Methodist University, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Methodist University, Inc. (the University), which comprise the consolidated statements of financial position as of June 30, 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 consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2024 and 2023, and the change 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 audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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



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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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



Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the University as a whole. The accompanying consolidated schedule of financial position - AICPA Audit Guide Fund Group Disaggregation, consolidating schedules of financial position, and consolidating schedules of activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

BDO USA, P.C.

November 26, 2024

Consolidated Financial Statements

The Methodist University, Inc.

Consolidated Statements of Financial Position

<i>June 30,</i>	2024	2023
Assets		
Cash and cash equivalents	\$ 3,013,185	\$ 4,130,871
Cash held to fund donor restrictions and debt service	7,900,537	4,481,913
Receivables:		
Students, net	713,631	669,147
Contributions, net	4,424,022	1,102,247
Other	1,022,625	1,087,872
Prepaid expenses and other assets	793,621	927,220
Investments	49,160,378	44,984,642
Property and equipment, net	76,469,671	78,066,270
Total assets	\$ 143,497,670	\$ 135,450,182
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,635,942	\$ 2,276,965
Deferred revenues	1,752,493	1,766,827
Student deposits	365,700	353,800
Other liabilities	3,010,579	1,386,344
Debt, net	22,942,829	25,182,956
Total liabilities	30,707,543	30,966,892
Net assets:		
Net assets without donor restrictions	71,032,405	70,709,669
Net assets with donor restrictions	41,757,722	33,773,621
Total net assets	112,790,127	104,483,290
Total liabilities and net assets	\$ 143,497,670	\$ 135,450,182

See notes to accompanying consolidated financial statements.

The Methodist University, Inc.

Consolidated Statement of Activities

<i>Year ended June 30, 2024</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues, gains and other support:			
Tuition and fees, net of grants and scholarships of \$27,397,321	\$ 32,908,408	\$ -	\$ 32,908,408
Government contracts and grants	981,946	5,619	987,565
Contributions and private grants of cash and other financial assets	3,319,323	5,676,925	8,996,248
Investment return designated for current operations	46,160	926,789	972,949
Other income	698,206	-	698,206
Sales and services of auxiliary enterprises	10,757,900	-	10,757,900
Net assets released from restrictions	1,886,661	(1,886,661)	-
Total revenues, gains and other support	50,598,604	4,722,672	55,321,276
Expenses:			
Educational and general instruction	19,987,515	-	19,987,515
Academic support	3,259,443	-	3,259,443
Student services	11,636,632	-	11,636,632
Institutional support	8,665,829	-	8,665,829
Auxiliary enterprises	8,333,044	-	8,333,044
Total expenses	51,882,463	-	51,882,463
Change in net assets from operations	(1,283,859)	4,722,672	3,438,813
Other changes:			
Contributions and private grants of cash and other financial assets	-	451,658	451,658
Investment return less amounts designated for current operations	1,424,807	2,989,550	4,414,357
Net income of MUDC	2,009	-	2,009
Net assets released from restrictions	220,134	(220,134)	-
Transfers	(40,355)	40,355	-
Change in net assets	322,736	7,984,101	8,306,837
Net assets:			
Beginning	70,709,669	33,773,621	104,483,290
Ending	\$ 71,032,405	\$ 41,757,722	\$ 112,790,127

See notes to accompanying consolidated financial statements.

The Methodist University, Inc.

Consolidated Statement of Activities

<i>Year ended June 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues, gains and other support:			
Tuition and fees, net of grants and scholarships of \$25,292,936	\$ 31,709,694	\$ -	\$ 31,709,694
Government contracts and grants	1,657,353	57,520	1,714,873
Contributions and private grants of cash and other financial assets	760,124	1,002,015	1,762,139
Investment return designated for current operations	60,098	729,984	790,082
Other income	690,932	-	690,932
Sales and services of auxiliary enterprises	9,784,751	-	9,784,751
Net assets released from restrictions	1,621,326	(1,621,326)	-
Total revenues, gains and other support	46,284,278	168,193	46,452,471
Expenses:			
Educational and general instruction	19,464,377	-	19,464,377
Academic support	2,291,754	-	2,291,754
Student services	10,696,379	-	10,696,379
Institutional support	8,147,512	-	8,147,512
Auxiliary enterprises	8,030,050	-	8,030,050
Total expenses	48,630,072	-	48,630,072
Change in net assets from operations	(2,345,794)	168,193	(2,177,601)
Other changes:			
Contributions and private grants of cash and other financial assets	-	4,953,536	4,953,536
Investment return less than amounts designated for current operations	799,291	1,761,818	2,561,109
Net income of MUDC	50,093	-	50,093
Net assets released from restrictions	87,925	(87,925)	-
Transfers	(94,044)	94,044	-
Change in net assets	(1,502,529)	6,889,666	5,387,137
Net assets:			
Beginning	72,212,198	26,883,955	99,096,153
Ending	\$ 70,709,669	\$ 33,773,621	\$ 104,483,290

See notes to accompanying consolidated financial statements.

The Methodist University, Inc.

Consolidated Statements of Functional Expenses

<i>Year ended June 30, 2024</i>									
	Educational and General	Academic Support	Student Services	Plant Operations and Management	Institutional Support			Auxiliary Enterprises	Total
					Administration	Fundraising	Total		
Salaries and employee benefits	\$15,163,273	\$2,145,197	\$7,149,643	\$3,319,497	\$4,471,668	\$566,759	\$ 5,038,427	\$445,963	\$ 33,262,000
Insurance	-	180	274,786	453,809	151,660	2,067	153,727	2,987	885,489
Miscellaneous	112,301	159	138,722	81,921	314,331	7,714	322,045	118,416	773,564
Supplies and services	879,712	439,754	1,552,973	484,659	1,244,891	136,841	1,381,732	2,313,384	7,052,214
Travel and employee development	334,804	19,192	682,060	547	73,241	39,558	112,799	-	1,149,402
Utilities and repairs	161,466	4,460	102,635	2,648,107	795,590	49,153	844,743	98,448	3,859,859
Depreciation and amortization	428,490	167,205	173,155	2,016,767	517,221	-	517,221	699,542	4,002,380
Interest, bond fees and amortization	248,174	41,288	133,377	52,238	21,900	3,321	25,221	397,257	897,555
Operations and maintenance	2,659,295	442,008	1,429,281	(9,057,545)	234,590	35,324	269,914	4,257,047	-
Total functional expenses	\$ 19,987,515	\$ 3,259,443	\$ 11,636,632	\$ -	\$ 7,825,092	\$ 840,737	\$ 8,665,829	\$ 8,333,044	\$ 51,882,463

<i>Year ended June 30, 2023</i>									
	Educational and General	Academic Support	Student Services	Plant Operations and Management	Institutional Support			Auxiliary Enterprises	Total
					Administration	Fundraising	Total		
Salaries and employee benefits	\$14,642,160	\$1,152,071	\$6,506,960	\$3,202,548	\$4,036,900	\$589,285	\$ 4,626,185	\$461,715	\$ 30,591,639
Insurance	-	240	274,656	413,380	135,381	3,360	138,741	2,530	829,547
Miscellaneous	131,760	59	84,177	76,164	242,340	4,461	246,801	67,971	606,932
Supplies and services	946,731	426,930	1,357,926	478,362	1,293,487	139,647	1,433,134	1,952,747	6,595,830
Travel and employee development	270,600	5,739	607,603	1,745	61,782	24,610	86,392	1,011	973,090
Utilities and repairs	148,007	43,408	103,999	3,140,821	785,483	48,527	834,010	124,402	4,394,647
Depreciation and amortization	374,791	172,891	175,364	1,921,650	482,766	-	482,766	696,758	3,824,220
Interest, bond fees and amortization	225,117	37,452	120,985	47,385	19,866	3,012	22,878	360,350	814,167
Operations and maintenance	2,725,211	452,964	1,464,709	(9,282,055)	240,405	36,200	276,605	4,362,566	-
Total functional expenses	\$ 19,464,377	\$ 2,291,754	\$ 10,696,379	\$ -	\$ 7,298,410	\$ 849,102	\$ 8,147,512	\$ 8,030,050	\$ 48,630,072

See notes to accompanying consolidated financial statements.

The Methodist University, Inc.

Consolidated Statements of Cash Flows

Years ended June 30,	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 8,306,837	\$ 5,387,137
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,002,380	3,824,220
Amortization of bond fees	83,837	90,553
Amortization of bond premiums	(297,484)	(321,315)
Gifts of property and equipment	-	(22,542)
Contributions restricted for long-term investment	(451,658)	(4,953,536)
Realized and unrealized gains on investments	(3,197,051)	(1,695,141)
Changes in assets and liabilities:		
(Increase) decrease in:		
Student accounts receivable	(44,484)	(39,673)
Contributions receivable	(3,321,775)	393,958
Other receivables	65,247	(25,878)
Prepaid expenses and other assets	133,599	(317,065)
Increase (decrease) in:		
Accounts payable and accrued liabilities	358,977	252,287
Deferred revenues	(14,334)	97,636
Student deposits	11,900	(24,150)
Other liabilities	1,624,235	(365,415)
Net cash provided by operating activities	7,260,226	2,281,076
Cash flows from investing activities:		
Purchases of property and equipment	(2,405,781)	(2,352,065)
Purchases of investments	(64,895,391)	(35,873,341)
Proceeds from sale of investments	63,916,706	29,982,054
Net cash used in investing activities	(3,384,466)	(8,243,352)
Cash flows from financing activities:		
Proceeds from long-term debt	-	1,611
Payments on long-term debt	(2,026,480)	(1,925,287)
Contributions restricted for long-term investment	451,658	4,953,536
Decrease in U.S. Government advances for student loans	-	(11,113)
Net cash (used in) provided by financing activities	(1,574,822)	3,018,747
Net increase (decrease) in cash and cash equivalents	2,300,938	(2,943,529)
Cash and cash equivalents:		
Beginning	8,612,784	11,556,313
Ending	\$ 10,913,722	\$ 8,612,784

The Methodist University, Inc.

Consolidated Statements of Cash Flows (continued)

<i>Years ended June 30,</i>	2024	2023
Presented on consolidated statements of financial position as:		
Cash and cash equivalents	\$ 3,013,185	\$ 4,130,871
Cash held to fund donor restrictions and debt service	7,900,537	4,481,913
Total cash and cash equivalents	\$ 10,913,722	\$ 8,612,784
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 1,113,749	\$ 1,049,756

See notes to accompanying consolidated financial statements.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

1. Nature of Activities

The Methodist University, Inc. (the University) is a private, co-educational, liberal arts university located in Fayetteville, North Carolina with approximately 1,900 students. Established in 1956, the purpose of the University is to provide an undergraduate and graduate education firmly grounded in the liberal arts tradition that nurtures moral values and ethical decision making; to provide distinctive professional and graduate programs that complement the undergraduate programs; to provide educational and cultural services and resources to the community; and to prepare students for a variety of careers and educational pursuits.

The University has entered into an affiliation agreement with Cape Fear Valley Health System (CFVHS) to develop an M.D. degree-granting school of medicine with an MU off-campus instructional site located on CFVHS's corporate medical campus in Fayetteville, North Carolina. Subject to accreditation approval, the University is anticipating the first class to begin in July 2026.

2. Significant Accounting Policies

A summary of the University's significant accounting policies follows:

Principles of Consolidation

The consolidated financial statements include the accounts of Methodist University Development Corporation (MUDC) and Methodist University Cape Fear Valley Health School of Medicine, Inc. (School of Medicine). MUDC is a wholly owned subsidiary of the University established in May 1996 to develop and lease certain commercial real estate owned by the University. Methodist University Cape Fear Valley Health School of Medicine, Inc. (School of Medicine), a wholly owned subsidiary of the University established in March 2024 to promote health, education, and science through the establishment and support of a school of medicine. All significant inter-organization balances and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and are presented in accordance with the Not-for-Profit Entities Topic (Topic 958) of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). In preparing its financial statements, net assets and revenues, expenses, gains, and losses are classified based on existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the mission of the University. All revenues, gains, and losses that are not restricted by donors are included in this classification. These net assets may be used at the discretion of the University's management and the Board of Trustees. The use of some net assets without donor restrictions may be further limited by board designations, including quasi- endowment or other designations.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

Net Assets with Donor Restrictions

Net assets subject to stipulations imposed by donors. Some donor stipulations may be temporary in nature; met either by actions of the University and/or the passage of time. Other donor stipulations are perpetual in nature including the portion of time restricted perpetual endowment funds that are subject to an enacted version of the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) and donor-imposed stipulations on net assets that are to be used for a specific purpose, preserved and not sold, or if sold, reinvested in other similar assets. Such assets primarily include the University's endowment funds.

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 use is restricted by donor stipulations or law.

Cash and Cash Equivalents

Cash includes currency and deposits or other accounts with financial institutions that may be deposited or withdrawn without any restrictions or penalties. Cash equivalents include resources invested in money market funds and certificates of deposit with original maturities of three months or less. The University maintains its cash and cash equivalents with several financial institutions covered by the Federal Depository Insurance Corporation (FDIC). At times, deposits maintained within these financial institutions may be in excess of the FDIC-insured limit. Management believes the risk associated with these bank accounts is minimal.

Cash Held to Fund Donor Restrictions and Debt Service

Cash held to fund donor board designated endowments, donor restrictions and debt service consist of amounts to fund board designated endowments, and amounts collected that remain unspent from donor contributions for building construction, scholarships and awards, and future program expenses, as well as debt service reserve funds held by bond trustee.

Receivables

Student accounts receivable include obligations from students in the normal course of operations, including tuition billing, and related fees. Student receivables are stated at the amount billed, less an allowance for doubtful accounts, and are uncollateralized. New semester charges are due approximately three weeks prior to the start of classes each semester. The University offers various credit plans to its students allowing payment terms over extended months, or a one-half payment by the initial due date, and one-half thirty days later. On occasion, other similar payment arrangements may be structured at the discretion of the Director of Student Accounts. Late payment fees are assessed at designated dates based on semester terms. The carrying amounts of student receivables are based on original invoice amounts and include allowances for credit losses that reflect management's best estimate of the amounts that will not be collected. Student receivables are written-off when deemed uncollectible. Recoveries of student receivables previously written off are recorded when received. During the years ended June 30, 2024 and 2023, write offs, recoveries, and provisions for credit losses were immaterial to the consolidated financial statements.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

Contributions receivable are stated at present value, net of an allowance for uncollectible contributions receivable. The allowance is based on an analysis of specific promises made and upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. Contributions to be received after one year are discounted at 5% for each of the years ended June 30, 2024 and 2023. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Other receivables include amounts due from grantor agencies, the North Carolina Department of Revenue for sales tax refunds, and other outside entities as appropriate. Management estimates amounts to be fully collectible, and therefore no allowance has been recorded. Further details of other receivables are disclosed in Note 6.

Investments

Investments are generally reported at fair value based upon quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments received by gift are recorded at fair value at the date of donation. In the case of certain less marketable investments, fair value is established by using the net asset value (NAV) of each investment fund as provided by the investment fund manager.

The University's investments include various types of investment securities which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term could materially affect the University's investment balance reported in the consolidated statements of financial position.

Securities Transactions, Interest and Dividends

Securities transactions are recorded on a trade-date basis. Realized gains and losses on securities transactions, determined on a specific identification basis and the difference between the cost and fair value of investments are included in the total return on investments and are included in excess (deficiency) of actual investment return over (under) spending rate policy and other investment income (loss) in the accompanying consolidated statements of activities. Interest income is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

Property and Equipment, Net

Beginning on July 1, 2023, the University changed its capitalization policy for property and equipment to values over \$1,500. Before this date the capitalization policy was \$1,000. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with explicit restrictions on use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. In the absence of donor stipulations regarding how long donated assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired assets are placed in service. The University reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and

The Methodist University, Inc.

Notes to Consolidated Financial Statements

equipment are depreciated using the straight-line method over the estimated useful lives of the assets (3 to 50 years).

The University evaluates, on an ongoing basis, the carrying value of property and equipment based on estimated future undiscounted cash flows. In the event such cash flows are not expected to be sufficient to cover the carrying value of the assets, the assets are written down to fair value.

Debt Issuance Costs

Accounting principles generally accepted in the United States of America (GAAP) requires that bond issue costs be capitalized and amortized to expense using the effective interest method. Amortization is recorded within interest expense. Debt issuance costs are presented net of debt.

Deferred Revenues

Deferred revenues include payments received in advance for tuition and golf shop tournament advance payments and sales. The balance of deferred revenues relating to advance tuition for the years ended June 30, 2024 and 2023, were \$1,737,813 and \$1,753,302, respectively. The balance of deferred revenues relating to golf shop tournament advance payments and sales for the years ended June 30, 2024 and 2023, were \$6,989 and \$5,834, respectively. Also included in deferred revenues are payments received in advance for rent, totaling \$7,691 and \$7,691 for the years ended June 30, 2024 and 2023, respectively.

Student Deposits

Student deposits represent tuition and dorm reservation fees of \$294,300 and \$285,400 for the years ended June 30, 2024 and 2023, and key, mattress and dormitory damage deposits of \$71,400 and \$68,400 for the years ended June 30, 2024 and 2023, respectively.

Operating and Nonoperating Activities

The consolidated statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues, gains and other support consist of substantially all of the activity of the University except for certain items specifically considered to be of a nonoperating nature. Nonoperating activities include contributions restricted for capital expenditures and donor-restricted endowment contributions, investment return not appropriated for current operations, net assets released from restrictions for capital expenditures and significant items of an unusual or nonrecurring nature.

Contributions

Unconditional contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional contributions are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions, on which the donor imposes no restrictions, are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

At the time donor-imposed restrictions are met, restricted contributions are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has passed, when the stipulated purpose has been fulfilled, or both. Contributions received with donor-imposed restrictions are reported as without donor restrictions when the donor-imposed restriction are satisfied in the same reporting period as the receipt of the contribution. Contributions of long-lived assets or contributions restricted for acquisition of long-lived assets are released from restrictions when the asset is acquired or placed in service.

Functional Allocation and Natural Classification of Expenses

Expenses are primarily reported in the consolidated statements of activities in categories recommended by the National Association of College and University Business Officers. The University's primary program service is instruction. Expenses reported as academic support, student services, plant operations and management, institutional support and auxiliary enterprises are incurred in support of this primary program service.

The consolidated statements of functional expenses report certain natural expense classifications that are attributable to one or more functional expense categories. Depreciation of property and equipment, interest expense and maintenance and certain other expenses are allocated to program and supporting activities based on periodic inventories of facilities. Costs of certain other expenses were allocated based on estimates of time and effort.

Income Taxes

The University is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code (IRC). Management evaluated the University's tax positions and concluded that the University had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provision of the Income Taxes Topic of the FASB ASC. The University files a Form 990-T in accordance with applicable U.S. federal regulations when required.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Accounting Pronouncements Issued and Adopted

In June 2016, the FASB issued *ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which introduces the current expected credit losses methodology. Among other things, the ASU requires the measurement of all expected credit losses for financial assets, including loans and available-for-sale debt securities, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The new model requires the University to calculate all probable and estimable losses that are expected to be incurred through the loan's entire life. ASU 2016-13 also requires the allowance for credit losses for purchased financial assets with credit deterioration since origination to be determined in a manner similar to that of other financial assets measured at amortized cost; however, the initial allowance will be added to the purchase price

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rather than recorded as credit loss expense. The University is to apply the changes through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the standard is effective. The amendments are effective for fiscal years beginning after December 15, 2022, and early application is permitted. The standard was adopted by the University for the year ended June 30, 2024 and did not have a material impact on the consolidated financial statements.

Reclassifications

Certain amounts in the accompanying financial statements for the year ended June 30, 2023, have been reclassified to conform with the 2024 presentation, with no effect on change in net assets or total net assets.

3. Liquidity and Availability

As of June 30, 2024 and 2023, financial assets and liquidity resources available within one year for operating expenses, scheduled principal and interest payments on debt and capital construction costs not financed with debt were as follows:

<i>June 30,</i>	2024	2023
Total assets at year-end	\$ 143,497,670	\$ 135,450,182
Less amounts not available to be used for general expenditures within one year:		
Non-financial assets	(77,263,292)	(78,993,490)
Endowments subject to donor restrictions	(35,558,170)	(32,216,815)
Board designated endowments	(4,581,723)	(3,964,161)
Net assets subject to purpose restrictions	(6,567,590)	(1,458,494)
Cash-restricted for debt service	(3,023,419)	(3,023,419)
Total financial assets available to meet general expenditures within one year	\$ 16,503,476	\$ 15,793,803

The University's cash flow has seasonal variations during the year attributable to tuition billing and annual bond principal payments. In addition, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The university regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable securities and a line of credit.

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As of June 30, 2024 and 2023, board-designated quasi-endowment totals \$4,581,723 and \$3,964,161, respectively. Although the University does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary, at the discretion of the Board.

Financial assets available to meet general expenditures within one year consist of the following:

<i>June 30,</i>	2024	2023
Cash and cash equivalents	\$ 3,013,185	\$ 4,130,871
Contributions receivable, net	216,213	235,463
Student and other receivables, net	1,736,256	1,757,019
Investments not encumbered by donor or board restrictions	11,537,822	9,670,440
Total financial assets available to meet general expenditures within one year	\$ 16,503,476	\$ 15,793,793

4. Fair Value Measurements

The University follows the provisions of the Fair Value Measurement Topic of the FASB ASC for financial assets and liabilities. This Topic applies to all financial assets and liabilities that are being measured and reported on a fair value basis, establishes a framework for measuring fair value of assets and liabilities and expands disclosures about fair value measurements. The Fair Value Measurement Topic requires that fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments determined using prices for recently traded financial instruments with similar underlying terms, as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

In determining the appropriate levels, the University performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

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The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The University's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Valuation techniques used must maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

The University has established valuation processes and procedures for Level 3 investments to ensure proper reporting within the fair value hierarchy and in accordance with GAAP. The University's management is responsible for the valuation processes and procedures of the Level 3 investments, including the development of written valuation policies and procedures, conducting periodic reviews of the valuation policies and determining the proper and consistent application of the valuation policies. Management's involvement with the valuation process consists of individuals who report to the University's Finance and Investment Committee.

A description of the valuation techniques applied to the University's major categories of assets and liabilities measured at fair value on a recurring basis follows:

Fixed income, equity securities, equity funds, bond funds and exchange traded funds: Securities traded on a national securities exchange (or reported on the NASDAQ global market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Certain foreign securities may be measured at fair value using a pricing service that considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments, such as American Depositary Receipts, financial futures, exchange traded funds and the movement of certain indices of securities based on a statistical analysis of the historical relationship and are categorized in Level 2. Preferred stock and other equities traded in active markets or valued by reference to similar instruments are also categorized in Level 2.

Private real estate: The University's privately held real estate is valued at an estimated market value, which approximates fair value and are categorized in Level 3.

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Level 1 instruments carried at fair value, and Level 2 and Level 3 instruments carried at estimated fair value, are comprised of the following at June 30, 2024:

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Financial assets:				
Investments:				
Cash and cash equivalents	\$ 1,870,292	\$ -	\$ -	\$ 1,870,292
Domestic equities	24,713,836	-	-	24,713,836
Global equities	3,943,334	-	-	3,943,334
International equities	1,259,147	-	-	1,259,147
Fixed income	13,701,676	-	-	13,701,676
Private real estate	-	-	97,500	97,500
Measured at NAV *:				
Real estate investment trust				678,914
Fund of funds				1,000,000
Private equity				1,895,679
Total	\$ 45,488,285	\$ -	\$ 97,500	\$ 49,160,378

Level 1 instruments carried at fair value, and Level 2 and Level 3 instruments carried at estimated fair value, are comprised of the following at June 30, 2023:

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Financial assets:				
Investments:				
Cash and cash equivalents	\$ 1,015,965	\$ -	\$ -	\$ 1,015,965
Domestic equities	9,103,686	-	-	9,103,686
Global equities	7,778,349	-	-	7,778,349
International equities	8,461,343	-	-	8,461,343
Fixed income	15,511,254	-	-	15,511,254
Private real estate	-	-	97,500	97,500
Measured at NAV *:				
Real estate investment trust				1,406,825
Fund of funds				113,211
Private equity				1,496,509
Total	\$ 41,870,597	\$ -	\$ 97,500	\$ 44,984,642

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*In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The following sets forth attributes related to the nature and risk of investment funds whose fair value is estimated using NAV per share as of June 30, 2024 and 2023:

Investment	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Restrictions	Notice Period
	2024	2023				
Real estate investment trust	\$ 678,914	\$ 1,406,825	\$ -	Monthly	2% of NAV per month and 5% aggregate per quarter	15 Days
Fund of funds	1,000,000	113,211	-	None	N/A	N/A
Private equity	1,895,679	1,496,509	1,632,137	None	N/A	N/A
Total	\$ 3,574,593	\$ 3,016,545				

5. Contributions Receivable

Contributions receivable, net are summarized as follows:

The payment timing of outstanding contributions receivable at June 30, 2024, is estimated to be:

	Without Donor Restrictions	With Donor Restrictions	Total
One year or less	\$ 216,213	\$ 833,237	\$ 1,049,450
One to five years	600,000	3,617,181	4,217,181
More than five years	-	5,000	5,000
Total	816,213	4,455,418	5,271,631
Less:			
Discount for future cash flows	(81,286)	(503,821)	(585,107)
Allowance for uncollectible pledges	(7,696)	(254,806)	(262,502)
Contributions receivable, net	\$ 727,231	\$ 3,696,791	\$ 4,424,022

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Contributions to be received after one year are discounted at 5%.

The payment timing of outstanding contributions receivable at June 30, 2023, is estimated to be:

	Without Donor Restrictions	With Donor Restrictions	Total
One year or less	\$ 235,463	\$ 114,944	\$ 350,407
One to five years	815,000	104,848	919,848
More than five years	-	-	-
Total	1,050,463	219,792	1,270,255
Less:			
Discount for future cash flows	(125,975)	(12,675)	(138,650)
Allowance for uncollectible pledges	(16,752)	(12,606)	(29,358)
Contributions receivable, net	\$ 907,736	\$ 194,511	\$ 1,102,247

6. Other Accounts Receivable

Accounts receivable - other consists of the following at June 30, 2024 and 2023:

<i>June 30,</i>	2024	2023
Sales and use tax	\$ 109,526	\$ 159,825
Accrued interest receivable	59,168	34,871
Grants receivable	531,985	473,493
Other miscellaneous receivables	320,521	417,193
Payroll and travel advances	1,425	2,490
Total	\$ 1,022,625	\$ 1,087,872

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7. Investments

Investments consist of the following at June 30, 2024 and 2023:

<i>June 30,</i>	2024	2023
Cash and cash equivalents	\$ 1,870,292	\$ 1,015,965
Mutual funds:		
Domestic equities	24,713,836	9,103,686
Global equities	3,943,334	7,778,349
International equities	1,259,147	8,461,343
Fixed income	13,701,676	15,511,254
Private real estate	97,500	97,500
Alternative investments:		
Real estate investment trust	678,914	1,406,825
Fund of funds	1,000,000	113,211
Private equity	1,895,679	1,496,509
Total	\$ 49,160,378	\$ 44,984,642

All investments are subject to risk of loss or decline in value. As such, it is at least reasonably possible that changes in the values of investments will occur in the near term, and that such changes could materially affect the amount reported in the University's consolidated financial statements.

The following summarizes the investment return:

<i>Years ended June 30,</i>	2024	2023
Interest and dividends	\$ 2,350,789	\$ 1,807,606
Net realized and unrealized gains	3,197,051	1,695,141
Investment fees	(160,534)	(151,556)
Investment income, net	5,387,306	3,351,191
Investment return designated for current operations	(972,949)	(790,082)
Investment return less amount designated for current operations	\$ 4,414,357	\$ 2,561,109

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8. Endowment and Similar Funds

The University's endowment consists of approximately 220 individual funds established for a variety of educational purposes. The endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees of the University have interpreted the North Carolina enacted version of the Uniform Prudent Management of Institutional Funds Acts (NC UPMIFA) 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, the University retains in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the 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 not retained in perpetuity is subject to appropriation for expenditure by the University in a manner consistent with the standard of prudence prescribed by 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 fund
2. The purposes of the University and the donor-restricted endowment fund
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
7. The investment policies of the University.

The University has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). External investment managers are employed to oversee the endowment and tasked with the objective to achieve a total rate of return that is above the median performance of a universe of similarly managed funds over a one year and moving annualized three, five and ten-year time period. Toward this end, these firms target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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The University has implemented a spending policy designed to stabilize annual spending levels while preserving the real value of the endowment over time. In accordance with the University's investment policy, a predetermined endowment-spending rate consistent with the University's total return objective has been established and approved by the Board of Trustees. Should endowment yields in any given year prove to be insufficient to support this policy, the Board of Trustees, at its discretion, may direct university reserves be utilized to fund the spending policy rather than endowment returns. Endowment yields exceeding the amounts necessary to maintain this objective are reinvested in the endowment. The endowment-spending rate for the years ended June 30, 2024 and 2023, was 4.5%. The spending rate is calculated as a percentage of the endowment fund's average fair value over the prior twelve quarters through December 31 of the preceding fiscal year in which the distribution is planned.

Endowment fund compositions as of June 30, 2024 and 2023, consist of the following:

<i>June 30,</i>	2024	2023
Cash and cash equivalents	\$ 166,196	\$ 322,394
Contributions receivable, net	64,466	73,452
Investments	47,762,878	44,861,186
Cash surrender value of life insurance	212,526	202,526
Total	\$ 48,206,066	\$ 45,459,558
<i>June 30,</i>	2024	2023
Designated by the board for endowment	\$ 4,581,723	\$ 3,964,161
With donor restrictions, endowed	35,558,170	32,216,815
Total endowed funds	40,139,893	36,180,976
Without donor restrictions, pooled with endowed funds	8,066,173	9,278,582
Total	\$ 48,206,066	\$ 45,459,558

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Changes in endowment net assets during the years ending June 30, 2024 and 2023, are as follows:

	2024		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Changes in endowment net assets:			
Beginning endowment net assets:	\$ 13,242,743	\$ 32,216,815	\$ 45,459,558
Reclassifications	(40,355)	40,355	-
Contributions	35,399	311,451	346,850
Investment income, net	749,307	1,302,749	2,052,056
Net realized and unrealized gains	583,462	2,613,589	3,197,051
Spending policy	(46,160)	(926,789)	(972,949)
Transfers	(1,876,500)	-	(1,876,500)
Ending endowment net assets, including other funds pooled with endowed funds	\$ 12,647,896	\$ 35,558,170	\$ 48,206,066

As of June 30, 2024, endowed funds with donor restrictions consisted of funds restricted in perpetuity (in original gifts) of \$29,031,864 and accumulated earnings of \$6,526,306.

	2023		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Changes in endowment net assets:			
Beginning endowment net assets:	\$ 15,514,155	\$ 25,411,720	\$ 40,925,875
Reclassifications	(94,044)	94,044	-
Contributions	-	4,949,234	4,949,234
Investment income, net	379,805	1,232,275	1,612,080
Net realized and unrealized gains	435,615	1,259,526	1,695,141
Spending policy	(60,098)	(729,984)	(790,082)
Transfers	(2,932,690)	-	(2,932,690)
Ending endowment net assets, including other funds pooled with endowed funds	\$ 13,242,743	\$ 32,216,815	\$ 45,459,558

As of June 30, 2023, endowed funds with donor restrictions consisted of funds restricted in perpetuity (in original gifts) of \$28,571,830 and accumulated earnings of \$3,571,533.

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From time to time, declines in the fair value of endowment fund investments may result in the fair value of an individual endowment fund being less than its principal amount as determined using the historic dollar cost method. These funds are classified as underwater endowments. These deficiencies amounted to \$9,914 and \$55,662 at June 30, 2024 and 2023, respectively. In accordance with GAAP, deficiencies of this nature reduce net assets with donor restrictions. The University has interpreted UPMIFA to permit spending from underwater endowments. Accordingly, the University will continue to make funds available to spend from these underwater endowments as calculated based on the spending policy. Should endowment yields in any given year prove to be insufficient to support this policy, the Board of Trustees, at its discretion, may direct university reserves be utilized to fund the spending policy rather than endowment returns.

9. Property and Equipment

Property and equipment at June 30, 2024 and 2023, consists of the following:

<i>June 30,</i>	Useful Life (in years)	2024	2023
Land	N/A	\$ 1,518,601	\$ 1,518,601
Land improvements	15-25	11,945,718	11,445,188
Lease improvements	10	7,980	7,980
Buildings	50	85,095,605	85,095,605
Building improvements	25	21,142,083	20,591,233
Commercial building and improvements	5-50	1,730,996	1,730,996
Vehicles	5	1,277,655	1,044,413
Library books	12	2,377,525	2,376,237
Plant equipment	5-10	13,724,512	13,014,143
Computer equipment	3-5	6,984,767	6,778,490
Works of art	N/A	164,614	164,614
Construction in progress	N/A	1,994,226	1,849,767
		147,964,282	145,617,267
Accumulated depreciation		(71,494,611)	(67,550,997)
Total property and equipment - net		\$ 76,469,671	\$ 78,066,270

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Construction in progress at June 30, 2024 and 2023, consists of the following:

Project Description	Estimated Date of Completion	2024	2023
Reeves Renovation/Worship Center	Various	\$ 1,420,505	\$ 1,420,505
Stream Restoration	2026	284,580	-
Others	Various	289,141	429,262
Total		\$1,994,226	\$1,849,767

Depreciation and amortization expense totaled \$4,002,380 and \$3,824,220 for the years ended June 30, 2024 and 2023, respectively.

10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2024 and 2023, are as follows:

June 30,	2024	2023
Accounts payable	\$ 1,159,536	\$ 677,478
Accrued interest	291,733	318,733
Salaries and wages, benefits and payroll taxes	339,024	430,505
Accrued vacation	845,649	850,249
Total	\$ 2,635,942	\$ 2,276,965

Compensated Absences

Effective, February 1, 2024, the University transitioned from a traditional vacation and sick leave model to a Flexible Paid Time Off (PTO) model. Eligibility for PTO is based on continuous service with the University. Employees earn PTO based on their employment status and length of service. The maximum number of accumulated PTO days an employee may accrue is 52. PTO may be used or paid at time of separation, up to a maximum of 80 hours.

At the time of transition, up to 10 days of employees' available vacation leave balances were converted to PTO. Any remaining leave balances were banked for future use or payout. Remaining vacation balances will be paid out over a 5-year period.

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11. Other Liabilities

Other liabilities at June 30, 2024 and 2023, are as follows:

<i>June 30,</i>	2024	2023
Agency obligations	\$ 95,256	\$ 107,387
Refundable advances - exchange transactions	2,532,194	672,532
Miscellaneous	383,129	606,425
Total other liabilities	\$ 3,010,579	\$ 1,386,344

Agency Obligations

Agency obligations arise from the collection or acceptance of cash or other assets for the account of third parties, such as clubs or other University affiliated groups. These balances result from transactions processed on behalf of the third parties and have no effect on net assets.

Refundable Advances - Exchange Transactions

On July 3, 2013, the University entered into an exchange transaction with a supplier for cafeteria services effective May 12, 2013. Under the agreement, the University consented to a 10-year contract with the service provider. The contract was modified in September 2017 to extend the contract an additional five years. The agreement further stipulates that should either party terminate the agreement before the expiration of the contract term, the University will return the unamortized portion of the financial commitment, plus all accrued but unbilled interest, as of the date of expiration or termination. At June 30, 2024 and 2023, the unamortized balance of these refundable advances was \$0 and \$618,469, respectively. On May 16, 2024, this agreement was terminated by the University. The remaining financial commitment, including unamortized balance and interest, was satisfied by the University.

On June 22, 2017, the University entered into an exchange transaction with a supplier for exclusive rights to product sales effective July 1, 2017. Under the agreement, the University consented to a 10-year contract with the supplier in exchange for a financial commitment of \$100,000. At June 30, 2024 and 2023, the unamortized balance of these refundable advances was \$30,000 and \$40,000, respectively.

On March 29, 2017, the University entered into an exchange transaction with a supplier for bookstore services effective March 30, 2017. Under the agreement, the University consented to a five-year contract with the service provider in exchange for a financial commitment of \$50,000. At June 30, 2024 and 2023, the unamortized balance of these refundable advances was \$7,813 and \$14,063, respectively.

On May 14, 2024, the University entered into an exchange transaction with a supplier for cafeteria services effective May 16, 2024. Under the agreement, the University consented to a 10-year contract with the service provider. Under the exchange agreement, the supplier made a financial commitment to the University in an amount of \$1,500,000 with the stipulation that the monies be expended on specific capital purchases and to pay a previous supplier for their remaining

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unamortized investment. The financial commitment was made in two segments: (i) \$500,000 expended in the Summer 2024; and (ii) \$1,000,000 expended in the Fall 2024. The financial commitments for segments (i) and (ii) shall be amortized on a straight-line basis over a period equal to the number of months remaining until June 30, 2034. The agreement further stipulates that should either party terminate the agreement before the expiration of the contract term, the University will return the unamortized portion of the financial commitment as of the date of expiration or termination. At June 30, 2024, the unamortized balance of these refundable advances was \$500,000.

On March 27, 2024, the University entered into a grant agreement with a state agency for the demolition of two residence halls originally constructed in the 1960's. Under the agreement, the University consented to removing environmentally hazardous materials and razing the two buildings in exchange for a financial commitment of \$1,000,000. At June 30, 2024 and 2023, the unused balances of these advances was \$994,381 and \$0, respectively.

On February 5, 2024, the University entered into a grant agreement with a state agency for Phase II of the stream restoration project, in exchange for a financial commitment of \$1,000,000. At June 30, 2024 and 2023, the unused balances of these advances was \$1,000,000 and \$0, respectively.

12. Long-Term Debt

Series 2021 Educational Facilities Revenue Bond: The University issued its Series 2021 Fixed Rate Educational Facilities Revenue Bonds on December 8, 2021. The purpose of the Series 2021 Bond issue was to refund the Series 2012 and Series 2014 Bonds, to fund a debt service reserve fund, and to pay certain expenses incurred in connection with the issuance of the 2021 Bonds. The original purpose of the Series 2012 and 2014 Bond issues included refinancing the Series 2005 Bonds and to fund the costs of constructing improvements on the University's campus and construction costs for a Health Sciences Building. The par amount of the bonds was \$28,055,000. The Series 2021 Bonds have defined interest rate of 4.0%, payable semiannually, and mature at various dates through 2034. B.C. Ziegler and Company d/b/a Ziegler Capital Markets Group served as the underwriter. Truist Bank serves as trustee. Collateral for the bond is a deed of trust on the University campus. The total outstanding balances at June 30, 2024 and 2023 was \$21,880,000 and \$23,905,000, respectively.

The proceeds of the bond were used to finance the Series 2012 and Series 2014 Educational Facilities Revenue Bonds and a note payable with Truist Bank. The total debt refinanced amounted to \$27,595,000. Proceeds were also used to fund a debt service reserve fund in the amount of \$3,023,419 and issuance costs of \$593,577.

In connection with the issuance of bonds, the University has agreed to certain restrictive covenants, including the attainment of various financial ratios. If the Long-Term Debt Service Coverage Ratio of the University is less than 1.20, the University is required to retain an Independent Consultant. As long as an Independent Consultant is retained, the Long-Term Debt Service Coverage Ratio is at least 1.00 to 1, and the University doesn't fail to meet the 1.20 Long-Term Debt Service Coverage Ratio for two consecutive years, then there is no event of default. At June 30, 2023, the University did not meet the 1.20 Long-Term Debt Service Coverage Ratio.

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Balances outstanding at June 30 consist of:

<i>June 30,</i>	2024	2023
Series 2021 Educational Facilities Revenue Bonds	\$ 21,880,000	\$ 23,905,000
Vehicle loans - Ford Motor Credit / Kia	-	1,479
	21,880,000	23,906,479
Plus unamortized bond premium	1,479,893	1,777,378
Less unamortized bond issue costs	(417,064)	(500,901)
Debt, net	\$ 22,942,829	\$ 25,182,956

Principal payment requirements relating to total debt for the next five years are approximately as follows:

<i>Years ended June 30,</i>	Total
2025	\$ 2,145,000
2026	2,265,000
2027	2,390,000
2028	2,525,000
2029	2,670,000
Thereafter	9,885,000
Total	\$ 21,880,000

Total interest costs incurred related to bonds and notes payable were \$510,212 and \$686,193 for the years ended June 30, 2024 and 2023, respectively.

Bond administrative costs and fees totaled \$24,454 and \$21,706 for the years ended June 30, 2024 and 2023, respectively. Amortization of debt issuance costs totaled \$83,837 and \$90,553 for the years ended June 30, 2024 and 2023, respectively.

13. Net Assets

Net assets without donor restrictions at June 30, 2024 and 2023, are as follows:

<i>June 30,</i>	2024	2023
Undesignated	\$ 13,292,332	\$ 14,467,811
Net investment in plant	53,158,350	52,277,697
Designated by the Board for endowment	4,581,723	3,964,161
Total net assets without donor restrictions	\$ 71,032,405	\$ 70,709,669

The Methodist University, Inc.

Notes to Consolidated Financial Statements

Net assets with donor restrictions at June 30, 2024 and 2023, are as follows:

<i>June 30,</i>	2024	2023
Endowment funds restricted in perpetuity	\$ 29,031,864	\$ 28,571,830
Endowment funds, accumulated gains and other	6,526,307	3,571,533
Contributions and grants for scholarships, operations and construction projects	2,818,270	1,458,494
Contributions receivable, net	3,381,281	171,764
Total net assets with donor restrictions	\$ 41,757,722	\$ 33,773,621

14. Net Assets Released from Restrictions

The following schedule summarizes restricted net assets used in accordance with donor-imposed restrictions for the University's operations:

<i>Years ended June 30,</i>	2024	2023
Scholarships	\$ 1,272,138	\$ 892,800
Awards	69,618	77,028
Construction projects	220,134	87,925
Program expenses and other	544,905	651,498
Total net assets released from restrictions	\$ 2,106,795	\$ 1,709,251
Reconciliation to statement of activities:		
Release to net assets from operations	\$ 1,886,661	\$ 1,621,326
Release to net assets from nonoperating activity	220,134	87,925
Total	\$ 2,106,795	\$ 1,709,251

The Methodist University, Inc.

Notes to Consolidated Financial Statements

15. Auxiliary Enterprises

The University's auxiliary enterprise operations for the years ended June 30, 2024 and 2023, are summarized as follows:

	2024				
	Residence Halls	Cafeteria	Commercial Leasing (MUDC)	Other	Total
Revenues	\$ 6,400,761	\$ 4,031,843	\$ 92,295	\$ 233,001	\$ 10,757,900
Expenses:					
Direct expenses	482,796	2,308,202	76,694	111,506	2,979,198
Depreciation and amortization	557,514	102,422	39,284	322	699,542
Allocation of interest	342,776	28,722	-	25,759	397,257
Allocation of plant operations	3,672,834	307,957	-	276,256	4,257,047
Total expenses	5,055,920	2,747,303	115,978	413,843	8,333,044
Net auxiliary income (loss)	\$ 1,344,841	\$ 1,284,540	\$ (23,683)	\$ (180,842)	\$ 2,424,856

	2023				
	Residence Halls	Cafeteria	Commercial Leasing (MUDC)	Other	Total
Revenues	\$ 5,790,848	\$ 3,646,086	\$ 91,836	\$ 255,981	\$ 9,784,751
Expenses:					
Direct expenses	485,134	1,947,334	21,869	156,039	2,610,376
Depreciation and amortization	556,173	100,881	39,284	420	696,758
Allocation of interest	310,930	26,053	-	23,367	360,350
Allocation of plant operations	3,763,873	315,590	-	283,103	4,362,566
Total expenses	5,116,110	2,389,858	61,153	462,929	8,030,050
Net auxiliary income (loss)	\$ 674,738	\$ 1,256,228	\$ 30,683	\$ (206,948)	\$ 1,754,701

The Methodist University, Inc.

Notes to Consolidated Financial Statements

16. Retirement Plan

The University has a defined contribution retirement plan for academic and nonacademic personnel. The plan has no post service benefits or further liabilities beyond the periodic contribution for each participating employee. Total contributions by the University were \$507,037 and \$401,336 for the years ended June 30, 2024 and 2023, respectively. After one year of service, the University contributes a discretionary percentage of the employee's salary to the Teachers Insurance and Annuity Association Retirement and College Retirement Equities Fund (TIAA-CREF) or other approved retirement funds. The University's contribution was increased to 3 % and 2% on January 1, 2024 and 2023, respectively. The employee has the option of contributing an additional amount up to the maximum allowed by the law. There is no vesting period.

17. Net Tuition and Sales and Services of Auxiliary Enterprises

Tuition revenue and discounts: Tuition and fees for instruction, net of scholarships and fellowships are substantially billed and collected prior to the end of each semester. Revenues are earned and recognized over the course of each semester as educational services are delivered. Accounts and notes receivable from students from services provided from contracts are disclosed in the consolidated financial statements. The portion of tuition revenue for the summer terms that is earned subsequent to the years ended June 30, 2024 and 2023, is recognized as tuition revenue in the following fiscal year. Tuition revenue earned for summer courses, which cross fiscal year-end, is immaterial to the consolidated financial statements.

Student financial aid in the form of scholarships and fellowships is reflected as contra-tuition revenue in the consolidated statements of activities.

Disaggregated information concerning tuition and fees by type of student is as follows:

<i>Years ended June 30,</i>	2024	2023
Undergraduate (net of scholarships and fellowships of \$27,312,357 in 2024 and \$25,256,932 in 2023)	\$ 21,555,064	\$ 20,125,857
Graduate (net of scholarships and fellowships of \$48,557 in 2024 and \$11,016 in 2023)	4,517,582	4,490,029
Doctoral (net of scholarships and fellowships of \$36,407 in 2024 and \$24,988 in 2023)	6,835,762	7,093,808
Total tuition and fees (net of scholarships and fellowships of \$27,397,321 in 2024 and \$25,292,936 in 2023)	\$ 32,908,408	\$ 31,709,694

Sales and services of auxiliary enterprises: The University's sales and services of auxiliary enterprises consist principally of goods and services to the campus community, such as residence and dining halls, retail food services, campus store operations, facility rental, and camps and conferences. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

Charges to students for campus residence and dining services are substantially billed and collected prior to the end of each semester. Associated revenues are earned and recognized over the course of each semester as these services are delivered. Accounts receivable from students for these services are reported in the consolidated financial statements.

Disaggregated information concerning sales and services of auxiliary enterprises by type of goods and/or service is as follows:

<i>Years ended June 30,</i>	2024	2023
Residence halls	\$ 6,400,761	\$ 5,790,848
Food service and vending	4,031,843	3,646,085
Campus store	125,358	129,959
Camps and conferences	17,643	49,973
Rental income	182,295	167,886
Total sales and services of auxiliary enterprises	\$ 10,757,900	\$ 9,784,751

18. Financial Aid (Tuition Discount)

The University awards financial aid on the basis of academic merit, need and leadership. Gross tuition discounts were 45.5% and 44.3% for the years ended June 30, 2024 and 2023, respectively. The unfunded discount rate was 43.4% and 42.4% for each of the years ended June 30, 2024 and 2023, respectively. Funded tuition discounts are derived from endowment, private gifts and federal and state aid. Unfunded tuition discounts are derived from the general operating revenues of the University.

	2024		2023	
	Dollars	Percentage	Dollars	Percentage
Unfunded discount	\$ 26,150,392	43.4%	\$ 24,192,834	42.4%
Funded discount	1,246,929	2.1%	1,100,102	1.9%
Total	\$ 27,397,321	45.5%	\$ 25,292,936	44.3%
Gross tuition	\$ 60,305,729		\$ 57,002,630	

19. Related Party Transactions

Contribution revenue from trustees and management during the fiscal years ended June 30, 2024 and 2023 amounted to \$1,680,943 and \$260,578, respectively.

Contributions receivable from trustees and management at June 30, 2024 and 2023, amounted to \$530,073 and \$96,074, respectively.

The University rents certain copier equipment from a company owned by one of the University's trustees. Payments under these leases totaled \$182,875 and \$164,664 for the years ended June 30, 2024 and 2023, respectively.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

In a joint effort with Cape Fear Valley Medical System (“Hospital System”), the University has begun efforts to form a school of medicine. Contributions received for the efforts related to the school of medicine amounted to \$2,189,825 and \$0 for the years ended June 30, 2024 and 2023, respectively.

20. Concentrations, Commitments and Contingencies

During the year ended June 30, 2024, three significant donors contributed 24% each and one significant donor contributed 12% of total contributions received during the year ended June 30, 2024. During the year ended June 30, 2023, one significant donor contributed 92% of the total contributions.

Contributions receivable as of June 30, 2024 includes two pledges from significant donors that each make up 19% and two pledges from significant donors that each make up 15% of total contributions receivable. Contributions receivable as of June 30, 2023 included one pledge from a significant donor that made up 79% of total contributions receivable.

The University is involved in various legal actions occurring in the normal course of activities. While the final outcomes cannot be determined at this time, management is of the opinion that the resolution of these matters will not have a material adverse effect on the University’s financial position.

The University has entered revenue sharing agreements with two outside organizations. The agreement with the first organization is to help improve the University’s student retention rates. The University has agreed to share 25% of the incremental revenue earned due to any increases in student retention rates. Revenue share amounts paid to this organization totaled \$123,781 and \$68,816 for the years ended June 30, 2024 and 2023, respectively.

The agreement with the second organization is to partner with the University to launch fully Online Programs. The services provided by this outside organization include marketing, program coordination services, recruitment services, enrollment coordination services, and others. The University has agreed to share 48% of the net tuition revenues for programs offered on the online platform. Revenue share amounts paid to this organization totaled \$1,256,484 and \$1,107,311 for the years ended June 30, 2024 and 2023, respectively.

Certain federal and state funded financial programs are subject to special audit. In accordance with specific regulatory requirements these examinations are conducted by the auditors for the University. The reports on said examinations are submitted to both the University and the U.S. Department of Education, which has the authority to determine liabilities as well as to limit, suspend, or terminate federal and state student aid programs.

Other federal and state programs are also subject to audit. Such audits could result in claims against the resources of the University. No provision has been made for any liabilities, which may arise from such audits since the amounts, if any, cannot be determined at this date.

21. Subsequent Events

The University has evaluated its subsequent events occurring after June 30, 2024, through November 26, 2024, which represents the date the financial statements were available to be issued.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

Methodist University Cape Fear Valley School of Medicine (SOM)

The SOM held a groundbreaking ceremony on September 10, 2024, at the school's future site on the Cape Fear Valley Health System campus. On October 17, 2024, the SOM received the official candidacy designation from The Liaison Committee on Medical Education. As of November 19, 2024, the University has received pledges and contribution revenues totaling \$5,504,990 and has been awarded \$10,050,000 in grants in support of the SOM. The University has committed to raising \$10 million for the SOM with the intent of transferring \$2.5 million each of the next four years with the first installment starting July 2025.

Supplementary Information

The Methodist University, Inc.

Consolidated Schedules of Financial Position - AICPA Audit Guide Fund Group Disaggregation Year Ended June 30, 2024

(With Comparative Totals for the Year Ended June 30, 2023)

	Current Funds	Endowment and Similar Funds	Plant Funds	2024	2023
Assets					
Cash and cash equivalents	\$ 1,634,779	\$ 1,145,528	\$ 232,878	\$ 3,013,185	\$ 4,130,871
Cash held to fund donor restrictions and debt service	4,877,118	-	3,023,419	7,900,537	4,481,913
Amounts due from other funds*	979,332	-	-	979,332	1,512,384
Receivables:					
Students, net	713,631	-	-	713,631	669,147
Contributions, net	4,359,556	64,466	-	4,424,022	1,102,247
Other	984,755	-	37,870	1,022,625	1,087,872
Prepaid expenses and other assets	581,095	212,526	-	793,621	927,220
Investments	1,000,000	47,762,878	397,500	49,160,378	44,984,642
Property and equipment, net	-	-	76,469,671	76,469,671	78,066,270
Total assets	\$ 15,130,266	\$ 49,185,398	\$ 80,161,338	\$ 144,477,002	\$ 136,962,566
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,344,209	\$ -	\$ 291,733	\$ 2,635,942	\$ 2,276,965
Amounts due to other funds*	-	979,332	-	979,332	1,512,384
Deferred revenues	1,744,802	-	7,691	1,752,493	1,766,827
Student deposits	365,700	-	-	365,700	353,800
Other liabilities	2,363,027	-	647,552	3,010,579	1,386,344
Debt, net	-	-	22,942,829	22,942,829	25,182,956
Total liabilities	6,817,738	979,332	23,889,805	31,686,875	32,479,276
Net assets:					
Net assets without donor restrictions	2,112,976	12,647,896	56,271,533	71,032,405	70,709,669
Net assets with donor restrictions	6,199,552	35,558,170	-	41,757,722	33,773,621
Total net assets	8,312,528	48,206,066	56,271,533	112,790,127	104,483,290
Total liabilities and net assets	\$ 15,130,266	\$ 49,185,398	\$ 80,161,338	\$ 144,477,002	\$ 136,962,566

* These interfund amounts eliminate in consolidation.

The Methodist University, Inc.
Consolidating Schedules of Financial Position
June 30, 2024

	2024					2023				
	The Methodist University, Inc.	Methodist University Development Corp.	School of Medicine	Eliminations	Total	The Methodist University, Inc.	Methodist University Development Corp.	School of Medicine	Eliminations	Total
Assets										
Cash and cash equivalents	\$ 2,832,915	\$ 180,270	\$ -	\$ -	\$ 3,013,185	\$ 3,676,887	\$ 453,984	\$ -	\$ -	\$ 4,130,871
Cash held to fund donor restrictions and debt service	7,900,537	-	-	-	7,900,537	4,481,913	-	-	-	4,481,913
Receivables:										
Students, net	713,631	-	-	-	713,631	669,147	-	-	-	669,147
Contributions, net	4,424,022	-	-	-	4,424,022	1,102,247	-	-	-	1,102,247
Other	1,017,945	4,680	-	-	1,022,625	1,087,872	-	-	-	1,087,872
Prepaid expenses and other assets	793,621	-	-	-	793,621	888,251	38,969	-	-	927,220
Investments	49,879,186	300,000	-	(1,018,808)	49,160,378	46,001,441	-	-	(1,016,799)	44,984,642
Property and equipment, net	75,913,485	556,186	-	-	76,469,671	77,533,925	532,345	-	-	78,066,270
Total assets	\$ 143,475,342	\$ 1,041,136	\$ -	\$ (1,018,808)	\$ 143,497,670	\$ 135,441,683	\$ 1,025,298	\$ -	\$ (1,016,799)	\$ 135,450,182
Liabilities and Net Assets										
Liabilities:										
Accounts payable and accrued liabilities	\$ 2,635,942	\$ -	\$ -	\$ -	\$ 2,635,942	\$ 2,276,965	\$ -	\$ -	\$ -	\$ 2,276,965
Deferred revenues	1,744,802	7,691	-	-	1,752,493	1,759,136	7,691	-	-	1,766,827
Student deposits	365,700	-	-	-	365,700	353,800	-	-	-	353,800
Other liabilities	2,995,942	14,637	-	-	3,010,579	1,385,536	808	-	-	1,386,344
Debt, net	22,942,829	-	-	-	22,942,829	25,182,956	-	-	-	25,182,956
Total liabilities	30,685,215	22,328	-	-	30,707,543	30,958,393	8,499	-	-	30,966,892
Net assets:										
Net assets without donor restrictions	71,032,405	1,018,808	-	(1,018,808)	71,032,405	70,709,669	1,016,799	-	(1,016,799)	70,709,669
Net assets with donor restrictions	41,757,722	-	-	-	41,757,722	33,773,621	-	-	-	33,773,621
Total net assets	112,790,127	1,018,808	-	(1,018,808)	112,790,127	104,483,290	1,016,799	-	(1,016,799)	104,483,290
Total liabilities and net assets	\$ 143,475,342	\$ 1,041,136	\$ -	\$ (1,018,808)	\$ 143,497,670	\$ 135,441,683	\$ 1,025,298	\$ -	\$ (1,016,799)	\$ 135,450,182

The Methodist University, Inc.

Consolidating Schedules of Activities

<i>Year ended June 30, 2024</i>	The Methodist University, Inc.	Methodist University Development Corp.	School of Medicine	Eliminations	Total
Operating revenues, gains and other support:					
Tuition and fees, net of scholarships of \$27,397,321	\$ 32,908,408	\$ -	\$ -	\$ -	\$ 32,908,408
Government contracts and grants	987,565	-	-	-	987,565
Contributions and private grants of cash and other financial assets	6,806,423	-	2,189,825	-	8,996,248
Investment return designated for current operations	972,949	-	-	-	972,949
Other income	698,206	-	-	-	698,206
Sales and services of auxiliary enterprises	10,658,936	284,964	-	(186,000)	10,757,900
Total revenues, gains and other support	53,032,487	284,964	2,189,825	(186,000)	55,321,276
Operating expenses and losses:					
Educational and general instruction	19,894,174	-	196,975	(103,634)	19,987,515
Academic support	2,234,919	-	1,041,749	(17,225)	3,259,443
Student services	10,909,640	-	782,692	(55,700)	11,636,632
Institutional support	8,507,939	-	168,409	(10,519)	8,665,829
Auxiliary enterprises	8,215,988	282,955	-	(165,899)	8,333,044
Total operating expenses and losses	49,762,660	282,955	2,189,825	(352,977)	51,882,463
Change in net assets from operations	3,269,827	2,009	-	166,977	3,438,813
Other changes:					
Contributions and private grants of cash and other financial assets	451,658	-	-	-	451,658
Investment return less than amounts designated for current operations	4,583,343	-	-	(168,986)	4,414,357
Net income of MUDC	2,009	-	-	-	2,009
Change in net assets	8,306,837	2,009	-	(2,009)	8,306,837
Net assets:					
Beginning	104,483,290	1,016,799	-	(1,016,799)	104,483,290
Ending	\$ 112,790,127	\$ 1,018,808	\$ -	\$ (1,018,808)	\$ 112,790,127

The Methodist University, Inc.

Consolidating Schedules of Activities

Year ended June 30, 2023	The Methodist University, Inc.	Methodist University Development Corp.	School of Medicine	Eliminations	Total
Operating revenues, gains and other support:					
Tuition and fees, net of scholarships of \$25,292,936	\$ 31,709,694	\$ -	\$ -	\$ -	\$ 31,709,694
Government contracts and grants	1,714,873	-	-	-	1,714,873
Contributions and private grants of cash and other financial assests	1,762,139	-	-	-	1,762,139
Investment return designated for current operations	790,082	-	-	-	790,082
Other income	690,820	112	-	-	690,932
Sales and services of auxiliary enterprises	9,692,915	277,836	-	(186,000)	9,784,751
Total revenues, gains and other support	46,360,523	277,948	-	(186,000)	46,452,471
Operating expenses and losses:					
Educational and general instruction	19,567,930	-	-	(103,553)	19,464,377
Academic support	2,308,966	-	-	(17,212)	2,291,754
Student services	10,752,035	-	-	(55,656)	10,696,379
Institutional support	8,158,023	-	-	(10,511)	8,147,512
Auxiliary enterprises	7,967,965	227,855	-	(165,770)	8,030,050
Total operating expenses and losses	48,754,919	227,855	-	(352,702)	48,630,072
Change in net assets from operations	(2,394,396)	50,093	-	166,702	(2,177,601)
Other changes:					
Contributions and private grants of cash and other financial assets	4,953,536	-	-	-	4,953,536
Investment return less than amounts designated for current operations	2,777,904	-	-	(216,795)	2,561,109
Net income of MUDC	50,093	-	-	-	50,093
Change in net assets	5,387,137	50,093	-	(50,093)	5,387,137
Net assets:					
Beginning	99,096,153	966,706	-	(966,706)	99,096,153
Ending	\$ 104,483,290	\$ 1,016,799	\$ -	\$ (1,016,799)	\$ 104,483,290