



Report of Independent Auditors and
Consolidated Financial Statements

**Roseman University of Health Sciences
and Subsidiaries**

June 30, 2024 and 2023



MOSSADAMS

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Report of Independent Auditors

The Board of Trustees
Roseman University of Health Sciences and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements 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.

Responsibilities of Management for the 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 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.

Auditor's Responsibilities for the Audit of the 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.

Moss Adams LLP

Irvine, California

November 22, 2024

Consolidated Financial Statements

Roseman University of Health Sciences and Subsidiaries
(A Nevada Non-Profit Corporation)
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 33,014,599	\$ 35,516,128
Investments	45,870,281	44,010,168
Accounts receivable, net	3,009,952	1,688,229
Contributions receivable	842,000	443,000
Prepaid expenses	1,022,436	958,211
Debt service reserve funds	3,568,646	4,290,668
Other current assets, net	2,240,829	2,147,115
Total current assets	89,568,743	89,053,519
NONCURRENT ASSETS		
Cash, restricted	301,835	674,874
Accounts receivable, net of current portion and allowance	93,000	103,000
Contributions receivable, net of current portion and allowance	1,364,371	18,588
Investments	38,638,141	22,538,357
Property and equipment, net	231,541,715	235,039,495
Operating lease right-of-use assets	972,302	1,027,098
Debt service reserve funds	18,906,856	18,380,627
Refundable deposits	64,041	71,566
Other assets	601,616	1,044,829
TOTAL ASSETS	\$ 382,052,620	\$ 367,951,953
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 11,215,459	\$ 10,315,152
Current portion of long-term debt, net	4,692,642	4,541,625
Current portion of operating lease liabilities	502,687	580,202
Unearned tuition income	22,892,847	15,060,114
Deferred dental and orthodontic clinic income	476,157	538,618
Funds held for others	229,019	218,942
Other current liabilities	283,484	241,783
Total current liabilities	40,292,295	31,496,436
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	207,057,283	211,740,762
Operating lease liabilities, net of current portion	477,448	455,011
Deferred dental and orthodontic clinic income, net of current portion	128,603	136,567
Total liabilities	247,955,629	243,828,776
NET ASSETS		
Without donor restrictions	115,528,115	107,853,572
With donor restrictions	18,568,876	16,269,605
Total net assets	134,096,991	124,123,177
TOTAL LIABILITIES AND NET ASSETS	\$ 382,052,620	\$ 367,951,953

See accompanying notes.

Roseman University of Health Sciences and Subsidiaries
(A Nevada Non-Profit Corporation)
Consolidated Statements of Activities
Year Ended June 30, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING			
Revenue, gains, and support			
Tuition and fees, net of scholarships of \$268,523	\$ 86,209,865	\$ -	\$ 86,209,865
Orthodontic clinic income	843,562	-	843,562
Dental clinic income	5,768,013	-	5,768,013
Medical clinic income	452,117	-	452,117
Contributions	-	2,360,497	2,360,497
In-kind contributions	-	31,193	31,193
Grants	2,509,744	7,243,574	9,753,318
Investment gain, net	3,690,613	105,343	3,795,956
Interest income	5,419,517	19,602	5,439,119
Special events, net of direct costs of \$86,380	-	13,627	13,627
Rental income	4,208,668	-	4,208,668
Other	549,663	-	549,663
Support to College of Medicine	1,371,442	-	1,371,442
Support to Doctor of Nursing Practice in Nurse Anesthesia	840,399	-	840,399
Net assets released from restrictions	7,474,565	(7,474,565)	-
Total revenue, gains, and support	119,338,168	2,299,271	121,637,439
Expenses			
Instruction	50,872,493	-	50,872,493
Academic support	15,588,629	-	15,588,629
Student services	4,158,278	-	4,158,278
Institutional development and support	502,951	-	502,951
General and administrative	37,536,226	-	37,536,226
Total expenses	108,658,577	-	108,658,577
Change in net assets from operating activities	10,679,591	2,299,271	12,978,862
NON-OPERATING			
Support to College of Medicine	(1,371,442)	-	(1,371,442)
Support to Doctor of Nursing Practice in Nurse Anesthesia	(840,399)	-	(840,399)
Loss on disposal of property and equipment	(793,207)	-	(793,207)
Change in net assets from non-operating activities	(3,005,048)	-	(3,005,048)
Change in net assets	7,674,543	2,299,271	9,973,814
NET ASSETS			
Beginning of year	107,853,572	16,269,605	124,123,177
End of year	\$ 115,528,115	\$ 18,568,876	\$ 134,096,991

See accompanying notes.

Roseman University of Health Sciences and Subsidiaries
(A Nevada Non-Profit Corporation)
Consolidated Statements of Activities
Year Ended June 30, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING			
Revenue, gains, and support			
Tuition and fees, net of scholarships of \$305,335	\$ 85,168,665	\$ -	\$ 85,168,665
Orthodontic clinic income	641,916	-	641,916
Dental clinic income	4,886,304	-	4,886,304
Medical clinic income	691,140	-	691,140
Contributions	16,063	462,512	478,575
In-kind contributions	-	688,459	688,459
Grants	1,508,141	1,919,972	3,428,113
Investment gain, net	1,184,246	61,577	1,245,823
Interest income	3,509,828	16,359	3,526,187
Special events, net of direct costs of \$67,357	-	176	176
Rental income	4,430,052	-	4,430,052
Other	523,581	-	523,581
Support to College of Medicine	2,181,978	-	2,181,978
Net assets released from restrictions	2,309,826	(2,309,826)	-
Total revenue, gains, and support	107,051,740	839,229	107,890,969
Expenses			
Instruction	45,704,247	-	45,704,247
Academic support	11,916,009	-	11,916,009
Student services	3,782,442	-	3,782,442
Institutional development and support	315,435	-	315,435
General and administrative	41,188,181	-	41,188,181
Total expenses	102,906,314	-	102,906,314
Change in net assets from operating activities	4,145,426	839,229	4,984,655
NON-OPERATING			
Support to College of Medicine	(2,181,978)	-	(2,181,978)
Gain on sale of land held for resale	4,855,527	-	4,855,527
Change in net assets from non-operating activities	2,673,549	-	2,673,549
CHANGE IN NET ASSETS	6,818,975	839,229	7,658,204
NET ASSETS			
Beginning of year	101,034,597	15,430,376	116,464,973
End of year	\$ 107,853,572	\$ 16,269,605	\$ 124,123,177

See accompanying notes.

Roseman University of Health Sciences and Subsidiaries
(A Nevada Non-Profit Corporation)
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,973,814	\$ 7,658,204
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	8,512,532	8,625,102
Amortization of bond premium	(983,916)	(1,032,023)
Amortization of debt issuance cost	286,454	318,060
Gain on sale of land held for resale	-	(4,855,527)
Loss on disposal of property and equipment	793,207	-
Change in net present value discount on contributions receivable	234,217	6,029
Change in provision for credit losses	100,268	(86,166)
Endowment contribution	(6,500)	(2,000)
Realized and unrealized gains on investments, net	(3,795,956)	(1,245,823)
Issuance of income sharing agreements	(333,076)	(597,883)
(Increase) decrease in operating assets		
Accounts receivable	(1,411,991)	144,234
Contributions receivable	(1,979,000)	(265,000)
Prepaid expenses	(64,225)	527,756
Refundable deposits	7,525	-
Other assets	349,499	(386,057)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	900,307	1,103,970
Unearned tuition income and fees	7,832,733	6,258,814
Deferred dental and orthodontic clinic income	(70,425)	100,484
Funds held for others	10,077	(109,741)
Other liabilities	41,419	36,440
Net cash provided by operating activities	<u>20,396,963</u>	<u>16,198,873</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments and debt service reserve funds	(49,988,382)	(52,165,291)
Proceeds from sale of investments and debt service reserve funds	36,353,310	42,556,463
Proceeds from sale of property and equipment	-	11,677,140
Purchases of property and equipment	<u>(5,807,959)</u>	<u>(5,276,256)</u>
Net cash used in investing activities	<u>(19,443,031)</u>	<u>(3,207,944)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	(3,835,000)	(3,695,000)
Proceeds from endowment contribution	6,500	2,000
Payment of debt issuance costs	<u>-</u>	<u>(31,502)</u>
Net cash used in financing activities	<u>(3,828,500)</u>	<u>(3,724,502)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>(2,874,568)</u>	<u>9,266,427</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	<u>36,191,002</u>	<u>26,924,575</u>
End of year	<u><u>\$ 33,316,434</u></u>	<u><u>\$ 36,191,002</u></u>

See accompanying notes.

Roseman University of Health Sciences and Subsidiaries
(A Nevada Non-Profit Corporation)
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and cash equivalents	\$ 33,014,599	\$ 35,516,128
Cash, restricted	<u>301,835</u>	<u>674,874</u>
Total cash, cash equivalents, and restricted cash	<u><u>\$ 33,316,434</u></u>	<u><u>\$ 36,191,002</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	<u><u>\$ 9,721,943</u></u>	<u><u>\$ 9,620,662</u></u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITY		
Issuance of income sharing agreements for tuition and fees	<u><u>\$ 333,076</u></u>	<u><u>\$ 597,883</u></u>

See accompanying notes.

Roseman University of Health Sciences and Subsidiaries

(A Nevada Non-Profit Corporation)

Notes to Consolidated Financial Statements

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of the organization – Roseman University of Health Sciences (the University) is a 501(c)(3) not-for-profit, private organization established principally for the purpose of operating an educational facility in the southern Nevada and northern Utah regions.

The University's wholly owned subsidiaries include Roseman University Health System; Roseman Medical Research Institute, LLC (both dba as Roseman Medical Group (RMG)); Roseman Medical Education and Research, LLC (RMER); Rosemont Enterprises II, LLC; Roseman Biotechnologies, LLC; Roseman Oncology, Inc.; and Roseman Diagnostic, Inc. For tax purposes, RMER, Rosemont Enterprises II, LLC, and Roseman Biotechnologies, LLC, are treated as disregarded entities.

The University has been granted accreditation by the Northwest Commission on Colleges and Universities (NWCCU) and is licensed to operate in the state of Nevada by the Nevada Commission on Postsecondary Education. The University is exempt from licensure in Utah due to its federal 501(c)(3) status.

The University's instructional curriculum currently includes Doctor of Pharmacy, Doctor of Dental Medicine, and residency programs in Orthodontic/Dentofacial Orthopedics and Advanced Education in General Dentistry (AEGD), Master of Sciences in Biological Science and Pharmaceutical Science and Bachelor of Science in Nursing. The respective colleges within the University are accredited as follows:

- The College of Pharmacy is accredited by the Accreditation Council for Pharmacy Education (ACPE).
- The College of Dental Medicine and its residency programs in Orthodontics and Dentofacial Orthopedics and AEGD are accredited by the Commission on Dental Accreditation (CODA).
- The Roseman University College of Medicine (RU COM) is currently pursuing accreditation from the Liaison Committee on Medical Education (LCME).
- The College of Nursing is accredited by the Commission of Collegiate Nursing Education (CCNE). Both the Henderson, Nevada, and South Jordan, Utah, campuses are approved by the Nevada State Board of Nursing and the Utah Division of Occupational and Professional Licensing in the respective states.

Principles of consolidation – The University's consolidated financial statements include the operations of the University and its wholly owned subsidiaries. All significant inter-company accounts and transactions between the University and its subsidiaries have been eliminated.

Basis of presentation – The accompanying consolidated financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Roseman University of Health Sciences and Subsidiaries
(A Nevada Non-Profit Corporation)
Notes to Consolidated Financial Statements

Use of estimates – The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently adopted accounting pronouncements – In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduced a new accounting model for estimating credit losses on financial assets, including accounts receivable and contract assets. The new model, known as the Current Expected Credit Loss (CECL) model, was adopted by the University on July 1, 2023. The standard does not apply to the University's contributions receivable or grants receivable included in other current assets. The adoption resulted in a change to the University's accounting policy for credit losses, as it requires a forward-looking approach to estimating expected credit losses, rather than the previous incurred loss model. The University has implemented the standard using a modified retrospective approach, which requires the cumulative effect of the change in the accounting policy to be recognized as an adjustment to the opening balance of net assets as of the adoption date, if material. The University has determined that the standard did not have a material impact, and therefore, primarily resulted in new or enhanced disclosures only.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that require they be maintained in perpetuity by the University or net assets that require actions of the University or the passage of time are classified as net assets with donor restrictions. Generally, the donors of assets to be maintained in perpetuity by the University permit the use of all or part of the income earned on related investments for general or specific purposes and are held in with donor restrictions until appropriated for expenditure.

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations, including board-designated amounts.

Operating measure – The University divides its consolidated statements of activities into operating and nonoperating activities. The operating activities of the University include all income and expenses related to carrying out its educational and clinical missions. Operating revenues include investment income and investment gains used to fund current operations.

Nonoperating activities include infrequent events that occur as a result of a specific action in the given year, such as the University's loss incurred from the defeasance of certain debt, gain from sale of land, and earnings from early termination of a tenant's leasing arrangement.

Roseman University of Health Sciences and Subsidiaries
(A Nevada Non-Profit Corporation)
Notes to Consolidated Financial Statements

Revenue recognition – The University receives revenues from various sources. Revenues are recognized as follows:

- Tuition revenues are recognized over time when instructional services are provided. As part of the requirements for completion of the courses, students are required to pay other fees associated with the courses in addition to tuition. These fees are treated as service or instructional material fees to allow students to utilize school equipment, instructional materials, dental instruments, and equipment, technology, and facilities for lab and clinical work. Dental equipment and supplies (dental instruments) include, but are not limited to, universal cassette, rubber dam cassette, period cassette, endo cassette, articulator, bien air handpiece electric, and typodont teeth. There is not a separate contract required from students for the usage of the dental instruments; rather, it is treated as an integral part of the entire program. These instruments are required to be returned to the University upon completion of the course. Dental instrument fees are recognized at the beginning of a term when such instruments are delivered to the students.
- Tuition and fees may be refunded to students upon cancellation or withdrawal of attendance until the point in time the student completes 60% of the payment period. The amount refunded is based on the percentage not attended. These refunds reduce tuition and fee revenue at the point and time they occur. Refunds issued to student accounts were insignificant, and no liability was recorded for estimated refunds at June 30, 2024 and 2023. The University has elected the practical expedient to not apply significant financing adjustments for time value of money for advance payments received for tuition and fees as all amounts are recognized within 12 months.

The University utilizes the portfolio approach for tuition; dental, orthodontic, and medical clinic income; and fees revenue.

- Dental, orthodontic, and medical clinic income is recognized in the period services are provided. Dental, orthodontic, and medical income unrelated to an ongoing contract is recognized at the point in time of service and when revenues are earned. Orthodontic clinic income related to an ongoing contract is recognized over time as services are provided.
 - ◆ The orthodontic clinic in Henderson, Nevada, provides full orthodontic care services. Revenues are recognized over the period of each respective ongoing contract, which correlates with the procedures and services provided. All services and procedures, including orthodontic braces, are included in one contract with the customer. The University pro-rates and refunds patients accordingly for incomplete contracts. These adjustments are limited and not significant to the revenue stream. Contracts for orthodontic services are generally 18, 24, or 30 months, depending on the uniqueness and complexity of the patient's needs. These long-term contracts are not considered to have a significant financing component as payments received materially correlate with services and procedures performed by the University. For one-time upgrade procedures, revenues are recognized at the point in time the procedure is performed.
 - ◆ The medical clinic provides primary care services along with treatment for neurological and movement disorders. Revenues for medical clinic are recognized when services are provided.

Roseman University of Health Sciences and Subsidiaries
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Notes to Consolidated Financial Statements

- ◆ Insurance and Medicare adjustments and any discounts provided for clinic services and implicit price concessions for patient services who are unable or unwilling to pay are recorded net of revenues on the basis of historical experience. Subsequent changes to the estimate of the transaction process are generally recorded as adjustments to net patient service revenue in the period of change. The University does not offer warranties on any orthodontic, dental, or medical services provided by its clinics.
- ◆ Dental membership plan revenues are recognized over the period of membership, which is 12 months. Prepayments of dental membership plans are recognized as deferred revenues. Dental membership plan insurance adjustments are recorded as a reduction to revenues.
- Grants and contributions, including unconditional promises to give or contributions receivable, are recognized as revenue in the period received or, if earlier, when the grant is awarded or promise is made. Conditional grants and promises to give are not recognized until a performance-related barrier is met and either the right of return of assets is transferred or right of release of a promisor's obligation to transfer assets is overcome. The University had no conditional grants outstanding at June 30, 2024 and 2023, respectively. Grants and contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value on the date the assets are donated. Contribution revenue is reported as an increase in net assets without donor restrictions unless the use of the contributions is limited by donor-imposed restrictions.
- In-kind contributions consist of donated and discounted dental and orthodontic supplies. These contributions are reported at their estimated fair value on the date of receipt and reported as expense when utilized. These supplies are valued based on upon estimates of fair value or wholesale values that would have been paid for similar supplies in their principal market considering their condition and utility for use at the time the goods were contributed. Donated supplies are not sold and are only distributed for program use.
- 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. 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 net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled, the stipulated time period has elapsed, and/or the Board of Trustees (the Board) has appropriated) are reported as net assets released from restrictions between the applicable classes of net assets.
- Special event revenue is recognized at the time the event takes place, net of the direct costs associated with the event. Revenues received from these events are considered contributions from donors and are received for a specific purpose. These revenues are reported as increases in net assets with donor restrictions. Once the purpose is fulfilled, net assets are released from restrictions.

Roseman University of Health Sciences and Subsidiaries
(A Nevada Non-Profit Corporation)
Notes to Consolidated Financial Statements

Unearned tuition income – The University recognizes unearned tuition income based on the number of days and months over the period of time instructional services are provided and revenues are earned. Students typically pay tuition at the start of the related instructional period block, resulting in unearned tuition income at the University for the portion of educational services that cross over to the next fiscal year. The unearned tuition income will be recognized in the subsequent fiscal year.

Deferred dental and orthodontic clinic income – The University recognizes orthodontic patient contract income and dental membership plan income over time as services and procedures occur. Payments received in advance are recorded as a deferred liability on the consolidated statements of financial position and recognized in income over time. Deferred dental income will be recognized in the subsequent fiscal year. Depending on the contract length, deferred orthodontic income is partially recognized in the subsequent fiscal year with remaining recognized in future fiscal years.

Income share agreements – Students can enter income share agreements with the University in which, rather than paying tuition at a fixed amount, the student agrees to pay a fixed percentage of their future earned income for a fixed period of time. Payments begin six months after graduation for a maximum period of 84 months. Payments are only required if earned income exceeds a specified threshold. Total payments are capped at a specified amount and can be prepaid at any time. Amounts due under income share agreements are recognized as contract assets and classified as investments on the consolidated statements of financial position based on the nature of the agreements.

The University began offering income share agreements and processed the University's first disbursement in the year ended June 30, 2021, and has limited experience with similar contracts. The amount of variable consideration under these agreements is highly susceptible to factors outside of the University's influence. Additionally, the uncertainty is not expected to be resolved in a short period of time given the length of the agreements. Accordingly, the University considers this variable consideration constrained and has recognized revenue and investments under income share agreements at an amount equal to the standalone selling prices of tuition.

Cash and cash equivalents – Cash and cash equivalents include demand deposits and interest-bearing money market accounts with original maturities of three months or less from the date of acquisition.

Restricted cash – Restricted cash represents the remaining proceeds from the 2020 and 2021 Public Finance Authority Bond issuances, cash restricted for future projects, and cash held in endowments.

Investments – Investments in marketable securities with readily determinable fair values and investments in debt securities are reported at fair value in the consolidated statements of financial position and unrealized gains and losses are reflected in the consolidated statements of activities. Certificates of deposit are valued at cost plus accrued interest, which management believes approximates fair value. Purchases and sales of investment securities are reflected on a trade-date basis.

Investments in income share agreements are classified as current or noncurrent based on the anticipated timing of repayment. Investments in donor-restricted endowment funds and certificates of deposit with maturity dates greater than one year are classified as noncurrent investments on the consolidated statements of financial position. All other investments are classified as current investments on the consolidated statements of financial position.

Roseman University of Health Sciences and Subsidiaries
(A Nevada Non-Profit Corporation)
Notes to Consolidated Financial Statements

Investment gain, net of investment expenses, is reported as an increase or decrease in net assets without donor restrictions, unless the terms of a gift or the University's interpretation of relevant state law imposes a restriction on the use of the investment income. Realized gains and losses and unrealized gains and losses, net of investment expenses, are included in the consolidated statements of activities.

Accounts receivables – Accounts receivable consist of amounts due from students for tuition and amounts due from patients for clinical services. A summary of receivables by type can be found in Note 2.

Receivables from students are unsecured, non-interest bearing, and are carried at the unpaid balance of the original amount billed to students. Management determines the allowance for credit losses based on historical experience, an assessment of economic conditions, and forecasts that affect the collectability. At June 30, 2024, there was no allowance. Student accounts and notes receivable are written off when 12 months delinquent or when deemed uncollectible. Recoveries of student accounts and notes receivable previously written off are recognized as revenue when received.

Accounts receivable also include receivables from patients and other third-party payers for dental, medical, and orthodontic services provided. Such amounts are unsecured, non-interest bearing, and recorded net of contractual allowances and an estimate made for credit losses. Management determines the allowance for credit losses based on historical experience, identifying troubled accounts and current economic conditions. Unless specific arrangements are made, a receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Accounts receivable balances are written off when deemed uncollectible.

Contributions receivable – Contributions receivable to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. At June 30, 2024, approximately \$842,000 of contributions receivable are expected to be collected within one year, and approximately \$1,364,000 is expected to be collected within two to five years. At June 30, 2023, approximately, \$443,000 of contributions receivable was expected to be collected within one year, and approximately \$19,000 was expected to be collected within two to five years. The University estimates an allowance for uncollectible contributions receivable to reflect the difference between the amortized cost basis of the financial assets and the estimated cash flows expected to be collected. The allowance is updated each reporting period to reflect changes in the University's estimate of the expected uncollectible amounts. Recoveries of receivables previously written off are recognized as revenue when received. Management has determined that no allowance for uncollectible amounts was necessary as of June 30, 2024 and 2023. Contributions receivable expected to be collected beyond one year are discounted to their present value of future cash flows. These discount rates were 4.33% and 4.13% for the years ended June 30, 2024 and 2023.

Property and equipment – Property and equipment acquisitions, other than computer equipment, with an anticipated useful life of more than one year and purchased for \$5,000 or greater individually or in the aggregate are capitalized. Computer equipment acquisitions with an anticipated useful life of more than one year and purchased for \$1,000 or greater individually or in the aggregate are capitalized. Donated assets are recognized at their estimated fair value when received. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. In the case of leasehold improvements, the life is limited to the lesser of the life of the asset or the lease term. Donated property and equipment (and property and equipment purchased with restricted funds, if any) is included in net assets without donor restrictions unless otherwise specified by the donor.

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Art collections are considered inexhaustible and are not depreciated. Proceeds from the sale of any collection items are to be used to purchase additional collection items or for the direct care of existing collections. Direct care of collections is defined as any activity that involves the protection and preservation of the collection.

Collection of professional journals – A collection of professional journals acquired through purchases and contributions is not recognized as an asset in the consolidated statements of financial position. The University's collection of professional journals is held for educational and research purposes. Each of the items is catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed regularly. The University's policy requires proceeds from any sales of collection materials to be used to acquire other items for the collection.

Land held for resale – Land held for resale consisted of undeveloped property adjacent to the University's main campus. Assets held for sale are stated at the lower of their fair value or the carrying value from the date the University determined they were committed for sale. The land was sold in the year ended June 30, 2023, resulting in a gain of approximately \$4.9 million. No land was held for sale during the year ended June 30, 2024.

Impairment of long-lived assets – The University reviews the carrying value of long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets to be held and used may have changed. Upon determining an asset is impaired, the University reports the asset at the lower of carrying amount or fair value less cost to sell. Management does not believe there are any indications of impairment of any long-lived assets at June 30, 2024 and 2023.

Leases – The University determines if an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the consolidated statements of financial position and lease expense is recognized on a straight-line basis over the lease term. Right-of-use (ROU) assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at their commencement date, the date the University gains access to the property or underlying asset, based on the present value of lease payments over the lease term. In determining the present value, the University discounts lease payments based on the risk-free interest rate at the lease commencement date unless the rate implicit in the lease is known and less than the University's incremental borrowing rate. The ROU assets also include any lease payments made and exclude lease incentives. Lease payments include payments under purchase options when it is reasonably certain that the University will exercise that option. The lease terms include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. For lease agreements with lease and non-lease components, the lease and non-lease components are accounted for as a single lease component.

Funds held for others – The University maintains a bank account for the funds of various student activities connected with the University. However, the University's function is limited to bookkeeping only. A liability is recorded at the value of assets that are deposited.

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Other assets – Other assets consist primarily of miscellaneous receivables including amounts due from granting agencies and rent receivables due from tenants and inventory such as laptops and other equipment issued to students as part of their education.

Debt issuance costs – Debt issuance costs are amortized using the effective interest method over the term of the related debt. The debt issuance costs are reported on the consolidated statements of financial position as an offset to current and long-term debt.

Income taxes – The University is recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University is the sole member of RMER; Roseman Biotechnologies, LLC; and Rosemont Enterprises II, LLC, all single member limited liability companies treated as disregarded entities for tax purposes. The University may be subject to federal and state income taxes on any net income from unrelated business activities. The University and Roseman University Health System dba Roseman Medical Group all file a separate Form 990 (Return of Organization Exempt from Income Tax) annually and unrelated business income (UBI) is reported on Form 990-T, as appropriate. Financial and other information applicable to the University's disregarded entities is reported in the University's annual Form 990, as appropriate. Roseman Oncology, Inc. and Roseman Diagnostics, Inc. will each file a Form 1120.

Management has evaluated their material tax positions, which include such matters as the tax-exempt status and various positions relative to potential sources of UBI. As of June 30, 2024 and 2023, there were no uncertain tax benefits identified and recorded as a liability. Additionally, management has evaluated the tax benefit/provision of gains and losses from its commercial subsidiaries and concluded there were no significant tax liabilities or deferred tax assets as of June 30, 2024 and 2023.

Functional expenses – All expenses are charged directly to the appropriate functional category when incurred. Indirect and certain other expenses of the University, including certain general and administrative, maintenance, depreciation, and interest expense on debt, are allocated among functional expense categories based on salary and wage expense in each function.

Advertising – The University follows the policy of charging advertising costs to expense the first time the advertising takes place. Advertising expense was \$1,423,787 and \$1,158,046 for the years ended June 30, 2024 and 2023, respectively.

Concentrations – Because the University's operations are concentrated in the metropolitan areas of southern Nevada and northern Utah; realization of its receivables and its future operations could be affected by adverse changes in economic conditions in these areas.

Reclassification – Certain amounts presented in the prior year consolidated financial statements have been reclassified to conform to the current-year presentation. Reclassifications of prior year amounts had no impact on net assets.

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Subsequent events – Subsequent events are events or transactions that occur after the consolidated statements of financial position date but before the consolidated financial statements are issued. The University recognizes in the consolidated financial statements the effects of all significant subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The University's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statements of financial position but arose after the consolidated statements of financial position date and before the consolidated financial statements are available to be issued. The University has evaluated subsequent events through November 22, 2024, which is the date the consolidated financial statements were issued.

Note 2 – Accounts Receivable

Accounts receivable as of June 30, 2024, 2023, and 2022, include the following:

	2024	2023	2022
Tuition receivable	\$ 1,626,246	\$ 361,894	\$ 227,417
Medical clinic receivable	74,754	257,837	556,021
Orthodontic clinic contracts receivable	390,654	501,121	466,902
Dental clinic receivable	1,228,969	736,918	739,643
Total gross receivables	<u>3,320,623</u>	<u>1,857,770</u>	<u>1,989,983</u>
Allowance for credit losses			
Tuition receivable	-	-	-
Medical clinic receivable	25,858	-	-
Orthodontic clinic contracts receivable	102,960	50,821	124,966
Dental clinic receivable	88,853	15,720	15,720
Total allowance for credit losses	<u>217,671</u>	<u>66,541</u>	<u>140,686</u>
Total accounts receivable, net of allowance	<u>\$ 3,102,952</u>	<u>\$ 1,791,229</u>	<u>\$ 1,849,297</u>
Current portion of accounts receivable, net of allowance	\$ 3,009,952	\$ 1,688,229	\$ 1,700,297
Noncurrent portion of accounts receivable, net of allowance	<u>93,000</u>	<u>103,000</u>	<u>149,000</u>
Total accounts receivable, net of allowance	<u>\$ 3,102,952</u>	<u>\$ 1,791,229</u>	<u>\$ 1,849,297</u>

Note 3 – Investments, Debt Service Reserve Funds, and Fair Value Measurement

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value, and requires disclosure of fair value measurements. The fair value hierarchy set forth in the topic 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.

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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 as active; or other inputs that are observable or can be corroborated by observable market data.

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 measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include money market funds and exchange traded equity funds. If quoted market prices are not available, such as is the case for U.S. government and agency securities, corporate securities, and certificates of deposit, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, and are classified within Level 2 of the hierarchy. The University utilizes board-approved investment and cash reserves policies. The University's investments are managed by external licensed investment advisors. Investment reports and analysis are presented quarterly for review by the investment committee of the University's Board.

Investments that do not have a readily determinable fair value and were issued by an investment company within the scope of Topic 946, *Financial Services — Investment Companies*, are measured using the net asset value (NAV) per share practical expedient.

There have been no changes in valuation techniques used for any assets measured at fair value during the fiscal years ended June 30, 2024 and 2023.

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

	2024			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments and debt service reserve funds at fair value				
Exchange traded funds				
Domestic	\$ 20,971,669	\$ 20,971,669	\$ -	\$ -
Treasury securities	3,585,715	3,585,715	-	-
Total exchange traded funds	<u>24,557,384</u>	<u>24,557,384</u>	<u>-</u>	<u>-</u>
Fixed maturities				
U.S. government and agency	388,714	-	388,714	-
Corporate securities	<u>39,109,155</u>	<u>-</u>	<u>39,109,155</u>	<u>-</u>
Total fixed maturities	<u>39,497,869</u>	<u>-</u>	<u>39,497,869</u>	<u>-</u>
Money market funds	<u>22,475,502</u>	<u>22,475,502</u>	<u>-</u>	<u>-</u>
Certificates of deposit	<u>13,349,995</u>	<u>-</u>	<u>13,349,995</u>	<u>-</u>
Total investments and debt service reserve funds at fair value	99,880,750	<u>\$ 47,032,886</u>	<u>\$ 52,847,864</u>	<u>\$ -</u>
Investments valued at NAV	4,110,904			
Investments not at fair value				
Income share agreements	<u>2,992,270</u>			
Total investments and debt service reserve funds	<u>\$ 106,983,924</u>			
Current portion of investments	\$ 45,870,281			
Noncurrent portion of investments	38,638,141			
Current portion of investments, debt service reserve funds	3,568,646			
Noncurrent portion of debt service reserve funds	<u>18,906,856</u>			
Total investments and debt service reserve funds	<u>\$ 106,983,924</u>			

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	2023			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments and debt service reserve funds at fair value				
Exchange traded funds				
Domestic	\$ 17,781,478	\$ 17,781,478	\$ -	\$ -
Treasury securities	3,792,130	3,792,130	-	-
Total exchange traded funds	21,573,608	21,573,608	-	-
Fixed maturities				
U.S. government and agency	404,270	-	404,270	-
Corporate securities	28,688,403	-	28,688,403	-
Total fixed maturities	29,092,673	-	29,092,673	-
Money market funds	22,671,294	22,671,294	-	-
Certificates of deposit	11,136,786	-	11,136,786	-
Total investments and debt service reserve funds at fair value	84,474,361	\$ 44,244,902	\$ 40,229,459	\$ -
Investments valued at NAV	2,086,265			
Investments not at fair value				
Income share agreements	2,659,194			
Total investments and debt service reserve funds	\$ 89,219,820			
Current portion of investments	\$ 44,010,168			
Noncurrent portion of investments	22,538,357			
Current portion of investments, debt service reserve funds	4,290,668			
Noncurrent portion of debt service reserve funds	18,380,627			
Total investments and debt service reserve funds	\$ 89,219,820			

The following is a roll forward of activity for investments in income share agreements for the years ended June 30, 2024 and 2023:

	2024	2023
Income share agreements, beginning of year	\$ 2,659,194	\$ 2,061,311
Issued income share agreements, net of payments received	333,076	597,883
Income share agreements, end of year	\$ 2,992,270	\$ 2,659,194

The percentage of future earned income to be paid under income share agreements as of June 30, 2024 and 2023, ranged from 0.37% - 11.53%. As of June 30, 2024, the University has disbursed a total of \$2,992,270 of the total approved certified amount of \$4,035,431. The aggregate payment cap for income share agreements is \$6,413,260 as of June 30, 2024.

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Investment income or losses, net of investment expenses and broker fees (based on average investment balances) and net realized and unrealized gains are included in the consolidated statements of activities and consisted of the following for the years ended June 30:

	2024	2023
Realized and unrealized gains, net	\$ 3,918,070	\$ 1,353,510
Investment broker fees	<u>(122,114)</u>	<u>(107,687)</u>
Total investment gain, net	<u>\$ 3,795,956</u>	<u>\$ 1,245,823</u>

The investment valued at NAV is a real estate fund with a fair value of \$4,110,904 with no unfunded commitment and a quarterly redemption frequency with 60 days' notice.

Note 4 – Property and Equipment

Property and equipment consisted of the following as of June 30:

	2024	2023
Buildings	\$ 184,937,228	\$ 184,937,228
Leasehold improvements	15,449,501	14,802,119
Building improvements	12,176,747	12,002,606
Office equipment	9,919,159	9,596,066
Office furniture	9,476,402	8,931,919
Laboratory equipment	4,168,275	4,018,055
Dental clinic equipment	3,809,885	3,759,647
Medical equipment	1,281,098	1,281,098
Orthodontic clinic equipment	3,212,032	3,179,482
Nursing lab equipment	1,263,863	1,263,863
Land improvements	<u>1,396,697</u>	<u>1,396,697</u>
Total depreciable property and equipment	247,090,887	245,168,780
Accumulated depreciation	<u>82,534,789</u>	<u>74,022,256</u>
Depreciable property and equipment, net	164,556,098	171,146,524
Land	58,168,976	58,168,976
Art collection	459,658	459,658
Construction in progress, including equipment not yet placed in service	<u>8,356,983</u>	<u>5,264,337</u>
Total property and equipment, net	<u>\$ 231,541,715</u>	<u>\$ 235,039,495</u>

Depreciation expenses were \$8,512,532 and \$8,625,102 for the years ended June 30, 2024 and 2023, respectively.

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Note 5 – Leases

The University leases certain facilities and equipment. A summary of lease expense is as follows for the year ended June 30, 2024:

Operating lease expense	\$ 720,739
Short-term lease expense	41,234
Variable lease expense	<u>227,616</u>
Total lease expense	<u><u>\$ 989,589</u></u>

ROU assets and lease liabilities consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
ROU assets		
Operating leases	<u>\$ 972,302</u>	<u>\$ 1,027,098</u>
Lease liabilities		
Operating leases	<u>\$ 980,135</u>	<u>\$ 1,035,213</u>

Supplemental quantitative information related to leases is as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 720,739	\$ 721,008
ROU assets obtained in exchange for new operating lease liabilities	\$ 285,993	\$ 413,374
Weighted-average remaining lease term in years for operating leases	2.79	2.50
Weighted-average discount rate for operating leases	1.94%	2.20%

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Maturities of operating lease liabilities are as follows as of June 30, 2024:

<u>Years Ending June 30,</u>	<u>Operating</u>
2025	\$ 502,687
2026	341,061
2027	123,124
2028	52,163
2029	<u>4,358</u>
Total lease payments	1,023,393
Imputed interest	<u>(43,258)</u>
Total lease liabilities	<u><u>\$ 980,135</u></u>

The University also leases certain office and classroom facilities and equipment to other entities under operating leases. Assets leased to other entities under operating leases, included in property and equipment, are as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Buildings	\$ 34,717,326	\$ 34,717,326
Building improvements	<u>308,211</u>	<u>306,604</u>
Total assets under operating leases	35,025,537	35,023,930
Accumulated depreciation	<u>4,191,610</u>	<u>3,313,759</u>
Total assets, net, under operating leases	<u><u>\$ 30,833,927</u></u>	<u><u>\$ 31,710,171</u></u>

Depreciation expense on assets under operating leases totaled \$877,851 and \$877,851 for the years ended June 30, 2024 and 2023, respectively.

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The University recognized \$4,208,668 and \$4,430,052 of rental income from operating leases for the years ended June 30, 2024 and 2023, respectively. Minimum future rentals on noncancelable operating leases with original terms of one year or longer are as follows:

Years Ending June 30,

2025	\$ 3,527,879
2026	3,546,203
2027	3,331,389
2028	3,019,460
2029	865,358
Thereafter	<u>529,122</u>
Total	<u><u>\$ 14,819,411</u></u>

Note 6 – Long-Term Debt

Long-term debt as of June 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Public Finance Authority Bond – Series 2015 (A)	\$ 58,695,000	\$ 60,135,000
Public Finance Authority Bond – Series 2020 (B)	65,625,000	66,895,000
Public Finance Authority Bond – Series 2021A (C)	12,515,000	18,912,000
Public Finance Authority Bond – Series 2021B (C)	11,075,000	5,243,000
Public Finance Authority Bond – Series 2022 (D)	<u>55,755,000</u>	<u>56,315,000</u>
Total long-term debt	203,665,000	207,500,000
Public Finance Authority Bond – Series 2015 premium	888	3,010
Public Finance Authority Bond – Series 2020 premium	8,800,972	9,536,381
Public Finance Authority Bond – Series 2022 premium	2,320,795	2,567,180
Deferred debt issuance costs	<u>(3,037,730)</u>	<u>(3,324,184)</u>
Total long-term debt, net of premiums and deferred debt issuance costs	211,749,925	216,282,387
Current portion of long-term debt, net of debt issuance costs	<u>4,692,642</u>	<u>4,541,625</u>
Long-term debt, net of current portion	<u><u>\$ 207,057,283</u></u>	<u><u>\$ 211,740,762</u></u>

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- (A) On April 8, 2015, the University entered into a loan agreement with Public Finance Authority in the amount of \$67,500,000. The proceeds received from the sale of the bonds were used to finance the costs of the acquisition of a building and other real property and capital projects located in Henderson and Summerlin, Nevada; the payoff a promissory note associated with the development of RMER; and the defeasance of the Series 2007 Revenue Bonds. The building and property were pledged as security. The bonds were issued at a net premium of \$80,496. The balances of the premium as of June 30, 2024 and 2023, were \$888 and \$3,010, respectively. Interest rates on the bonds range from 5.000% to 5.875% depending on specific bond maturity dates.

In accordance with the loan agreement, the University must deposit into a bond principal fund and bond interest fund amounts sufficient to redeem those interest and principal payments due for each payment date (April 1 of each year, beginning April 1, 2016, through April 1, 2045).

- (B) On March 12, 2020, the University entered into a loan agreement with Public Finance Authority in the amount of \$70,315,000. The proceeds received from the sale of the bonds were used to finance the costs of the acquisition of formerly leased properties for dental and research in Henderson, Nevada, a building located in South Jordan, Utah, and future projects on the acquired property, the payoff of the former tenant improvement loan, and the seller defeasance costs. The buildings and property were pledged as security. The bonds were issued at a net premium of \$12,096,305. The balance of the premium as of June 30, 2024 and 2023, was \$8,800,972 and \$9,536,381, respectively. Interest rates on the bonds range from 3.000% to 5.000% depending on specific bond maturity dates.

In accordance with the loan agreement, the University must deposit into a bond principal fund and bond interest fund amounts sufficient to redeem those interest and principal payments due for each payment date (April 1 of each year, beginning April 1, 2021, through April 1, 2050).

- (C) On October 8, 2021, the University entered into loan agreements with Public Finance Authority for \$25,080,000 of Series 2021A bonds and \$570,000 of Series 2021B. The proceeds from the Series 2021A bonds were used to pay off the term note issued in 2021 (see section D of this note) that was used in the acquisition of real property located in Las Vegas, Nevada, which was pledged as security. The Series 2021B bonds were issued to finance certain capital improvements associated with same property. Interest rates on the 2021A and 2021B bonds are 3.210% and 2.440% per annum, respectively.

In accordance with the loan agreements, the University must deposit into a bond principal fund and bond interest fund amounts sufficient to redeem those interest and principal payments due for each payment date (April 1 of each year, beginning April 1, 2023, through April 1, 2036).

- (D) On February 3, 2022, the University entered into loan agreements with Public Finance Authority in the amount of \$56,855,000. The proceeds were used to defease the 2012 bonds (see section A of this note) and finance the acquisition of real property located in Las Vegas, Nevada. Interest rates on the bonds are 4% per annum. The bonds were issued at a net premium of \$2,964,612. The balance of the premium as of June 30, 2024 and 2023, was \$2,320,795 and \$2,567,180, respectively.

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In accordance with the loan agreements, the University must deposit into a bond principal fund and bond interest fund amounts sufficient to redeem those interest and principal payments due for each payment date (April 1 of each year, beginning April 1, 2023, through April 1, 2052).

As of June 30, 2024 and 2023, the long-term accumulated bond fund reserves for the total loan agreements was \$18,906,856 and \$18,380,627, respectively, and the short-term interest reserve fund was \$2,383,288 and \$3,142,357, respectively. The University also had short-term principal and escrow reserve funds of \$1,185,358 and \$1,148,311, respectively, as of June 30, 2024 and 2023.

Additionally, the University is required to comply with certain covenants, including a debt service coverage ratio covenant, minimum liquid assets covenant, and minimum composite score covenant.

Principal maturities of long-term debt are as follows:

Years Ending June 30,

2025	\$ 3,995,000
2026	4,710,000
2027	4,935,000
2028	5,160,000
2029	5,410,000
Thereafter	<u>179,455,000</u>
Total	<u><u>\$ 203,665,000</u></u>

Total interest expense for the years ended June 30, 2024 and 2023, was \$9,263,384 and \$9,147,814, respectively.

Note 7 – Line of Credit

The University maintains a line of credit of \$5,000,000, which is scheduled to mature on March 31, 2026. No draws were made on this line of credit during the years ended June 30, 2024 and 2023. All borrowings are unsecured, and interest on borrowings under this agreement is payable monthly and at the maturity of the note at the higher of the Prime Rate in effect on such a day: the Federal Funds rate plus 2.25%, or the adjusted term Secured Overnight Financing Rate plus 2.25%. The effective rate as of June 30, 2024 and 2023, was 8.5% and 8.25%, respectively.

The University is expected to maintain liquidity without donor restrictions of \$10,000,000 included in cash and marketable securities, a minimum debt service coverage ratio 1.10 to 1.0 measured quarterly, and certain nonfinancial covenants, which include submission of annual audited financial statements within 150 days of the University's fiscal year end. The University is also to maintain a minimum Department of Education (ED) ratio of 1.5 measured annually by the ED.

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Note 8 – Functional Classification of Expenses

In the below analysis, the costs of operation and maintenance of plant, depreciation, and interest expense have been allocated across all functional expense categories to reflect the full cost of those activities.

For the Year Ended June 30, 2024								
	Program Services				Supporting Activities			Total Expenses
	Instruction	Academic Support	Student Services	Total	General and Administrative	Institutional Development and Support	Total	
Salaries and benefits	\$ 35,103,463	\$ 8,002,155	\$ 2,787,439	\$ 45,893,057	\$ 18,373,986	\$ 138,067	\$ 18,512,053	\$ 64,405,110
Professional fees	231,420	163,082	105,729	500,231	3,810,613	-	3,810,613	4,310,844
Rent and CAM charges	283,285	24,570	9,643	317,498	131,709	666	132,375	449,873
Equipment rental	-	-	-	-	539,716	-	539,716	539,716
General office expense	320,725	366,903	2,743	690,371	2,122,364	453	2,122,817	2,813,188
Program costs	3,325,626	2,302,574	12,566	5,640,766	36,205	211	36,416	5,677,182
Utilities	1,028,648	329,670	82,307	1,440,625	1,215,547	4,318	1,219,865	2,660,490
Travel, recruitment, and training	857,666	572,289	77,715	1,507,670	331,432	7,516	338,948	1,846,618
Dues and subscriptions	918,628	1,146,636	47,617	2,112,881	981,016	3,101	984,117	3,096,998
Repair and maintenance	302,944	69,390	-	372,334	2,248,361	-	2,248,361	2,620,695
Interest expense/bank fees	3,641,070	1,342,457	531,055	5,514,582	3,538,953	271,864	3,810,817	9,325,399
Other expense	1,345,145	172,632	20,103	1,537,880	828,166	33,886	862,052	2,399,932
Depreciation	3,513,873	1,096,271	481,361	5,091,505	3,378,158	42,869	3,421,027	8,512,532
Total expenses	\$ 50,872,493	\$ 15,588,629	\$ 4,158,278	\$ 70,619,400	\$ 37,536,226	\$ 502,951	\$ 38,039,177	\$ 108,658,577

For the Year Ended June 30, 2023								
	Program Services				Supporting Activities			Total Expenses
	Instruction	Academic Support	Student Services	Total	General and Administrative	Institutional Development and Support	Total	
Salaries and benefits	\$ 27,726,662	\$ 7,462,076	\$ 2,553,276	\$ 37,742,014	\$ 21,547,361	\$ 144,732	\$ 21,692,093	\$ 59,434,107
Professional fees	368,222	81,344	573	450,139	4,139,243	-	4,139,243	4,589,382
Rent and CAM charges	236,997	18,917	8,218	264,132	142,545	708	143,253	407,385
Equipment rental	30,911	6,842	-	37,753	648,363	-	648,363	686,116
General office expense	322,018	68,159	8,808	398,985	1,807,219	617	1,807,836	2,206,821
Program costs	5,895,425	276,314	6,887	6,178,626	25,642	258	25,900	6,204,526
Utilities	749,600	280,370	61,982	1,091,952	1,327,815	4,342	1,332,157	2,424,109
Travel, recruitment, and training	927,740	361,532	125,129	1,414,401	267,469	4,567	272,036	1,686,437
Dues and subscriptions	718,981	982,344	5,332	1,706,657	941,120	32,159	973,279	2,679,936
Repair and maintenance	315,655	11,007	-	326,662	2,231,248	-	2,231,248	2,557,910
Interest expense/bank fees	3,743,406	1,131,129	498,409	5,372,944	4,040,884	50,529	4,091,413	9,464,357
Other expense	1,133,433	126,875	25,404	1,285,712	620,477	33,937	654,414	1,940,126
Depreciation	3,535,197	1,109,100	488,424	5,132,721	3,448,795	43,586	3,492,381	8,625,102
Total expenses	\$ 45,704,247	\$ 11,916,009	\$ 3,782,442	\$ 61,402,698	\$ 41,188,181	\$ 315,435	\$ 41,503,616	\$ 102,906,314

Note 9 – Financial Assets Available and Liquidity

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt, and equity securities. For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

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Financial assets held as of June 30, 2024 and 2023, consisted of cash and cash equivalents, net receivables, investments, refundable deposits, and other assets. Endowment assets are reported as cash and investments. All endowment assets, except board-designated endowment assets, are donor restricted by either purpose or time. The University's Board has designated a portion of its resources to function as an endowment with Board approval, which could be made available for operations. The amounts of board-designated endowment funds are \$33,518,579 and \$29,464,601 as of June 30, 2024 and 2023, respectively. Board-designated endowment funds are invested for long-term appreciation and future use and may be spent at the discretion and approval of the Board. The University also has a \$5,000,000 line of credit available to meet short-term needs for each of the years ended June 30, 2024 and 2023, respectively. See Note 7.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The University's financial assets comprised the following at June 30, 2024 and 2023:

	2024	2023
Cash and cash equivalents and restricted cash	\$ 33,316,434	\$ 36,191,002
Accounts receivable – student accounts receivable, net	1,626,246	361,894
Accounts receivable – patient services, net	1,502,564	1,429,335
Investments	84,508,422	66,548,525
Debt service reserve funds	22,475,502	22,671,295
Refundable deposits	64,041	71,566
Contributions receivable	2,206,371	461,588
Other assets	2,842,445	3,191,944
	<u>\$ 148,542,025</u>	<u>\$ 130,927,149</u>
Total financial assets		

As of June 30, 2024 and 2023, the following financial assets could readily be made available within one year of the consolidated statements of financial position date to meet general expenditures:

	2024	2023
Cash and cash equivalents	\$ 33,014,599	\$ 35,516,128
Accounts receivable – student accounts receivable, net	1,626,246	361,894
Accounts receivable – patient services, net	1,383,706	1,326,335
Investments not subject to donor or board restrictions	49,935,265	36,160,791
Contributions receivable - due within one year	842,000	443,000
Other assets	2,240,829	2,147,115
	<u>\$ 89,042,645</u>	<u>\$ 75,955,263</u>
Total financial assets available for general expenditures within one year		

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Note 10 – Related-Party Transactions

Effective June 1, 2018, the Alliance for Childhood Diseases (a.k.a. Cure 4 the Kids Foundation, C4K, or Alliance), a Nevada nonprofit corporation, has affiliated with the University with the goal of jointly furthering nonprofit healthcare education, research, and patient care. As part of the relationship, the president of the University will hold a seat on Alliance's board, but the University will not hold majority of the seats. In conjunction with the affiliation, Alliance signed a ten-year lease with a commencement date of June 2018, for approximately 27,600 square feet of space at the University's Summerlin campus in Las Vegas, Nevada. Subsequent amendments resulted in leasing an additional 12,989 square feet. The lease expires in May 2028. Total rental income recognized under this agreement was \$1,773,835 and \$1,531,387 for the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, rent receivable totaled \$936,933 and \$1,092,309, respectively, and was allocated between other current assets and other non-current assets on the consolidated statements of financial position, dependent on when the receivable will be recognized.

Note 11 – Net Assets

Net assets without donor restrictions includes reserves which the Board has designated for endowment to support the RU COM, research, instruction, and operational support. The funds are not intended to be used unless undesignated or appropriated by Board action.

Net assets without donor restrictions consisted of the following as of June 30:

	2024	2023
Undesignated	\$ 39,448,242	\$ 36,293,809
Invested in property and equipment, net of related debt	42,561,294	42,095,162
Board-designated endowment funds	<u>33,518,579</u>	<u>29,464,601</u>
Total net assets without donor restrictions	<u><u>\$ 115,528,115</u></u>	<u><u>\$ 107,853,572</u></u>

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	2024	2023
Restricted for time and purpose		
College of Medicine and Research	\$ 12,141,163	\$ 12,173,824
Instruction and operational support	5,363,935	3,163,448
Accumulated earnings on endowment	<u>395,133</u>	<u>270,188</u>
Total net assets restricted for time and purpose	17,900,231	15,607,460
Required to be held in perpetuity	<u>668,645</u>	<u>662,145</u>
Total net assets with donor restrictions	<u><u>\$ 18,568,876</u></u>	<u><u>\$ 16,269,605</u></u>

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Net assets were released from donor restriction for the following purposes for the years ended June 30:

	2024	2023
Student scholarships	\$ 268,523	\$ 139,718
College of Medicine	2,247,367	791,642
Instruction and operations support	4,958,675	1,378,466
Total net assets released from restriction	<u>\$ 7,474,565</u>	<u>\$ 2,309,826</u>

Note 12 – Endowment Funds

The University's endowment funds consist of various donor-restricted endowment funds and funds designated as quasi-endowment by the Board. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by the state of Nevada 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 endowment; (b) the original value of subsequent gifts to the endowment; (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund; (d) the present value of estimated future receipts for beneficial interests in perpetual trusts; and (e) subsequent changes in the value of the University's share of trust assets in perpetual trusts. The amount of the donor-restricted endowment funds required to be held in perpetuity is \$668,645 and \$662,145 as of June 30, 2024 and 2023, respectively. The remaining portion of the donor-restricted endowment funds is subject to appropriation for expenditure by the University in a manner consistent with the standard of prudence prescribed by the state of Nevada 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 funds; (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 and depreciation of investments; (6) other resources of the University; and (7) the investment policies of the University.

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The University has adopted investment and spending policies for its endowment funds. The objective of these policies is to provide the University a predictable funding stream for its programs while achieving an investment return greater than the combination of the current spending formula and the current rate of inflation in order to protect the purchasing power of the endowment funds. The University, through its investment policy, has established a target (inflation-adjusted) annualized rate of return over the long term of at least 5%; 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 and fixed income investment allocations. The purpose is to moderate the overall investment risk of the endowment funds.

The Board of the University may appropriate for expenditure or accumulate so much of the endowment funds as the University determines is prudent for the uses, benefits, purposes, and duration for which the endowment funds are established. The amount appropriated, per the spending policy, is based on the three-year rolling average of the fair value of the endowment funds pooled investments measured by the University each year. This appropriation may be made when the endowment funds assets are underwater if the Board deems it is prudent to do so. The board-approved spending percentage was 4% for donor-restricted endowments for each of the fiscal years ended June 30, 2024 and 2023. No expenditures were made from the board-designated endowment during the years ended June 30, 2024 and 2023.

Endowment net assets as of June 30, 2024 and 2023, were as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,054,578	\$ 1,054,578
Board-designated endowment funds	33,518,579	-	33,518,579
Total endowment funds	<u>\$ 33,518,579</u>	<u>\$ 1,054,578</u>	<u>\$ 34,573,157</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 923,133	\$ 923,133
Board-designated endowment funds	29,464,601	-	29,464,601
Total endowment funds	<u>\$ 29,464,601</u>	<u>\$ 923,133</u>	<u>\$ 30,387,734</u>

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The changes in endowment net assets for the years ended June 30, 2024 and 2023, were as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 29,464,601	\$ 923,133	\$ 30,387,734
Investment income, net of investment expenses	688,574	19,602	708,176
Unrealized and realized gains	3,365,404	105,343	3,470,747
Contributions	-	6,500	6,500
Endowment net assets, end of year	<u>\$ 33,518,579</u>	<u>\$ 1,054,578</u>	<u>\$ 34,573,157</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 27,058,044	\$ 852,397	\$ 27,910,441
Investment income, net of investment expenses	593,299	16,359	609,658
Unrealized and realized gains	1,813,258	61,577	1,874,835
Contributions	-	2,000	2,000
Appropriation of endowment funds for expenditure	-	(9,200)	(9,200)
Endowment net assets, end of year	<u>\$ 29,464,601</u>	<u>\$ 923,133</u>	<u>\$ 30,387,734</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, which is defined as “underwater endowments.” As of June 30, 2024 and 2023, none of the University’s donor-restricted endowment funds were underwater endowments.

Note 13 – Defined Contribution Plan

The University offers a defined contribution plan, which is considered a safe harbor plan, to eligible employees. Employees are considered eligible if they work 20 or more hours per week or more than 1,000 hours in a 12-month period after commencing employment. The University is required to match employee contributions at 125% of the employee’s first 6% of contributions (a maximum match of 7.5% of gross salaries). Contribution expenses were \$3,074,908 and \$2,730,006 for the years ended June 30, 2024 and 2023, respectively.

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Note 14 – Compensation Agreement

On December 14, 2007, the University entered into a Founding President Emeritus Agreement with the then current president, Dr. Harry Rosenberg. The agreement granted Dr. Rosenberg the title of Founding President Emeritus, effective immediately upon his retirement as president of the University. With this title, Dr. Rosenberg became eligible to receive certain benefits and other compensation. The present value of these future benefits was determined based on the estimated remaining service period.

Dr. Rosenberg retired on December 14, 2012, and began receiving compensation from the retirement fund in January 2013. The total value of the accrued benefits as of June 30, 2023, was \$376,151, and is included within accounts payable and accrued expenses on the consolidated statements of financial position. There were no accrued benefits for the year ended June 30, 2024.

Note 15 – Risks and Uncertainties

Litigation – In the normal course of business, the University is subject to legal claims. After consultation with the University's legal counsel, management of the University is of the opinion that liabilities, if any, arising from such claims would not have a material effect on the University's financial position.

Federal and state grant programs – Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable grant. The amount, if any, of expenditures that may be disallowed by grantors cannot be determined at this time, although the University expects such amounts, if any, to be immaterial.

Credit and market risks – Financial institutions that potentially subject the University to concentrations of credit risk consist principally of cash, investments, and receivables. Cash, cash equivalents, and investments are concentrated in a limited number of financial institutions. Amounts in excess of Federal Deposit Insurance Corporation and Securities Investors Protection Company limits and similar coverages are subject to the usual risks of balances in excess of those limits.

Investments, in general, are subject to various risks, including credit, interest, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Other receivables are due from a variety of sources concentrated primarily in the western United States.

