

**ROSALIND FRANKLIN UNIVERSITY OF
MEDICINE AND SCIENCE AND AFFILIATES**
North Chicago, Illinois

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Rosalind Franklin University
of Medicine and Science
North Chicago, Illinois

Opinion

We have audited the consolidated financial statements of Rosalind Franklin University of Medicine and Science and Affiliates (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 financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rosalind Franklin University of Medicine and Science and Affiliates as of June 30, 2024 and 2023, and the changes in their net assets and their 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

(Continued)

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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 2024 consolidating statements of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations 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. The information has been subjected to the auditing procedures applied in the audits 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Crowe LLP

Crowe LLP

Chicago, Illinois
December 5, 2024

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 6,102,085	\$ 13,446,692
Short term investments	6,009,746	536,095
Accounts receivable, net	10,350,163	8,340,014
Pledges receivable, net	2,794,026	5,827,339
Prepaid expenses and other	2,799,113	2,350,409
Investments	85,709,613	87,863,528
Loans to students, net	3,132,356	3,728,706
Right-of-use assets	3,058,726	3,623,302
Land, buildings, and equipment, net	<u>146,419,140</u>	<u>148,408,706</u>
 Total assets	 <u>\$ 266,374,968</u>	 <u>\$ 274,124,791</u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 22,548,300	\$ 20,208,738
Deferred revenue	9,346,699	9,498,846
Operating lease liabilities	3,274,650	3,888,579
Notes payable, net	48,780,221	48,422,246
Bonds payable, net	58,066,543	59,340,431
Federal equity in student loan programs	3,317,302	3,217,170
Postretirement healthcare benefits	<u>3,966,458</u>	<u>17,294,475</u>
 Total liabilities	 <u>149,300,173</u>	 <u>161,870,485</u>
 NET ASSETS		
Without donor restrictions	95,262,549	91,025,348
With donor restrictions	<u>21,812,246</u>	<u>21,228,958</u>
Total net assets	<u>117,074,795</u>	<u>112,254,306</u>
 Total liabilities and net assets	 <u>\$ 266,374,968</u>	 <u>\$ 274,124,791</u>

See accompanying notes to consolidated financial statements.

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Tuition and fees, net	\$ 97,565,037	\$ -	\$ 97,565,037
Sponsored research grants	9,009,762	-	9,009,762
Other grants and contracts	4,192,003	-	4,192,003
Patient care revenue, net	11,778,551	-	11,778,551
Investment income designated for operations	5,905,436	729,513	6,634,949
Auxiliary revenue, net	3,340,183	-	3,340,183
Philanthropic gifts	569,141	2,134,291	2,703,432
Other sources	1,742,055	-	1,742,055
Net assets released from restrictions	2,280,516	(2,280,516)	-
Total operating revenue and support	<u>136,382,684</u>	<u>583,288</u>	<u>136,965,972</u>
Operating activities			
Instruction	45,349,382	-	45,349,382
Research	25,081,424	-	25,081,424
Patient care services	14,133,934	-	14,133,934
Academic support	22,317,247	-	22,317,247
Student services	13,366,961	-	13,366,961
Institutional support	27,552,459	-	27,552,459
Total operating expenses	<u>147,801,407</u>	<u>-</u>	<u>147,801,407</u>
Changes in net assets before non-operating activities	(11,418,723)	583,288	(10,835,435)
Non-operating activities			
Investment return less amount appropriated by the governing board for operations	3,361,849	-	3,361,849
Gain on disposal of equipment	104,717	-	104,717
Other components of net periodic postretirement health care costs	(830,112)	-	(830,112)
Postretirement health care benefit actuarial change	1,934,140	-	1,934,140
Postretirement health care benefit curtailment gain	12,424,644	-	12,424,644
Adjustment to pledges receivable - non-recurring	(1,339,314)	-	(1,339,314)
Total non-operating activities	<u>15,655,924</u>	<u>-</u>	<u>15,655,924</u>
Changes in net assets	4,237,201	583,288	4,820,489
Net assets at beginning of year	<u>91,025,348</u>	<u>21,228,958</u>	<u>112,254,306</u>
Net assets at end of year	<u>\$ 95,262,549</u>	<u>\$ 21,812,246</u>	<u>\$ 117,074,795</u>

See accompanying notes to consolidated financial statements.

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Tuition and fees, net	\$ 89,655,784	\$ -	\$ 89,655,784
Sponsored research grants	9,457,140	-	9,457,140
Other grants and contracts	5,751,714	-	5,751,714
Patient care revenue, net	10,824,878	-	10,824,878
Investment income designated for operations	4,074,305	905,185	4,979,490
Auxiliary revenue, net	3,245,657	-	3,245,657
Philanthropic gifts	4,349,504	4,367,034	8,716,538
Other sources	1,713,930	-	1,713,930
Net assets released from restrictions	3,115,705	(3,115,705)	-
Total operating revenue and support	<u>132,188,617</u>	<u>2,156,514</u>	<u>134,345,131</u>
Operating activities			
Instruction	40,874,749	-	40,874,749
Research	24,252,245	-	24,252,245
Patient care services	13,363,744	-	13,363,744
Academic support	21,583,331	-	21,583,331
Student services	10,588,193	-	10,588,193
Institutional support	27,568,165	-	27,568,165
Total operating expenses	<u>138,230,427</u>	<u>-</u>	<u>138,230,427</u>
Changes in net assets before non-operating activities	(6,041,810)	2,156,514	(3,885,296)
Non-operating activities			
Investment return less amount appropriated by the governing board for operations	3,301,986	-	3,301,986
Gain on disposal of equipment	400	-	400
Other components of net periodic postretirement health care costs	(780,807)	-	(780,807)
Postretirement health care benefit actuarial change	1,688,258	-	1,688,258
Postretirement health care benefit curtailment gain	-	-	-
Total non-operating activities	<u>4,209,837</u>	<u>-</u>	<u>4,209,837</u>
Changes in net assets	(1,831,973)	2,156,514	324,541
Net assets at beginning of year	<u>92,857,321</u>	<u>19,072,444</u>	<u>111,929,765</u>
Net assets at end of year	<u>\$ 91,025,348</u>	<u>\$ 21,228,958</u>	<u>\$ 112,254,306</u>

See accompanying notes to consolidated financial statements.

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating activities		
Change in net assets	\$ 4,820,489	\$ 324,541
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized gain on investments	(8,127,054)	(6,204,031)
Depreciation	8,188,482	7,768,853
Provision for bad debt expense	1,110,868	2,395,190
Amortization of bond and note payable issuance cost	(78,888)	(78,879)
Contributions restricted for endowment	(937,917)	(1,355,959)
Postretirement healthcare benefit changes other than net periodic cost	(1,934,140)	(1,688,258)
Postretirement health care curtailment gain	(12,424,644)	-
Changes in assets and liabilities		
Accounts receivable	(3,121,017)	(1,433,946)
Pledge receivable	3,033,313	(4,358,705)
Operating lease right-of-use assets	564,576	919,275
Prepaid expenses and other	(448,704)	995,744
Accounts payable and accrued expenses	2,339,562	(723,237)
Operating lease liabilities	(613,929)	(937,887)
Deferred revenue	(152,147)	(615,845)
Postretirement healthcare benefits	1,030,767	1,021,492
Net cash from operating activities	<u>(6,750,383)</u>	<u>(3,971,652)</u>
Investing activities		
Purchase of land, buildings, and equipment	(6,198,916)	(10,592,038)
Decrease in loans to students	596,350	836,415
Proceeds from sales of investments	77,062,246	127,754,802
Purchase of investments	<u>(72,254,928)</u>	<u>(119,834,604)</u>
Net cash from investing activities	(795,248)	(1,835,425)
Financing activities		
Federal advances (returns) for student loans	100,132	(375,730)
Proceeds from notes payable	305,742	-
Notes payable issuance costs	52,233	52,224
Contributions restricted for endowment	937,917	1,355,959
Principal payment on bonds payable	<u>(1,195,000)</u>	<u>(1,150,000)</u>
Net cash from financing activities	<u>201,024</u>	<u>(117,547)</u>
Change in cash and cash equivalents	(7,344,607)	(5,924,624)
Cash and cash equivalents at beginning of year	<u>13,446,692</u>	<u>19,371,316</u>
Cash and cash equivalents at end of year	<u><u>\$ 6,102,085</u></u>	<u><u>\$ 13,446,692</u></u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 5,708,607	\$ 5,762,621
Construction in progress included in accounts payable	\$ 257,392	\$ 521,263
Right-of-use assets and liabilities recognized under operating leases	\$ 399,221	\$ 18,247

See accompanying notes to consolidated financial statements.

NOTE 1 - ORGANIZATION

Rosalind Franklin University of Medicine and Science is a private institution of higher education. The University's mission is to serve humanity through the interprofessional education of health and biomedical professionals, and the discovery of knowledge dedicated to improving wellness. The University also seeks to contribute to the health and wellness of its local community. In furtherance of its mission, the University engages in various activities including instruction, research, and provision of medical care.

The consolidated financial statements include Rosalind Franklin University of Medicine and Science (RFUMS) and its related organizations, Rosalind Franklin University Health Clinics (RFUHC), and RFU, LLC. RFUHC provides patient-centered health care while fostering training and scientific curiosity in an interprofessional setting. The activities of RFU, LLC include financing the development and construction of the Research Building, described in more detail in Note 9. As used herein, the "University" includes all of these organizations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The consolidated financial statements of the University have been prepared on the accrual basis of accounting.

Classification of Net Assets: The University's net assets have been grouped into the following two classes:

- *Without Donor Restrictions* - Net assets that are free of donor-imposed restrictions.
- *With Donor Restrictions* - Net assets which consist of gifts and related earnings that are subject to donor-imposed stipulations that have not yet been met by actions of the University and/or passage of time; net assets consisting of gifts which, by donor restriction, are required to be held in perpetuity.

Cash and Cash Equivalents: Cash and cash equivalents consist of all highly liquid debt instruments acquired with an original maturity of three months or less. Certain securities of a similar nature may be included in investments as such instruments are held by the University for investment purposes.

Investments: Investments are recorded at estimated fair value and realized and unrealized gains and losses are reflected within investment return, net, in the statement of activities. Fair value is based on quoted prices for securities traded on public exchanges. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities, or other reasonable valuation methodologies such as fair values estimated by investment advisors or other qualified sources. Investments acquired by gift are initially recorded at fair value at the date of acquisition.

Dividend and interest income earned on investments is recorded on the accrual basis. Realized gains and losses on sale of investments are computed based on specific identification of historical cost.

Land, Buildings, and Equipment: Land, buildings, and equipment are valued at cost (if purchased) or fair value (if donated), less accumulated depreciation. The University capitalizes all assets with a useful life of more than one year and an acquisition cost of \$5,000 or more. Costs of maintenance and repairs are charged to expense when incurred; costs of renewals and betterments are capitalized. After an asset is placed into service, depreciation is provided on the straight-line method over the estimated useful lives of the assets, which is 15 years for land improvements, 30 to 50 years for buildings, and 5 to 10 years for equipment.

Long-lived assets, such as building and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management believes that currently there is no impairment of the long-lived assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases: At the inception of an arrangement, a determination of the existence of a lease is based on all relevant facts and circumstances. Leases are classified as operating or finance leases at the lease commencement date. Operating leases are included in right-of-use assets and lease liabilities in the consolidated statements of financial position. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less (short-term leases) are not recorded on the consolidated statements of financial position. Real estate and equipment leases comprise the majority of the University's leasing activities.

Right-of-use assets represents the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. Right-of-use assets also include prepaid rent and are adjusted by the unamortized balance of lease incentives.

As the implicit rate is generally not readily determinable for the University's leases, the estimated incremental borrowing rate is used in determining the present value of lease payments. The University gives consideration to outstanding debt as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rate.

Some leases include one or more options to extend the lease. The exercise of lease extension options is at the discretion of the University. Certain leases contain early termination penalties; however, as of June 30, 2024, the University is reasonably certain it will not exercise or become subject to such early termination penalties. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. The University's lease agreements do not contain any residual value guarantees.

Nonperformance-related default covenants, cross-default provisions, subjective default provisions and material adverse change clauses contained in material lease agreements, if any, are also evaluated to determine whether those clauses affect lease classification.

Revenue: 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 are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions recognized on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

The University provides academic instruction toward graduate degrees through six colleges and over thirty graduate health professions and science programs. The University serves approximately 2,000 graduate students. Tuition revenue is recognized over the applicable term in the fiscal year in which the academic programs are delivered. Institutional scholarships awarded to students reduce the amount of revenue recognized. Scholarships of \$7,490,845 and \$8,936,110 were reported net of tuition and fees on the statement of activities for the years ended June 30, 2024 and 2023, respectively. In addition, students who adjust their course load or withdraw completely within the first four weeks of the academic term may receive a full or partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Historically, refunds have been approximately less than 1% of the total amount billed.

(Continued)

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The University also provides auxiliary services, such as student housing services and a student apparel store. Revenue from these services is recognized over the applicable term in the fiscal year in which the goods and services are provided or at a point in time when purchased. Refunds issued reduce the amount of revenue recognized.

Sales and services of auxiliary enterprises consist of the following:

	<u>2024</u>	<u>2023</u>
Housing services	\$ 3,164,135	\$ 3,062,750
University store	<u>176,048</u>	<u>182,907</u>
Auxiliary revenue total	<u>\$ 3,340,183</u>	<u>\$ 3,245,657</u>

Payments for tuition and room and board are due at the beginning of each academic term.

Revenue from tuition and fees is reported in the period in which the educational programs are conducted. Summer sessions are largely conducted during July and August of each fiscal year, although some educational program classes may start during June of the preceding fiscal year. In general, tuition and fees received prior to June 30 relating to the summer sessions are recorded as part of deferred revenue at the balance sheet date. As of June 30, 2024 and 2023, deferred revenue was \$9,346,699 and \$9,498,846, respectively.

Private gifts and grants, including pledges, are recognized in the period the gift is made. Conditional gifts, with a barrier and a right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Accretion of discount is recorded as additional revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible pledges receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions and appropriated endowment income received with donor-imposed restrictions that are met in the same year as the gifts are received are reported as revenue of the net asset without donor restrictions class. Private gifts and grants of land, building, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the net asset without donor restrictions class. Private gifts and grants of cash or other assets to be used to acquire land, building, and equipment with such donor restrictions are reported as revenue of the net asset with donor restrictions class; the restrictions are considered to be released at the time of acquisition of such long-lived assets. Revenue from other grants and contract agreements is recognized as it is earned through expenditure in accordance with the agreements.

(Continued)

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants and contracts for basic research and other sponsored programs are generally subject to restrictions and conditions that must be met before the University is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. The University recognizes grant and contract revenue on grants for basic research and other sponsored programs as the awards for such programs are expended, since expenditure in accordance with award terms typically results in the simultaneous release of restrictions and conditions imposed by the grantor.

Accounts receivable consists of tuition and fee charges to students, health services provided by the University clinics, costs reimbursable from the Veterans Administration and from various grants. Interest is charged on outstanding student account receivable balances at the rate of 1.5% per month. Accounts receivable are recorded net of estimated uncollectible amounts, determined based on historical experience and analysis of specific accounts.

At June 30, 2024 accounts receivable and allowance for credit losses consist of the following:

	<u>Student</u>	<u>Patient Care</u>	<u>Other</u>	<u>Total</u>
Gross accounts receivable	\$ 2,052,922	\$ 5,086,663	\$ 5,264,178	\$ 12,403,763
Allowance for credit losses	<u>(587,714)</u>	<u>(1,315,265)</u>	<u>(150,621)</u>	<u>(2,053,600)</u>
Balance at June 30, 2024	<u>\$ 1,465,208</u>	<u>\$ 3,771,398</u>	<u>\$ 5,113,557</u>	<u>\$ 10,350,163</u>

At June 30, 2023 accounts receivable and allowance for credit losses consist of the following:

	<u>Student</u>	<u>Patient Care</u>	<u>Other</u>	<u>Total</u>
Gross accounts receivable	\$ 1,557,114	\$ 4,549,014	\$ 3,936,595	\$ 10,042,723
Allowance for credit losses	<u>(540,677)</u>	<u>(1,162,032)</u>	<u>-</u>	<u>(1,702,709)</u>
Balance at June 30, 2023	<u>\$ 1,016,437</u>	<u>\$ 3,386,982</u>	<u>\$ 3,936,595</u>	<u>\$ 8,340,014</u>

Patient care revenue represents the consideration the University expects to be entitled to in exchange for providing patient care. Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is generally recognized based on actual services performed in relation to total expected services. Generally, performance obligations recognized over time relate to outpatient services. Revenue for performance obligations satisfied at a point in time is recognized when services are provided.

The University determines the transaction price for patient care based on standard charges for goods and services rendered, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients, and/or implicit price concessions provided to patients. The University determines its estimate of contractual adjustments and discounts based on contractual agreements with third-party payors, its discount policy, and historical experience. The University estimates implicit price concessions based on its historical collection experience for the relevant payor type.

(Continued)

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The University continually reviews its estimation process to consider and incorporate updates to laws and regulations, changes in contractual terms resulting from contract renegotiations and renewals, and changes to historical experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient care revenue in the period of change.

The University derives the vast majority of its patient care revenue from commercial payors at in-network rates. Private pay revenues consist of revenues from uninsured patients and healthcare providers. Additionally, the University bills insured patients for their copays and deductibles. Generally, the University bills patients and third-party payors several days after services are performed. Patients typically have 120 days to make acceptable payment arrangements in order to avoid assignment to a collection agency.

The University does not present information about outstanding performance obligations as of year-end because its contracts with patients all had original terms of less than one year.

Net patient care revenue recognized during the years ended June 30, 2024 and 2023 by major payor source is as follows:

	<u>2024</u>	<u>2023</u>
Commercial payors	88 %	93 %
Government payors	1	3
Private pay	<u>11</u>	<u>4</u>
Total	<u>100 %</u>	<u>100 %</u>

Conditional Grants: During fiscal year 2024, the University received two grants from the state of Illinois:

- Department of Commerce and Economic Opportunity (DCEO): The University received a grant of \$3,500,000 from the DCEO with a period of performance ending November 30, 2025. During fiscal year 2024, the University incurred \$113,692 of expenses and recognized \$113,692 of revenue related to the grant.
- Illinois Board of Higher Education (IBHE): The University received a grant of \$8,120,613 from the IBHE with a period of performance ending June 30, 2028. During fiscal year 2024, the University incurred \$923,508 of expenses and recognized \$923,508 of revenue related to the grant.

The grants are to help fund capital expenditures and are recognized upon incurring expenses. The funds must be used exclusively for the purposes specified in the grant agreements. The University is required to submit periodic financial reports to the state of Illinois detailing the use of the funds. Any unspent funds at the end of the grant periods must be returned to the state of Illinois.

Deferred Fees and Amortization: Bond and notes payable issuance costs and loan origination fees are amortized on the straight-line method, which approximates the effective interest method. These costs are reported net against notes and bonds payable on the consolidated statements of financial position.

Operations: Operating results in the Statement of Activities reflect all transactions increasing or decreasing net assets without donor restrictions except those items associated with long-term investment in excess of investment return designated for operations, actuarial adjustments to postretirement benefit obligations, and other infrequent gains and losses.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue 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* ("Topic 326"), which requires entities to measure all expected credit losses for financial instruments held at the reporting date. The University adopted this standard effective July 1, 2023. The new expected loss measurement model, known as the current expected credit loss ("CECL") model, is based on expected losses rather than incurred losses. Topic 326 is applicable to financial assets measured at amortized cost, such as accounts receivable. It requires historical loss data to be adjusted to reflect changes in asset-specific considerations, current conditions, and reasonable and supportable forecasts of future economic conditions. The expected credit losses are adjusted each financial reporting period for changes in expected lifetime credit losses. The adoption of this standard did not have a significant impact on the University's consolidated financial statements.

Reclassifications: Certain amounts in the 2023 consolidated financial statements have been reclassified to conform with the 2024 presentation. These reclassifications had no effect on total net assets or the change in net assets.

NOTE 3 - PLEDGES RECEIVABLE

Unconditional promises to give are expected to be received in the following periods:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 4,092,702	\$ 5,648,352
Between one and five years	<u>74,158</u>	<u>246,170</u>
Subtotal	4,166,860	5,894,522
Discount to net present value	(4,087)	(15,208)
Allowance for uncollectible promises to give	<u>(1,368,747)</u>	<u>(51,975)</u>
Pledges receivable, net	<u>\$ 2,794,026</u>	<u>\$ 5,827,339</u>

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value measurement accounting standards requires the use of valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

(Continued)

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

In that regard, the accounting standards establish a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

Equity mutual fund securities: The fair value of equity mutual fund securities, which are readily marketable, is determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Fixed income mutual funds: The fair value of fixed income mutual funds, which are readily marketable, is determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Alternative investments: Alternative investments consist of investments where there may be no active market. The University uses the net asset value (NAV) of the investment to determine the fair value of these investments. The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, or appraisals.

Description of Alternative Investments and Liquidity:

The University's alternative investments consist of investments in:

Hedge Funds - The investment objective of these funds is to seek above-average returns in all market environments. The funds invest in both long and short securities to mitigate market risk. Certain investment funds concentrate their investment programs in specific industries, sectors, or market capitalization. In addition, the funds may utilize fixed income, equity related securities, options, swaps, forwards, futures, commodities, real estate long/short equities or other or other derivatives. These investments are subject to certain redemption restrictions. The redemption frequency for the majority of these investments ranges from monthly to annually. The notice period for redemptions ranges from 30 to 100 days for investments with periodic liquidity.

Private Equity - These funds invest in private capital such as limited partnerships, securities of companies in both domestic and international markets, debt and equity securities of companies undergoing financial distress, operating difficulties, or restructuring. These investments are long-term and may provide little if any current income. These funds are illiquid, and distributions are made to limited partners when funds sell investments, typically within ten years of the inception date of each fund.

(Continued)

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Real Assets – This category includes two private real estate funds which invest in U.S. domiciled real estate holdings. While the two private real estate funds are illiquid, both have distributed nearly all the funds' positions and returned the capital to limited partners. As of June 30, 2024, less than \$25,000 in net asset value remained in one private real estate fund.

Alternative investments are professionally managed investments that employ certain traditional as well as alternative investment strategies. Subject to certain conditions, as more fully described in the investment agreements, these funds may be restricted from withdrawal for a period of time. As of June 30, 2024, the University's alternative investments with withdrawal restrictions totaled \$9,330,281. The University is in the process of redeeming all hedge fund securities and expects all redemptions to be completed by June 2025. As of June 30, 2024, there are approximately \$3,400,000 in unfunded commitments related to investments.

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total
<u>2024</u>					
Assets					
Cash and cash equivalents	\$ 7,043,159	\$ -	\$ -	\$ -	\$ 7,043,159
Equity Mutual Funds	54,913,534	-	-	-	54,913,534
Fixed Inc Mutual Funds	20,366,769	-	-	-	20,366,769
Marketable U.S. Equity securities	10,203	-	-	-	10,203
Alternative investments					
Hedge Funds	-	-	-	6,940,306	6,940,306
Real Assets	-	-	-	22,600	22,600
Private Equity/Other	-	-	-	2,422,788	2,422,788
Total investments	<u>\$ 82,333,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,385,694</u>	<u>\$ 91,719,359</u>
<u>2023</u>					
Assets					
Cash and cash equivalents	\$ 1,512,532	\$ -	\$ -	\$ -	\$ 1,512,532
Equity Mutual Funds	53,420,556	-	-	-	53,420,556
Fixed Inc Mutual Funds	21,114,839	-	-	-	21,114,839
Marketable U.S. Equity securities	10,540	-	-	-	10,540
Alternative Investments					
Hedge Funds	-	-	-	10,776,672	10,776,672
Real Assets	-	-	-	95,550	95,550
Private Equity/Other	-	-	-	1,468,934	1,468,934
Total investments	<u>\$ 76,058,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,341,156</u>	<u>\$ 88,399,623</u>

(Continued)

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Net investment gain for the years ended June 30, 2024 and 2023, is comprised of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividend income (net of fees)	\$ 1,869,744	\$ 2,077,445
Realized gains on investments	2,520,973	8,700,515
Unrealized gains (losses) on investments	<u>5,606,081</u>	<u>(2,496,484)</u>
Return on investments	9,996,798	8,281,476
Less portion of endowment return distributed	<u>(6,634,949)</u>	<u>(4,979,490)</u>
Investment return (less) amounts designated for operations	<u>\$ 3,361,849</u>	<u>\$ 3,301,986</u>

These investments are exposed to a variety of uncertainties, including interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the University. Investment fees totaled \$131,322 and \$132,789 for the years ended June 30, 2024 and 2023, respectively, and are included in investment return less amounts designated for operations.

NOTE 5 - ENDOWMENT

The University's endowment is comprised of donor-restricted endowment funds and Board-designated funds to function as endowment. Net assets consisting of those funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The University has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (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 of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted 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 is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Finance Committee of the Board of Trustees establishes policies and procedures concerning the management of endowment funds. These policies establish asset classes that are deemed suitable for investment of endowment funds which currently include investments in domestic and international equities, fixed income, alternative strategies, and real assets. Endowment funds are managed on a total return basis taking into consideration the need to maintain the purchasing power of the funds as well as the need to support the University's mission. Risk and return expectations for the endowment funds are modeled using historical rates of return and volatility measures for various asset allocation scenarios. Investments are made in various asset classes based on policy requirements for a highly diversified portfolio in accordance with asset allocation guidelines. Actual allocations to an asset class are compared to target allocations and rebalanced as appropriate. The performance of endowment funds' investments is reported on a monthly basis and the annual real return objective is 4-5%.

(Continued)

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 5 - ENDOWMENT (Continued)

The University's Board of Trustees has approved a spending policy which allows for the transfer up to 5% of the trailing twelve quarter endowment balance to be used to support operations and fund debt service for fiscal 2024 and 2023. The spending rate approximates the return objective of the fund allowing for the preservation of purchasing power and growth of the endowment through investment returns in excess of the objective and new gifts. For the year ended June 30, 2024, the University's Board of Trustees approved \$1,905,544 in additional appropriations from the Board-designated funds related to personnel restructuring initiatives and changes to the postretirement healthcare benefits plan.

Endowment net asset composition by type of fund as of June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 13,834,248	\$ 13,834,248
Board-designated funds	<u>71,788,793</u>	<u>-</u>	<u>71,788,793</u>
Total funds	<u>\$ 71,788,793</u>	<u>\$ 13,834,248</u>	<u>\$ 85,623,041</u>

Endowment net asset composition by type of fund as of June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 12,860,339	\$ 12,860,339
Board-designated funds	<u>74,915,211</u>	<u>-</u>	<u>74,915,211</u>
Total funds	<u>\$ 74,915,211</u>	<u>\$ 12,860,339</u>	<u>\$ 87,775,550</u>

Changes in endowment net assets for the year ended June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 74,915,211	\$ 12,860,339	\$ 87,775,550
Investment return, net	9,267,285	729,513	9,996,798
Contributions	-	937,917	937,917
Transfer	(6,300,190)	(152,086)	(6,452,276)
Amounts appropriated for current operations	<u>(6,093,513)</u>	<u>(541,435)</u>	<u>(6,634,948)</u>
Endowment net assets, end of year	<u>\$ 71,788,793</u>	<u>\$ 13,834,248</u>	<u>\$ 85,623,041</u>

(Continued)

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 5 - ENDOWMENT (Continued)

Changes in endowment net assets for the year ended June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 77,728,510	\$ 11,546,545	\$ 89,275,055
Investment return, net	7,509,080	905,185	8,414,265
Contributions	-	1,355,959	1,355,959
Transfer	(5,894,361)	(395,878)	(6,290,239)
Amounts appropriated for current operations	<u>(4,428,018)</u>	<u>(551,472)</u>	<u>(4,979,490)</u>
Endowment net assets, end of year	<u>\$ 74,915,211</u>	<u>\$ 12,860,339</u>	<u>\$ 87,775,550</u>

NOTE 6 - LOANS TO STUDENTS

The University makes uncollateralized loans to students based on financial need. A majority of the University's student loans are funded through Federal government programs. At June 30, 2024 and 2023, student loans represented 1.2% and 1.4% of total assets, respectively.

At June 30, student loans consisted of the following:

	<u>2024</u>	<u>2023</u>
Loans to students	\$ 62,070,575	\$ 61,867,106
Less principal collected	(56,004,361)	(55,499,305)
Less cancellations	(2,521,981)	(2,345,895)
Less allowance for credit loss:		
Beginning of year	(293,200)	(372,087)
Credit loss allowance (increase) decrease	<u>(118,677)</u>	<u>78,887</u>
End of year	<u>(411,877)</u>	<u>(293,200)</u>
Student loans receivable, net	<u>\$ 3,132,356</u>	<u>\$ 3,728,706</u>

As the Federal Perkins revolving loan program is in wind-down status, no new Federal Perkins loans were awarded during the fiscal years ended June 30, 2024 and 2023. The availability of funds for loans under the Health Professions program is dependent on reimbursements to the pool from repayments on outstanding loans. During fiscal year 2024, the University did not issue new loans for the Federal Perkins program. Funds advanced by the federal government of \$3,317,302 and \$3,217,170 at June 30, 2024 and 2023, respectively, are ultimately refundable to the government, and are classified as liabilities on the statement of financial position. Outstanding loans cancelled under the federal programs result in a reduction of the funds available for loans and decrease in the liability to the government.

(Continued)

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 6 - LOANS TO STUDENTS (Continued)

At June 30, 2024 and 2023, the following amounts were past due under student loan programs:

	<u>2024</u>	<u>2023</u>
1-30 days	\$ 931	\$ 771
31-60 days	518	151
61-90 days	161	1,376
91-120 days	-	641
121-180 days	-	-
181-270 days	130,052	284
271 days – 1 year	-	394
1-2 years	32,314	48,107
2-3 years	160,248	21,461
3+ years	<u>1,118,387</u>	<u>1,054,678</u>
Total past due	<u>\$ 1,442,611</u>	<u>\$ 1,127,863</u>

Allowances for credit losses are established based considering past and current conditions and reasonable and supportable forecasts, including economic factors. The total allowance for the University student loan programs was \$411,877 and \$293,200 at June 30, 2024 and 2023, respectively.

NOTE 7 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are reflected at cost and consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land	\$ 15,224,757	\$ 15,224,757
Land improvements	2,600,000	2,600,000
Buildings	205,905,677	200,985,611
Construction in progress	643,064	4,248,849
Equipment	<u>66,694,222</u>	<u>61,803,515</u>
	291,067,720	284,862,732
Accumulated depreciation	<u>(144,648,580)</u>	<u>(136,454,026)</u>
Land, building, and equipment, net	<u>\$ 146,419,140</u>	<u>\$ 148,408,706</u>

Depreciation expense for the years ended June 30, 2024 and 2023, totaled \$8,188,482 and \$7,768,853, respectively.

(Continued)

NOTE 8 - OPERATING LEASE RIGHT-OF-USE ASSETS AND LIABILITIES

The University's leased assets include two office leases as of June 30, 2024, with remaining terms up to three years and are classified as operating leases. The University's leased assets also include office equipment, medical equipment, and vehicles. Renewal options are excluded from the calculation of lease liabilities unless renewal is reasonably assured. There are no residual value guarantees or material restrictive covenants. The leases are reflected on the statements of financial position as right-of-use assets and operating lease liabilities. The right-of-use assets represent the right to use the underlying assets for the associated lease terms and were \$3,058,726 and \$3,623,302 as of June 30, 2024 and 2023, respectively. The lease liabilities represent the obligations to make lease payments arising from the lease agreements, which are discounted using the University's incremental borrowing rate of 6% as of June 30, 2024 and 2023. The operating lease liabilities were \$3,274,650 and \$3,888,579 as of June 30, 2024 and 2023, respectively. Leases are recognized at the commencement date, or the date on which the lessor makes the underlying asset available for use, based upon the present value of lease payments, over the lease term on a straight-line basis.

The future payments due under operating leases as of June 30, 2024 are as follows:

2025	\$ 1,234,973
2026	1,197,903
2027	1,008,232
2028	84,379
2029	35,158
Thereafter	-
Subtotal	<u>3,560,645</u>
Less: effects of discounting	<u>(285,995)</u>
Total	<u><u>\$ 3,274,650</u></u>

NOTE 9 - NOTES PAYABLE AND BONDS PAYABLE

RFUMS approved the construction and financing of an approximately 100,000 square foot multi-tenant office, classroom and lab facility, and associated parking facilities (the "Research Building") on the campus of the University for approximately \$53,000,000. The project was funded with bond proceeds issued by the Illinois Finance Authority on behalf of The University Financing Foundation (TUFF RFUMS 1 LLC), an independent third-party real estate developer and adviser, and tax-credit equity contributions through the New Markets Tax Credit (NMTC) program.

In January 2024, RFUMS financed a lab equipment purchase with a three-year loan and the associated note payable as of June 30, 2024 was \$305,742.

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 9 - NOTES PAYABLE AND BONDS PAYABLE (Continued)

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

	<u>2024</u>	<u>2023</u>
Note payable to TUFF RFUMS 1 LLC from 2017C IFA bond proceeds subloaned to RFU, LLC bearing interest at 7% through 2025 and 8.7% thereafter, with principal payments beginning September 2029	\$ 26,939,318	\$ 26,939,318
Note payable to TUFF RFUMS 1 LLC from 2017D IFA bond proceeds subloaned to RFU, LLC, bearing interest at 7% through 2025 and 5.65% thereafter, with principal payments beginning December 2030	7,797,439	7,797,439
NMTC Note A payable to ST CDE LV, LLC by RFU, LLC bearing interest at 2.5%, principal payments due quarterly starting on October 10, 2025 until note matures in September 2048	2,017,200	2,017,200
NMTC Note B payable to ST CDE LV, LLC by RFU, LLC, bearing interest at 2.5%, principal payments due quarterly starting on October 10, 2025 until note matures in September 2048	982,800	982,800
NMTC Note A payable to URP Subsidiary CDE 36, LLC by RFU, LLC, bearing interest at 2.5%, principal payments due quarterly starting on October 10, 2025 until note matures in September 2048	8,938,800	8,938,800
NMTC Note B payable to URP Subsidiary CDE 36, LLC by RFU, LLC, bearing interest at 2.5%, principal payments due quarterly starting on October 10, 2025 until note matures in September 2048	3,061,200	3,061,200
Lab equipment note payable	<u>305,742</u>	<u>-</u>
Total notes payable	50,042,499	49,736,757
Less: unamortized note issue costs	<u>(1,262,278)</u>	<u>(1,314,511)</u>
Total notes payable outstanding, net	<u>\$ 48,780,221</u>	<u>\$ 48,422,246</u>

During September 2018, to access the NMTC funds, the University entered into various agreements with entities owned or controlled by one or more of the following parties to finance and construct the Research Building: a Community Development Entity (CDE), a Qualified Equity Investment (QEI); and TUFF RFUMS 1 LLC.

(Continued)

NOTE 9 - NOTES PAYABLE AND BONDS PAYABLE (Continued)

The NMTC program was designed to stimulate investment and economic growth in low-income communities by offering a 39% federal tax credit over a seven-year period for a QEI made through investment vehicles known as CDEs. CDEs use capital derived from tax credits to make loans to or investments in businesses and projects in low-income areas. The NMTC notes payable are subject to a put option exercisable by the note holders in September 2025, which is at the end of the seven-year compliance period.

As part of the transaction, TUFF RFUMS 1 LLC used a portion of 2017D bond proceeds to provide a \$10,956,000 leverage loan to the QEI via a note receivable. The QEI also received \$4,914,000 from private investors. QEI funds totaling \$15,000,000 were borrowed by RFU, LLC through ST CDE LV, LLC and URP Subsidiary CDE 36, LLC, the CDE's for the project. There were four separate promissory notes signed.

Neither RFUMS nor RFU, LLC control or has an economic interest in the assets of either the QEI or the CDEs. The QEI is controlled and financed by national banks and the QEI controls and funds the CDE. To earn the tax credits the QEI must remain invested in the CDEs for a seven-year period. The NMTC compliance period will end as of September 6, 2025.

The remaining \$34,736,757 in bond proceeds, Series 2017C and Series 2017D were subloaned by TUFF RFUMS 1 LLC to RFU, LLC to directly finance the development and construction of the Research Building. In order to repay TUFF RFUMS 1 LLC for the bond financing, RFUMS entered into a thirty-year building lease agreement on August 23, 2017. In conjunction with entering into the NMTC agreement, TUFF RFUMS transferred ownership of the Research Building and assigned its interest in the building lease agreement to RFU, LLC, which in turn leases the Research Building to RFUMS. During the years ended June 30, 2024 and 2023, RFUMS made lease payments totaling \$3,070,765 and \$3,010,553, respectively, to RFU, LLC to pay bond and loan interest costs.

On July 1, 2020, the existing subloan agreement for the Series 2017D bond proceeds was modified by TUFF RFUMS 1 LLC, to increase the principal amount of the loan and decrease the interest rate on the loan without changing the monthly amounts due from RFU, LLC. The principal loan amount was increased by \$1,342,879, as of June 30, 2020, which funded construction costs and equipment for the Research Building.

The notes payable to TUFF RFUMS 1 are secured by the lease agreement between RFUMS and RFU, LLC. The NMTC loans are secured by a mortgage on the property, improvements and fixtures, assignment of rents and leases and security agreement. Loan and regulatory agreement restrict the use of the property to those allowed as a qualified active low-income community business for the term of the note.

During the years ended June 30, 2024 and 2023, RFU, LLC incurred \$2,950,267 and \$2,956,713, respectively, of interest expense relating to the bonds and promissory notes payables.

On August 18, 2017, the Illinois Finance Authority (IFA) issued two new Revenue Bonds, Series 2017 in the principal amount of \$62,390,000 on behalf of the University. The new bonds enabled the University to refund its 2003 and 2012 bonds, pay a fee to terminate an interest rate swap agreement associated with the 2003 and 2012 bonds, and pay the costs of issuance of the 2017 bonds. The new bonds mature in fiscal year 2048 with principal payments due August 1st of each year in accordance with the payment schedule and carry an interest rate of between 2.95% and 5.00%. The bonds are secured by the future unrestricted revenues of the University.

(Continued)

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 9 - NOTES PAYABLE AND BONDS PAYABLE (Continued)

During the years ended June 30, 2024 and 2023, the University made principal payments on the 2017 bonds of \$1,195,000 and \$1,150,000, respectively, and incurred \$2,771,641 and \$2,819,715, respectively, of interest expense relating to the bonds. Bond discounts, premiums, and costs incurred in connection with the issuance of the bonds are amortized over the life of the bonds. Bond issuance costs of \$1,215,943 are being amortized over the life of the bonds with \$840,921 and \$895,135 in unamortized bond costs at June 30, 2024 and 2023, respectively. Bond issuance costs of \$52,236 and \$54,225 were amortized during fiscal year 2024 and fiscal year 2023, respectively.

The future principal maturity schedule is as follows for years ending June 30:

	Notes <u>Payable</u>	Bonds <u>Payable</u>	<u>Total</u>
2025	\$ 111,859	\$ 1,245,000	\$ 1,356,859
2026	394,297	1,305,000	1,699,297
2027	569,946	1,375,000	1,944,946
2028	508,527	1,445,000	1,953,527
2029	521,360	1,520,000	2,041,360
Thereafter	47,936,510	48,945,000	96,881,510
Total principal outstanding	50,042,499	55,835,000	105,877,499
Add: unamortized premium on bonds	-	3,072,465	3,072,465
	50,042,499	58,907,465	108,949,964
Less: unamortized bond issue costs	(1,262,278)	(840,921)	(2,103,199)
Total debt outstanding, net	<u>\$ 48,780,221</u>	<u>\$ 58,066,544</u>	<u>\$ 106,846,765</u>

The bond agreements contain various restrictive financial covenants that University management believes they are in compliance with as of June 30, 2024.

NOTE 10 - LINE OF CREDIT

At June 30, 2024 and 2023, the University had available a secured line of credit for \$7,500,000 and an unsecured line of credit for \$3,000,000, respectively. In July 2023, the \$3,000,000 line of credit was replaced by a secured \$7,500,000 line of credit, which was renewed in April 2024. The related interest rate was determined at the time any advances are made and was based upon the relevant floating interest rate as adjusted under the agreement terms. The University had no outstanding borrowings on either of these lines of credit at June 30, 2024 and 2023.

(Continued)

NOTE 11 - SELF-INSURANCE PLAN

The University entered into a self-insurance plan with Blue Cross Blue Shield ("BCBS"), whereby BCBS provides certain administrative services and specific and aggregate stop-loss coverage. The University pays a reduced monthly premium. For the period July 1, 2022 through September 30, 2023, the University was responsible for the funding of all claims, up to \$150,000 per individual per policy year. For the period October 1, 2023 through June 30, 2024, the University was responsible for the funding of all claims up to \$125,000 per individual per policy year. A liability of \$417,600 and \$436,000 has been recorded by the University as of June 30, 2024 and 2023, respectively, to estimate the total outstanding liability for payment of claims submitted and pending on that date. Group health insurance expense for the fiscal years ended June 30, 2024 and 2023, totaled \$8,453,573 and \$8,471,235, respectively.

NOTE 12 - RETIREMENT PLANS

The University participates in the Teachers Insurance Annuity Association/College Retirement Equity Fund ("the Fund"), an independently administered defined contribution retirement benefit fund. The Fund is contributory, and all full-time and certain part-time employees are eligible to participate. The University contributed approximately \$6,103,176 and \$5,472,505 for the years ended June 30, 2024 and 2023, respectively. There is no past service liability and current pension costs are funded as accrued.

NOTE 13 - POSTRETIREMENT BENEFITS

The University provides retiree health benefits to certain eligible employees. The University accrues the cost of postretirement benefits over the employee's remaining service period. The funded status is measured as the difference between plan assets at fair value and the accumulated postretirement benefit obligation ("APBO").

Effective June 30, 2024, the University implemented a curtailment of its postretirement benefit plan. The University's postretirement benefit plan was amended to eliminate the University's cost sharing for medical and dental plans after June 30, 2025, for post-65 retirees and their covered dependents. As a result of this curtailment, the projected benefit obligation decreased by \$12,424,644 and a curtailment gain has been recognized in the statement of operations for the year ended June 30, 2024. This gain reflects the difference between the benefit obligation prior to the curtailment and the revised obligation.

The following table presents the plan's funded status reconciled with amounts recognized in the University's statements of financial position at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Accumulated postretirement healthcare benefit obligation:		
Active participants fully eligible for benefits	\$ 1,015,577	\$ 6,114,769
Active participants not yet fully eligible	876,577	5,059,943
Inactive participants	<u>2,074,304</u>	<u>6,119,763</u>
Accumulated postretirement healthcare benefit obligation	3,966,458	17,294,475
Plan assets at fair value	<u>-</u>	<u>-</u>
Accumulated postretirement healthcare benefit obligation in excess of plan assets	<u>\$ 3,966,458</u>	<u>\$ 17,294,475</u>

(Continued)

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 13 - POSTRETIREMENT BENEFITS (Continued)

Net periodic postretirement healthcare benefit ("NPPHB") costs for the fiscal years ended June 30, include the following components:

	<u>2024</u>	<u>2023</u>
Service cost of benefits earned	\$ 696,622	\$ 694,687
Interest cost on accumulated postretirement healthcare benefit obligation	830,112	780,807
Postretirement healthcare benefit actuarial gain	(1,934,140)	(1,688,258)
Postretirement healthcare benefit curtailment gain	<u>(12,424,644)</u>	<u>-</u>
Net periodic postretirement healthcare benefit cost	<u>\$ (12,832,050)</u>	<u>\$ (212,764)</u>

Future expected benefit payments for the next ten years are as follows:

2025	\$ 753,046
2026	191,337
2027	195,091
2028	194,179
2029	203,569
2030-2034	1,176,805

The 2025 expected benefit payment above approximates the amount of expected contributions to the Plan for the year ending June 30, 2025.

The following table shows the status of the plan reconciled with the amounts recognized in the University's consolidated statements of financial position and consolidated statements of activities and changes in net assets as of and for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Accumulated benefit obligation, beginning of year	\$ 17,294,475	\$ 17,961,241
Service cost	696,622	694,687
Interest cost on obligation	830,112	780,807
Actuarial gain	(1,934,140)	(1,688,258)
Curtailment gain	(12,424,644)	-
Disbursements	<u>(495,967)</u>	<u>(454,002)</u>
Accumulated benefit obligation, end of year	<u>\$ 3,966,458</u>	<u>\$ 17,294,475</u>

The discount rate used in determining the net periodic postretirement benefit expense for fiscal year 2024 and 2023, was 4.9% and 4.43% and the discount rate for the APBO for June 30, 2024 and 2023, was 5.31% and 4.9%.

(Continued)

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available primarily for student scholarships and research. They also consist of endowment funds at June 30. The income earned on the investment of net assets with donor restrictions is generally available for use in providing scholarships and supporting the University's educational programs.

Net assets with donor restrictions as of June 30, 2024 and 2023, are restricted for the following purposes:

	<u>2024</u>	<u>2023</u>
Student financial assistance	\$ 14,741,766	\$ 13,766,649
Research	5,594,368	6,084,049
Student organizations	206,999	252,252
Academic support and other	<u>1,269,113</u>	<u>1,126,008</u>
Total net assets with donor restrictions	<u>\$ 21,812,246</u>	<u>\$ 21,228,958</u>

NOTE 15 - TAX STATUS

RFUMS and RFUHC received favorable letters of determination from the Internal Revenue Service concerning its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. RFU, LLC was formed on May 2018 and will be operated exclusively for charitable purposes in accord with Sections 501(c)(3) and 170(b)(1)(A) of the Internal Revenue Code and is considered a disregarded entity for tax purposes.

The University files Forms 990 (Return of Organization Exempt from Income Tax) annually for each entity. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would intimately be sustained. Examples of tax positions common to universities include such matters as the following: the tax-exempt status of each entity and various positions relative to potential sources of unrelated business income tax (UBIT). UBIT is reported on Form 990-T, as appropriate. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for uncertain tax benefits in the accompanying statements of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of June 30, 2024 and 2023, there were no uncertain tax positions identified. The University does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Forms 990 and 990-T filed by the University are subject to the examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Management believes the Forms 990 and 990-T have been filed appropriately.

(Continued)

NOTE 15 - TAX STATUS (Continued)

The University would recognize interest and penalties related to unrecognized tax positions in interest and income tax expense, respectively. The University has no amounts accrued for interest or penalties as of June 30, 2024 and 2023.

NOTE 16 - CONCENTRATION OF CREDIT RISK

The University places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

The University is occasionally party to lawsuits and claims, including medical malpractice, arising out of the conduct of its business. In the opinion of management, any potential liabilities resulting from these contingencies would not have a material effect on the University's financial position or changes in net assets.

In fiscal years 2024 and 2023, the University received approximately \$110 million and \$104 million, respectively, in federal aid from the U.S. Department of Education, the U.S. Department of Health and Human Services, the U.S. Department of Defense, the U.S. Department of Justice, the U.S. Department of Veteran's Affairs, and the National Aeronautics and Space Administration. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in federal regulations and are subjected to audit by the related federal agencies and possible disallowance of certain expenditures. The ultimate liability, if any, from such audits, is not expected to have a material adverse effect on the University's financial position.

The University is obligated as lessee for certain facilities and is required to maintain minimum levels of liability and property and casualty insurance. One of the leases is a 10-year operating lease for approximately 30,000 square feet of space in a medical building on the Northwestern Medicine McHenry Hospital campus located in Huntley, Illinois. This space is used to house a medical simulation center for the University's students and others. University leases are described in Note 8.

The University has entered into an agreement with an apartment complex owner adjacent to its campus to provide a monthly rent guarantee on 201 apartments. In exchange for leasing apartments to its students, the University has guaranteed approximately \$280,000 in monthly rental payments in the first year of the agreement. Subsequent to the first year of operation, and until the agreement expires in July 2051, such monthly rent guarantee will increase by the Consumer Price Index (CPI) and allocated taxes, as applicable. During the years ended June 30, 2024 and 2023, the University paid \$1,515,200 and \$1,307,644, respectively, in guarantee payments to the owner of the apartment complex.

NOTE 18 - RELATED PARTIES

As described in Note 1, the consolidated financial statements include RFUMS, RFUHC, and RFU, LLC. Transactions between these related organizations included reimbursement for purchases of goods or services or sharing of facilities. All inter-organizational balances have been eliminated in the consolidated financial statements. The University had outstanding pledges receivable from board members of \$84,651 and \$63,578 as of June 30, 2024 and 2023, respectively.

(Continued)

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 19 - EXPENSES BY NATURE

The statements of activities report certain categories of expenses attributable to the programs and supporting functions of the University. The tables below present expenses by both their nature and their function for the years ended June 30, 2024 and 2023, respectively.

	Program Activities			Supporting Activities		Total Expenses
	Instruction and Student Services	Research	Patient Care Services	Management and General	Fundraising	
<u>2024</u>						
Salaries and wages	\$ 46,320,661	\$ 12,633,477	\$ 6,048,863	\$ 12,476,163	\$ 1,891,281	\$ 79,370,445
Employee benefits	11,497,147	3,320,487	1,554,510	2,645,175	518,497	19,535,816
Supplies and equipment	1,643,150	1,924,538	2,593,525	369,677	51,238	6,582,128
Purchased services	5,563,475	617,780	139,180	2,900,669	138,579	9,359,683
Occupancy, depreciation, interest, insurance	10,830,925	5,233,570	2,348,852	3,225,445	421,258	22,060,050
Other operating expenses	5,178,232	1,351,572	1,449,004	2,752,541	161,936	10,893,285
Total expenses	<u>\$ 81,033,590</u>	<u>\$ 25,081,424</u>	<u>\$ 14,133,934</u>	<u>\$ 24,369,670</u>	<u>\$ 3,182,789</u>	<u>\$ 147,801,407</u>
	Program Activities			Supporting Activities		Total Expenses
	Instruction and Student Services	Research	Patient Care Services	Management and General	Fundraising	
<u>2023</u>						
Salaries and wages	\$ 41,584,921	\$ 12,071,188	\$ 5,150,103	\$ 11,953,262	\$ 1,442,640	\$ 72,202,114
Employee benefits	10,355,212	3,115,731	1,349,499	2,457,002	389,979	17,667,423
Supplies and equipment	1,471,618	1,974,253	2,434,526	150,189	42,955	6,073,541
Purchased services	5,608,783	610,971	475,904	3,291,081	94,356	10,081,095
Occupancy, depreciation, interest, insurance	9,609,139	4,928,815	2,088,972	4,511,800	314,899	21,453,625
Other operating expenses	4,416,600	1,551,287	1,864,740	2,799,308	120,694	10,752,629
Total expenses	<u>\$ 73,046,273</u>	<u>\$ 24,252,245</u>	<u>\$ 13,363,744</u>	<u>\$ 25,162,642</u>	<u>\$ 2,405,523</u>	<u>\$ 138,230,427</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, salaries and benefits and occupancy. Such expenses are allocated on either a square foot usage or per person basis.

(Continued)

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 20 - LIQUIDITY AND AVAILABILITY

The University's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 6,102,085	\$ 13,446,692
Short term investments	6,009,746	536,095
Accounts receivable, net	10,350,163	8,340,014
Pledge receivable, net	2,753,388	5,648,352
Approved endowment spend	5,553,976	4,729,412
Less amounts restricted by donors and Board designations	<u>(1,851,245)</u>	<u>(7,576,099)</u>
Total	<u>\$ 28,918,113</u>	<u>\$ 25,124,466</u>

As part of the University's liquidity management, the University invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the University has a committed line of credit in the amount of \$7,500,000 (see Note 10), which it could draw upon. The use of this line of credit is generally restricted to the extent that the University is in need of liquidity to fund program-related obligations. Additionally, the University has \$71,788,793 in investments that could be made available, if necessary, with Board approval.

NOTE 21 - SUBSEQUENT EVENTS

Management has evaluated all subsequent events through December 5, 2024, which is the date these consolidated financial statements were issued and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure.

SUPPLEMENTARY INFORMATION

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
Year Ended June 30, 2024

	Rosalind Franklin University	Rosalind Franklin University Health Clinics	RFU, LLC	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$ 5,873,896	\$ 182,628	\$ 45,561	\$ -	\$ 6,102,085
Short term investments	6,009,746	-	-	-	6,009,746
Accounts receivable, net	10,141,235	208,928	-	-	10,350,163
Pledges receivable, net	2,794,026	-	-	-	2,794,026
Due from affiliates, net	40,789,951	-	-	(40,789,951)	-
Prepaid expenses and other	2,799,113	-	2,827,500	(2,827,500)	2,799,113
Investments	85,709,613	-	-	-	85,709,613
Loans to students, net	3,132,356	-	-	-	3,132,356
Right of use assets	2,235,087	823,639	-	-	3,058,726
Land, buildings, and equipment, net	97,639,001	-	48,780,139	-	146,419,140
	<u>\$ 257,124,024</u>	<u>\$ 1,215,195</u>	<u>\$ 51,653,200</u>	<u>\$ (43,617,451)</u>	<u>\$ 266,374,968</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 20,171,564	\$ 504,657	\$ 1,872,079	\$ -	\$ 22,548,300
Due to affiliates, net	-	35,258,287	5,531,664	(40,789,951)	-
Deferred revenue	12,174,199	-	-	(2,827,500)	9,346,699
Lease liabilities	2,399,857	874,793	-	-	3,274,650
Notes payable, net	305,739	-	48,474,482	-	48,780,221
Bonds payable, net	58,066,543	-	-	-	58,066,543
Federal equity in student loan programs	3,317,302	-	-	-	3,317,302
Postretirement healthcare benefits	3,966,458	-	-	-	3,966,458
Total liabilities	<u>100,401,662</u>	<u>36,637,737</u>	<u>55,878,225</u>	<u>(43,617,451)</u>	<u>149,300,173</u>
NET ASSETS					
Without donor restrictions	134,910,116	(35,422,542)	(4,225,025)	-	95,262,549
With donor restrictions	21,812,246	-	-	-	21,812,246
Total net assets	<u>156,722,362</u>	<u>(35,422,542)</u>	<u>(4,225,025)</u>	<u>-</u>	<u>117,074,795</u>
Total liabilities and net assets	<u>\$ 257,124,024</u>	<u>\$ 1,215,195</u>	<u>\$ 51,653,200</u>	<u>\$ (43,617,451)</u>	<u>\$ 266,374,968</u>

See Accompanying Independent Auditor's Report.

ROSALIND FRANKLIN UNIVERSITY OF MEDICINE AND SCIENCE AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

	Rosalind Franklin University	Rosalind Franklin University Health Clinics	RFU, LLC	Eliminations	Consolidated
Operating revenue and support					
Tuition and fees, net	\$ 97,565,037	\$ -	\$ -	\$ -	\$ 97,565,037
Sponsored research grants	9,009,762	-	-	-	9,009,762
Other grants and contracts	3,337,834	854,169	-	-	4,192,003
Patient care revenue, net	8,238,981	3,539,570	-	-	11,778,551
Investment income designated for operations	6,634,949	-	-	-	6,634,949
Auxiliary revenue, net	3,340,183	-	-	-	3,340,183
Philanthropic gifts	2,568,132	135,300	-	-	2,703,432
Other sources	1,742,055	-	3,070,765	(3,070,765)	1,742,055
Total operating revenue and support	<u>132,436,933</u>	<u>4,529,039</u>	<u>3,070,765</u>	<u>(3,070,765)</u>	<u>136,965,972</u>
Operating activities					
Instruction	45,349,382	-	-	-	45,349,382
Research	28,152,189	-	-	(3,070,765)	25,081,424
Patient care services	6,264,223	7,869,711	-	-	14,133,934
Academic support	22,317,247	-	-	-	22,317,247
Student services	13,366,961	-	-	-	13,366,961
Institutional support	22,932,538	-	4,619,921	-	27,552,459
Total operating expenses	<u>138,382,540</u>	<u>7,869,711</u>	<u>4,619,921</u>	<u>(3,070,765)</u>	<u>147,801,407</u>
Changes in net assets before non-operating activities	(5,945,607)	(3,340,672)	(1,549,156)	-	(10,835,435)
Non-operating activities					
Investment return less amount appropriated by the governing board for operations	3,361,849	-	-	-	3,361,849
Gain on disposal of equipment	104,717	-	-	-	104,717
Other components of net periodic postretirement health care costs	(830,112)	-	-	-	(830,112)
Postretirement health care benefit actuarial change	1,934,140	-	-	-	1,934,140
Postretirement health care benefit curtailment gain	12,424,644	-	-	-	12,424,644
Adjustment to pledges receivable - non-recurring	(1,339,314)	-	-	-	(1,339,314)
Total non-operating activities	<u>15,655,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,655,924</u>
Changes in net assets	9,710,317	(3,340,672)	(1,549,156)	-	4,820,489
Net assets at beginning of year	<u>147,012,045</u>	<u>(32,081,870)</u>	<u>(2,675,869)</u>	<u>-</u>	<u>112,254,306</u>
Net assets at end of year	<u>\$ 156,722,362</u>	<u>\$ (35,422,542)</u>	<u>\$ (4,225,025)</u>	<u>\$ -</u>	<u>\$ 117,074,795</u>

See Accompanying Independent Auditor's Report.