



University of Health Sciences and Pharmacy in St. Louis

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023



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Independent Auditor's Report

Board of Trustees
University of Health Sciences and Pharmacy in St. Louis
St. Louis, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of University of Health Sciences and Pharmacy in St. Louis (University), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

In performing an audit in accordance with GAAS we:

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

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

Forvis Mazars, LLP

St. Louis, Missouri
October 14, 2024

University of Health Sciences and Pharmacy in St. Louis
Statements of Financial Position
June 30, 2024 and 2023

ASSETS

| | 2024 | 2023 |
|---|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 6,946,211 | \$ 7,235,801 |
| Accounts receivable, net of allowance; 2024 - \$252,000 and 2023 - \$202,000 | 2,226,942 | 3,311,423 |
| Other receivables | 350,822 | 452,149 |
| Prepaid expenses and other assets | 866,367 | 765,542 |
| Investments | 110,290,736 | 121,475,448 |
| Contributions receivable, net | 185,884 | 202,499 |
| Assets limited as to use | 416,628 | 397,549 |
| Loans receivable, net of allowance; 2024 - \$202,000 and 2023 - \$197,000 | 3,979,894 | 4,592,532 |
| Property and equipment, net | 119,432,614 | 124,123,879 |
| Interest in net assets of perpetual trusts | 5,146,472 | 4,558,861 |
| Assets held by trustees | 591,794 | 592,993 |
| Right of use asset - operating lease, net | 403,206 | 637,445 |
| Other | 78,028 | 72,029 |
| Total assets | <u>\$ 250,915,598</u> | <u>\$ 268,418,150</u> |

LIABILITIES AND NET ASSETS

Liabilities

| | | |
|---|--------------------|--------------------|
| Accounts payable | \$ 887,233 | \$ 2,524,675 |
| Accrued expenses | 2,565,146 | 3,249,465 |
| Deferred revenue | 2,068,713 | 2,379,215 |
| Operating lease liabilities | 418,865 | 658,466 |
| Refundable long-term advances - federal loan programs | 4,410,371 | 4,564,909 |
| Deferred compensation | 416,628 | 397,547 |
| Long-term debt, net | 99,095,908 | 103,008,450 |
| Assets held for others | 262,506 | 527,039 |
| Annuities payable | 76,952 | 82,835 |
| Total liabilities | <u>110,202,322</u> | <u>117,392,601</u> |

Net Assets

| | | |
|----------------------------------|-----------------------|-----------------------|
| Without donor restrictions | 110,678,569 | 123,036,293 |
| With donor restrictions | <u>30,034,707</u> | <u>27,989,256</u> |
| Total net assets | <u>140,713,276</u> | <u>151,025,549</u> |
| Total liabilities and net assets | <u>\$ 250,915,598</u> | <u>\$ 268,418,150</u> |

University of Health Sciences and Pharmacy in St. Louis
Statements of Activities
Years Ended June 30, 2024 and 2023

| | June 30, 2024 | | |
|--|---------------------------------------|------------------------------------|----------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating Revenue | | | |
| Net tuition and fees | \$ 18,698,257 | \$ - | \$ 18,698,257 |
| Auxiliary enterprises | 5,520,842 | - | 5,520,842 |
| Private gifts, grants and contracts | 309,890 | 105,037 | 414,927 |
| Clinical services | 1,053,695 | - | 1,053,695 |
| Federal grants and contracts | 3,239,764 | - | 3,239,764 |
| Other income | 612,832 | - | 612,832 |
| Endowment earnings distributed | 20,078,000 | - | 20,078,000 |
| Endowment earnings distributed for research | 457,000 | - | 457,000 |
| Net assets released from restrictions | 590,085 | (590,085) | - |
| Total operating revenue | 50,560,365 | (485,048) | 50,075,317 |
| Operating Expenses | | | |
| Instruction and research | 21,354,522 | - | 21,354,522 |
| Academic support | 3,254,731 | - | 3,254,731 |
| Student services | 10,650,401 | - | 10,650,401 |
| Institutional support | 7,688,148 | - | 7,688,148 |
| Federal awards | 250,164 | - | 250,164 |
| Auxiliary enterprises | 7,930,702 | - | 7,930,702 |
| Total operating expenses | 51,128,668 | - | 51,128,668 |
| Change in Net Assets From Operating Activities | (568,303) | (485,048) | (1,053,351) |
| Non-operating Activities | | | |
| Investment return, net | 8,362,242 | 1,784,997 | 10,147,239 |
| Gain on debt defeasance and refunding | 341,667 | - | 341,667 |
| Contributions | - | 195,400 | 195,400 |
| Change in value of split-interest agreements | - | (9,922) | (9,922) |
| Change in cash surrender value | 4,892 | - | 4,892 |
| Net change in University contribution to federal loan program | 11,778 | - | 11,778 |
| Distribution of endowment earnings | (20,053,000) | (25,000) | (20,078,000) |
| Distribution of earnings for research | (457,000) | - | (457,000) |
| Other | - | (2,588) | (2,588) |
| Change in interest in perpetual trusts | - | 587,612 | 587,612 |
| Change in Net Assets From Non-operating Activities | (11,789,421) | 2,530,499 | (9,258,922) |
| Change in Net Assets | (12,357,724) | 2,045,451 | (10,312,273) |
| Net Assets, Beginning of Year | 123,036,293 | 27,989,256 | 151,025,549 |
| Net Assets, End of Year | \$ 110,678,569 | \$ 30,034,707 | \$ 140,713,276 |

University of Health Sciences and Pharmacy in St. Louis
Statements of Activities
Years Ended June 30, 2024 and 2023

(Continued)

| | June 30, 2023 | | |
|--|-------------------------------|----------------------------|----------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating Revenue | | | |
| Net tuition and fees | \$ 21,187,088 | \$ - | \$ 21,187,088 |
| Auxiliary enterprises | 5,129,689 | - | 5,129,689 |
| Private gifts, grants and contracts | 500,097 | 99,464 | 599,561 |
| Clinical services | 749,429 | - | 749,429 |
| Federal grants and contracts | 4,918,061 | - | 4,918,061 |
| Other income | 695,110 | - | 695,110 |
| Endowment earnings distributed | 19,136,000 | - | 19,136,000 |
| Endowment earnings distributed for research | 100,000 | - | 100,000 |
| Net assets released from restrictions | 566,216 | (566,216) | - |
| Total operating revenue | 52,981,690 | (466,752) | 52,514,938 |
| Operating Expenses | | | |
| Instruction and research | 25,944,995 | - | 25,944,995 |
| Academic support | 3,344,907 | - | 3,344,907 |
| Student services | 10,805,040 | - | 10,805,040 |
| Institutional support | 7,513,802 | - | 7,513,802 |
| Federal awards | 249,050 | - | 249,050 |
| Auxiliary enterprises | 7,458,866 | - | 7,458,866 |
| Total operating expenses | 55,316,660 | - | 55,316,660 |
| Change in Net Assets From Operating Activities | (2,334,970) | (466,752) | (2,801,722) |
| Non-operating Activities | | | |
| Investment return, net | 9,713,748 | 1,725,081 | 11,438,829 |
| Gain on debt defeasance and refunding | 1,104,602 | - | 1,104,602 |
| Contributions | - | 245,971 | 245,971 |
| Change in value of split-interest agreements | - | (37,327) | (37,327) |
| Change in cash surrender value | 4,158 | - | 4,158 |
| Net change in University contribution to federal loan program | (25,110) | - | (25,110) |
| Distribution of endowment earnings | (19,111,000) | (25,000) | (19,136,000) |
| Distribution of earnings for research | (100,000) | - | (100,000) |
| Other | - | (41,114) | (41,114) |
| Change in interest in perpetual trusts | - | 368,673 | 368,673 |
| Change in Net Assets From Non-operating Activities | (8,413,602) | 2,236,284 | (6,177,318) |
| Change in Net Assets | (10,748,572) | 1,769,532 | (8,979,040) |
| Net Assets, Beginning of Year | 133,784,865 | 26,219,724 | 160,004,589 |
| Net Assets, End of Year | \$ 123,036,293 | \$ 27,989,256 | \$ 151,025,549 |

University of Health Sciences and Pharmacy in St. Louis
Statements of Functional Expenses
Years Ended June 30, 2024 and 2023

| 2024 | | | | | | | |
|------------------------------------|-------------------------------------|-----------------------------|-----------------------------|----------------------------------|---------------------------|----------------------------------|----------------------|
| | Instruction and Research | Academic Support | Student Services | Institutional Support | Federal Awards | Auxiliary Enterprises | Total |
| Compensation | \$ 12,881,322 | \$ 1,523,950 | \$ 5,594,266 | \$ 5,230,865 | \$ - | \$ 1,592,212 | \$ 26,822,615 |
| Utilities, alterations and repairs | 813,601 | 143,648 | 476,006 | 107,256 | - | 1,870,901 | 3,411,412 |
| Depreciation | 2,205,343 | 535,840 | 787,503 | 235,086 | - | 1,569,609 | 5,333,381 |
| Interest | 1,431,302 | 330,083 | 814,841 | 128,635 | - | 1,206,318 | 3,911,179 |
| Supplies, services and other | 4,022,954 | 721,210 | 2,977,785 | 1,986,306 | 250,164 | 1,691,662 | 11,650,081 |
| Total expenses | <u>\$ 21,354,522</u> | <u>\$ 3,254,731</u> | <u>\$ 10,650,401</u> | <u>\$ 7,688,148</u> | <u>\$ 250,164</u> | <u>\$ 7,930,702</u> | <u>\$ 51,128,668</u> |
| 2023 | | | | | | | |
| | Instruction and Research | Academic Support | Student Services | Institutional Support | Federal Awards | Auxiliary Enterprises | Total |
| Compensation | \$ 15,399,511 | \$ 1,369,415 | \$ 5,830,505 | \$ 4,613,875 | \$ - | \$ 930,800 | \$ 28,144,106 |
| Utilities, alterations and repairs | 715,579 | 123,805 | 413,118 | 93,345 | - | 1,548,673 | 2,894,520 |
| Depreciation | 2,190,363 | 558,718 | 753,553 | 219,470 | - | 1,521,061 | 5,243,165 |
| Interest | 2,339,942 | 549,814 | 860,777 | 177,404 | - | 1,397,101 | 5,325,038 |
| Supplies, services and other | 5,299,600 | 743,155 | 2,947,087 | 2,409,708 | 249,050 | 2,061,231 | 13,709,831 |
| Total expenses | <u>\$ 25,944,995</u> | <u>\$ 3,344,907</u> | <u>\$ 10,805,040</u> | <u>\$ 7,513,802</u> | <u>\$ 249,050</u> | <u>\$ 7,458,866</u> | <u>\$ 55,316,660</u> |

See Notes to Financial Statements

University of Health Sciences and Pharmacy in St. Louis
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|---|----------------------------|----------------------------|
| Operating Activities | | |
| Change in net assets | \$ (10,312,273) | \$ (8,979,040) |
| Items not requiring (providing) operating activities cash flows | | |
| Depreciation | 5,333,381 | 5,243,165 |
| Amortization | (328,651) | (55,919) |
| Gain on defeasance and refunding | (341,667) | (1,104,602) |
| Deferred compensation | 19,081 | 108,016 |
| Net realized and unrealized gains on investments | (9,265,139) | (10,253,648) |
| Change in interest in perpetual trusts | (587,611) | (368,673) |
| Contributions restricted for long-term investments | (195,400) | (245,971) |
| Noncash operating lease expense | 234,239 | 226,190 |
| Loss on sale of property and equipment | 104,206 | - |
| Changes in | | |
| Accounts and loans receivables | 1,697,119 | 411,688 |
| Contributions receivable | 16,615 | 125,129 |
| Other receivables | 101,327 | 261,923 |
| Prepaid expenses and other assets | (100,825) | (113,620) |
| Assets held by trustees | 1,199 | 23,757 |
| Operating lease liabilities | (239,601) | (225,612) |
| Accounts payable and accrued expenses | (2,321,761) | 1,583,663 |
| Deferred revenue | (310,502) | (284,924) |
| Deferred revenue - food service management | - | (1,091,657) |
| Refundable long-term advances - federal loan programs | (154,538) | (141,598) |
| Assets held for others | (264,533) | (41,156) |
| Annuities payable | (5,883) | (5,798) |
| Net cash used in operating activities | <u>(16,921,217)</u> | <u>(14,928,687)</u> |
| Investing Activities | | |
| Purchase of property and equipment | (763,823) | (1,392,716) |
| Proceeds from sale of property and equipment | 17,500 | - |
| Purchase of investments | (42,076,982) | (37,947,759) |
| Proceeds from disposition of investments | 62,868,501 | 54,113,717 |
| Increase in assets limited as to use | (25,078) | (114,297) |
| Net cash provided by investing activities | <u>20,020,118</u> | <u>14,658,945</u> |
| Financing Activities | | |
| Proceeds from contributions restricted for long-term investment | 195,400 | 245,971 |
| Proceeds from issuance of long term debt | 27,965,000 | 52,675,000 |
| Bond premium | 1,104,920 | 4,872,845 |
| Defeasance and refunding on long-term debt - series 2015 | (28,380,000) | (56,100,000) |
| Bond issuance costs | (298,811) | (683,489) |
| Principal payments on long-term debt | (3,975,000) | (3,675,000) |
| Net cash used in financing activities | <u>(3,388,491)</u> | <u>(2,664,673)</u> |
| Decrease in Cash and Cash Equivalents | <u>(289,590)</u> | <u>(2,934,415)</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>7,235,801</u> | <u>10,170,216</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 6,946,211</u></u> | <u><u>\$ 7,235,801</u></u> |

University of Health Sciences and Pharmacy in St. Louis
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

(Continued)

| | 2024 | 2023 |
|--|--------------|--------------|
| Supplemental Disclosure of Cash Flow Information | | |
| Interest paid | \$ 3,864,000 | \$ 5,171,959 |
| Property and equipment included in accounts payable | \$ - | \$ 41,482 |
| Right of use assets obtained in exchange for new operating lease liabilities | \$ - | \$ 262,777 |

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

University of Health Sciences and Pharmacy in St. Louis (formerly known as St. Louis College of Pharmacy) (University) is a private, not-for-profit institution of higher learning and research. The University is located in St. Louis, Missouri and provides education and training services, primarily for students enrolled in undergraduate, graduate, and professional degree programs, and performs research, training, and other services under grants, contracts, and other agreements with sponsoring organizations, including both government agencies and private enterprises. The University is governed by its Board of Trustees and has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

Basis of Presentation

The financial statements of the University have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and include the accounts of all of its academic and administrative departments. The University maintains its accounts in accordance with principles of fund accounting. Under this method of accounting, resources for various purposes are classified into funds that are in accordance with activities and/or objectives specified by donors. Separate accounts are maintained for each fund. For financial reporting purposes, however, the University follows the reporting requirements of GAAP, as further described below.

Financial statements of private, not-for-profit organizations measure aggregate net assets and net activity based on the absence or existence of donor-imposed restrictions. The University's net assets are reported as without donor restrictions and with donor restrictions.

Net Asset without Donor Restrictions - Net assets derived from tuition and other institutional resources that are not subject to explicit donor-imposed restrictions. Net assets without donor restrictions also include board designated funds functioning as endowment.

Net Assets with Donor Restrictions - Net assets that are subject to explicit donor-imposed restrictions on the expenditure of contributions or income and gains on contributed assets, net assets from endowments not yet appropriated for spending and student loan funds. In addition, net assets with donor restrictions include restricted contributions from donors classified as funds functioning as endowment. The University records as net assets with donor restrictions the original amount of gifts, which donors have given to be maintained in perpetuity. Restrictions include support of specific schools or departments of the University, for professorships, research, faculty support, scholarships, and fellowships, library, building construction, and other purposes. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Measure of Operations

The University's measure of operations as presented in the Statements of Activities includes revenue from tuition (net of certain discounts and scholarships) and fees; auxiliary enterprises; private gifts, grants and contracts; clinical services; Federal grants and contracts; other income; endowment earnings distributed; and net assets released from restrictions. Operating expenses are reported in the Statements of Activities by natural classification.

The University's non-operating activity as presented in the Statements of Activities primarily includes net investment return; contributions; the appropriation of endowment earnings; gain on debt defeasance and refunding; and changes in interest in the net assets of perpetual trusts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited as to use are considered to be cash and cash equivalents. At June 30, 2024 and 2023, cash equivalents consisted primarily of money market funds and repurchase agreements.

At June 30, 2024, the University's cash accounts exceeded federally insured limits by approximately \$2,600,000.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Alternative investments are recorded at net asset value (NAV), as a practical expedient, to determine fair value of investments. Other investments are valued at the lower of cost (or fair value at the time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the average cost method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the Statements of Activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Investments included in operating activities represent short-term operating cash funds. Non-operating investment activities represent long-term investments, *i.e.*, endowments.

Accounts Receivable

Accounts receivable are stated at the amount of consideration earned from students, of which the University has an unconditional right to receive, plus any accrued and unpaid interest. The University provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts that are unpaid after the due date bear interest at 1% per month. Accounts past due more than 90 days are considered delinquent. Interest continues to accrue on delinquent accounts until payment is made in full. Delinquent receivables are written-off based on individual credit evaluation and specific circumstances of the student. During the years ended June 30, 2024 and 2023, credit loss expense related to doubtful accounts receivable, where collectability is not reasonably assured, was \$4,741 and \$11,467, respectively.

Loans Receivable

Loans receivable are primarily funds advanced to students by the University under the U.S. Government Sponsored Federal Perkins Loan Program and Health Professions Student Loan Program. Under the terms of the programs, these loans are subject to forgiveness or assignment back to the federal government under certain circumstances. The amount to be forgiven or assigned is based on the occurrence of certain future events, which cannot be anticipated.

Property and Equipment

Property and equipment is stated at cost as of the date of acquisition or at fair value as of the date of donation. Property and equipment is depreciated on a straight-line basis over the estimated useful life of each asset, and accumulated depreciation is netted against the cost or fair value of the assets.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

| | |
|----------------------------------|-------------|
| Buildings and improvements | 40-50 years |
| Furniture, fixtures, and library | 3-10 years |
| Computer equipment and software | 3 years |

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. The University did not capitalize any interest during fiscal years 2024 and 2023.

Interest in Net Assets of Perpetual Trusts

Interest in net assets of perpetual trusts represents the estimated value of the expected future cash flows, which represents the fair value of the University's interest in the net assets of two perpetual trusts. The University has a right to annual income from the perpetual trusts. Such income is available to be used for annual scholarship awards and other purposes in accordance with the governing documents of the respective perpetual trusts.

Long-Lived Asset Impairment

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2024 and 2023.

Assets Held by Trustees

Assets held by trustees represent the present value of the University's interest in trust accounts, which will be distributed upon the death of the beneficiaries of the trusts.

Assets Limited as to Use

Assets limited as to use represent deferred compensation and funds held for others.

University of Health Sciences and Pharmacy in St. Louis
Notes to Financial Statements
June 30, 2024 and 2023

Refundable Long-Term Advances – Federal Loan Program

Refundable long-term advances represent a portion of federal loan program proceeds that are refundable to the federal government. Provisions for repayment by the University include dissolution of the University as an accredited college or a decision by the federal government to discontinue the existing campus-based loan programs. Under federal law, the authority for schools to make new Perkins loans ended on September 30, 2017, and final disbursements were permitted through June 30, 2018. While the program has been discontinued, a specific timetable for remittance has not been determined by the federal government. Should such an event occur, repayment of federal advances would likely take place as the remaining student balances are repaid to the University, which normally would occur within a 10-year repayment period.

Deferred Revenue

Revenue from tuition, room and board, and other fees that is invoiced and/or collected in advance of the academic term is recorded as deferred revenue (a contract liability) and recognized over the periods to which the fees relate. The following table reflects changes in deferred revenue during the years ended June 30:

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Balance, beginning of year | \$ 2,379,215 | \$ 2,664,139 |
| Refunds issued | (18,293) | (24,941) |
| Revenue recognized, included in balance at prior June 30 | (2,360,922) | (2,639,198) |
| Cash received in advance of performance | <u>2,068,713</u> | <u>2,379,215</u> |
| Net deferred revenue | <u>\$ 2,068,713</u> | <u>\$ 2,379,215</u> |

The balance of deferred revenue at June 30, 2024, less any refunds issued, will be recognized as revenue over the academic term beginning on August 19, 2024, as services are rendered.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The University records these costs as direct deductions from the related debt consistent with debt discounts or premiums. Such costs are being amortized over the term of the respective debt using the bonds outstanding method.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those whose use by the University has not been limited by donors to a specific time period or purpose and, as such, are available for use in general operations. The Board of Trustees has designated net assets without donor restrictions of \$90,871,980 and \$103,019,738 as a board-designated endowment at June 30, 2024 and 2023, respectively.

Net Assets with Donor Restrictions

Net assets with donor restrictions are those whose use by the University has been limited by donors to a specific time period or purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions of \$22,956,735 and \$21,522,320 at June 30, 2024 and 2023, respectively, are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity.

Revenue and Expense Recognition

Revenue and expenses are recognized on the accrual basis of accounting. Contributions, pledges, and grants without donor restrictions are recognized as revenue in the Statements of Activities and changes in net assets upon receipt. Other revenues without donor restrictions are recognized as earned either upon receipt or upon accrual. Expenditures of funds without donor restrictions are recognized as expenses when expended or upon incurrence of the related liability.

Net Tuition and Fees and Auxiliary Enterprises Revenue

The University recognizes revenue in a manner that depicts the transfer of goods and services to a student at an amount that reflects the consideration expected to be received in exchange for those goods and services. The University believes each distinctive period of instruction over each term (fall, spring, and summer) to be a portfolio. The University has approximately seven different periods of instruction that begin and end between May and August of each year, with distinctly different numbers of students enrolled as well as program duration for each. The University recognizes revenue ratably over the period of instruction for each summer term, as its performance obligations relate to providing academic instruction pursuant to the published academic calendar for each term.

The University invoices students approximately six weeks in advance of the beginning of the applicable academic period of instruction. There are no variable components of the contracts with students once the invoice has been finalized and all relevant financial aid has been awarded or accepted. There is a published time period during the period of instruction to which a student may receive a full or partial refund during each academic term. A significant portion of tuition, fee and auxiliary revenues are funded on behalf of the enrolled students by the U.S. Department of Education. Funding from the U.S. Department of Education is drawn down and applied to accounts receivable monthly (for direct loans) and approximately halfway through the fall and spring semesters (for all other loans), with any remaining balances drawn down after the end of each fiscal year. As such, the University has not identified any significant economic factors that impact the nature, amount, timing, and uncertainty related to revenue recognition and related cash flows.

Student tuition and fee revenues, and certain other revenues from students, are reported net of tuition discounts and scholarships in the Statements of Activities during the year in which the related academic services are rendered. Student tuition and fee revenues received in advance of services to be rendered are recorded as deferred revenue. Tuition discounts and scholarships represent the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as operating revenues in the University's financial statements. To the extent revenues from such programs are used to satisfy tuition and fees and other student charges, the University records a tuition discount and scholarship. In addition, students who adjust their course load or withdraw from the University completely within the first six weeks of the fall or spring academic term may receive a full or partial refund in accordance with the University's refund policy. Students who adjust their course load or withdraw from the University completely within the first 20% of the summer academic term may receive a full refund in accordance with the University's refund policy. Historically, the University's refunds have been below 1% of the total amount invoiced. Refunds issued reduce the amount of revenue recognized. Tuition discounts and scholarships for the years ended June 30, 2024 and 2023, were \$6,494,851 and \$6,351,312, respectively.

Contributions

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

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| Nature of the Gift | Value Recognized |
|--|---|
| <i>Conditional gifts, with or without restriction</i> | |
| Gifts that depend on the University overcoming a donor-imposed barrier to be entitled to the funds | Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met |
| <i>Unconditional gifts, with or without restriction</i> | |
| Received at date of gift – cash and other assets | Fair value |
| Received at date of gift – property, equipment, and long-lived assets | Estimated fair value |
| <i>Unconditional gifts, with or without restriction</i> | |
| Expected to be collected within one year | Net realizable value |
| Collected in future years | Initially reported at fair value determined using the discounted present value of estimated future cash flows technique |

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is given are recorded as revenue and net assets without donor restrictions.

Private and Federal Grants

The University's private and federal grants are considered to be contributions because the grantors do not receive commensurate value for the resources provided. Moreover, such grants are considered to be conditional contributions because they include a barrier that must be overcome (incurring eligible reimbursable expenses) and the right of return and/or release of the grantor's obligation to transfer assets to the University if such expenses are not incurred. Accordingly, revenue funded by grants is recognized as the University performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Any funding received in advance of expenditure is recorded as deferred revenue on the Statements of Financial Position. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such an audit, adjustments could be required.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs), and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the instruction and research, academic support, student services, institutional support, Federal awards, and auxiliary enterprises categories based on the actual direct expenditures and cost allocations based upon square footage of space occupied or number of users. Management and general costs and fundraising costs are included in the institutional support category in the Statements of Functional Expenses. The University's total fundraising costs for the years ended June 30, 2024 and 2023, were \$861,045 and \$718,476, respectively.

Income Taxes

The University is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University files income tax returns in the U.S. federal jurisdiction and the state of Missouri. The University believes it has taken no significant uncertain tax positions. Generally, the University is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2020.

Related Party Transactions

The University has a written conflict of interest policy that requires, among other things, that no member of the board of trustees can participate in the decision in which he or she (or an immediate family member) has a material financial interest. Each trustee is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether the University does business with an entity in which a trustee has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and in the best interest of the University, and in accordance with relevant conflict of interest laws.

New Accounting Standards

Effective July 1, 2023, the University adopted ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, using a modified retrospective method, which did not have a material impact on the financial statements in fiscal year 2024. This guidance, commonly referred to as Current Expected Credit Losses ("CECL"), changes impairment recognition to a model that is based on expected losses rather than incurred losses. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including accounts and loans receivables. Upon adoption of the guidance on July 1, 2023, the University has determined there was no impact to beginning net assets.

Note 2. Financial Assets and Liquidity Resources

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investments of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities.

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For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of teaching, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loan receivables are not included in the analysis as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

The Statements of Cash Flows identify the sources and uses of the University's cash and cash equivalents.

The following table shows the total financial assets held by the University that could readily be available in the next 12 months to meet general expenditures as of June 30, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 6,946,211 | \$ 7,235,801 |
| Accounts receivable, net | 2,226,942 | 3,311,423 |
| Contributions receivable, net | 27,429 | 21,982 |
| Payout on donor-restricted endowment funds for use over the next 12 months | - | 100,000 |
| Payout on board-restricted endowment funds for use over the next 12 months | <u>21,469,000</u> | <u>18,070,000</u> |
| Total financial assets available to meet general expenditures in the next 12 months | <u>\$ 30,669,582</u> | <u>\$ 28,739,206</u> |

At June 30, 2024 and 2023, the University's endowment that must be maintained in perpetuity was \$9,989,660 and \$9,794,129, respectively, and does not exceed the investments totaling \$31,628,173 and \$29,777,759, respectively, that are considered illiquid. The spendable yet restricted portion of the University's net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of funds.

The University's governing board has designated \$90,871,980 and \$103,019,738 of its resources without donor restrictions for endowment and other purposes, representing approximately 80% and 83% of the University's total endowment funds as of June 30, 2024 and 2023, respectively. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board of Trustees.

Liquidity of investments - The University's investment portfolio, as of June 30, 2024 and 2023, consists of approximately 51% and 55%, respectively, of highly liquid investments and approximately 20% that may be redeemed either at future specified redemption dates or currently by incurring a penalty. In addition, certain investments (approximately 29% and 25% in 2024 and 2023, respectively) in real estate, private equities, and private investments are subject to constraints that limit the University's ability to withdraw capital after such investments are made or may limit the amount available for withdrawal at a given redemption date. These constraints may limit the University's ability to respond quickly to changes in market conditions.

The University's investments, net assets with donor restrictions and endowment funds are further described in Notes 3, 14, and 15, respectively.

Note 3. Investments, Investment Return and Disclosures About Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets and liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets and liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying Statements of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023.

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| | | 2024 | | |
|---|----------------|---|---|--|
| | | Fair Value Measurements Using | | |
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Money market funds | \$ 4,344,395 | \$ 4,344,395 | \$ - | \$ - |
| Investments measured at fair value | | | | |
| Equity securities | | | | |
| Financial services | \$ 386,044 | \$ 386,044 | \$ - | \$ - |
| Healthcare | 1,483,181 | 1,483,181 | - | - |
| Consumer discretionary | 1,127,545 | 1,127,545 | - | - |
| Industrials | 767,651 | 767,651 | - | - |
| Other | 1,069,177 | 1,069,177 | - | - |
| Mutual funds | | | | |
| Large cap | 17,630,239 | 17,630,239 | - | - |
| International | 19,977,777 | 19,977,777 | - | - |
| Fixed income | 8,326,631 | 8,326,631 | - | - |
| | | \$ 50,768,245 | \$ - | \$ - |
| Investments measured at net asset value (A) | | | | |
| Hedge fund of funds | 12,743,157 | | | |
| Private equity funds | 25,172,820 | | | |
| Public equity funds | 9,897,604 | | | |
| Real assets | 9,767,764 | | | |
| Real estate funds | 1,941,146 | | | |
| | \$ 110,290,736 | | | |
| Assets held by trustees | \$ 591,794 | \$ - | \$ 591,794 | \$ - |
| Assets limited as to use | | | | |
| Money market funds | \$ 6 | \$ 6 | \$ - | \$ - |
| Other | 416,622 | - | 416,622 | - |
| | \$ 416,628 | \$ 6 | \$ 416,622 | \$ - |
| Interest in net assets of perpetual trusts | \$ 5,146,472 | \$ - | \$ 5,146,472 | \$ - |

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| | | 2023 | | |
|---|----------------|---|---|--|
| | | Fair Value Measurements Using | | |
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Money market funds | \$ 3,450,783 | \$ 3,450,783 | \$ - | \$ - |
| Investments measured at fair value | | | | |
| Equity securities | | | | |
| Financial services | \$ 916,405 | \$ 916,405 | \$ - | \$ - |
| Healthcare | 1,634,551 | 1,634,551 | - | - |
| Consumer discretionary | 1,327,432 | 1,327,432 | - | - |
| Materials | 524,054 | 524,054 | - | - |
| Industrials | 680,149 | 680,149 | - | - |
| Other | 665,991 | 665,991 | - | - |
| Mutual funds | | | | |
| Large cap | 16,322,760 | 16,322,760 | - | - |
| International | 31,534,606 | 31,534,606 | - | - |
| Fixed income | 8,546,735 | 8,546,735 | - | - |
| | | \$ 62,152,683 | \$ - | \$ - |
| Investments measured at net asset value (A) | | | | |
| Hedge fund of funds | 14,308,590 | | | |
| Private equity funds | 22,578,905 | | | |
| Public equity funds | 10,258,875 | | | |
| Real assets | 10,076,030 | | | |
| Real estate funds | 2,100,365 | | | |
| | \$ 121,475,448 | | | |
| Assets held by trustees | \$ 592,993 | \$ - | \$ 592,993 | \$ - |
| Assets limited as to use | | | | |
| Money market funds | \$ 6 | \$ 6 | \$ - | \$ - |
| Other | 397,543 | - | 397,543 | - |
| | \$ 397,549 | \$ 6 | \$ 397,543 | \$ - |
| Interest in net assets of perpetual trusts | \$ 4,558,861 | \$ - | \$ 4,558,861 | \$ - |

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(A) In accordance with Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statements of Financial Position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying Statements of Financial Position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2024.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, cumulative loss projections, and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

Assets Held by Trustees and Interest In Net Assets of Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Assets Limited as to Use

Fair value for the funds held for others and deferred compensation is estimated at the present value of the assets. Due to the nature of the valuation inputs, the funds held for others and deferred compensation are classified within Level 2 of the hierarchy.

Alternative Investments

The fair value of alternative strategies has been estimated using the NAV per share of the investments as a practical expedient in determining fair value. Alternative strategies held at June 30 consist of the following:

| 2024 | | | | |
|--------------------------|---------------|----------------------|---------------------------|---|
| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Hedge fund of funds (A) | \$ 12,743,157 | \$ - | Monthly/ Semi-Liquid | Quarterly withdrawals: 60-90 days notice Bi-annual withdrawals: 95 days notice |
| Private equity funds (B) | \$ 25,172,820 | \$ 16,813,298 | Illiquid | No redemption rights |
| Public equity funds (C) | \$ 9,897,604 | \$ - | Quarterly/ Semi-Liquid | Quarterly withdrawals: 45 days notice Semi-Liquid: Illiquid until April 2025 60 day notice following lock in period |
| Real assets (D) | \$ 9,767,764 | \$ 1,155,687 | Daily Illiquid | Daily withdrawals: 1 day notice Illiquid: No redemption rights |
| Real estate funds (E) | \$ 1,941,146 | \$ 733,516 | Quarterly | Quarterly withdrawals: 60-95 days notice |

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| 2023 | | | | |
|--------------------------|---------------|----------------------|---------------------------|---|
| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Hedge fund of funds (A) | \$ 14,308,590 | \$ - | Monthly/ Semi-Liquid | Quarterly withdrawals: 60-90 days notice Bi-annual withdrawals: 95 days notice |
| Private equity funds (B) | \$ 22,578,905 | \$ 19,802,240 | Illiquid | No redemption rights |
| Public equity funds (C) | \$ 10,258,875 | \$ - | Quarterly/ Semi-Liquid | Quarterly withdrawals: 45 days notice Semi-Liquid: Illiquid until April 2025 60 day notice following lock in period |
| Real assets (D) | \$ 10,076,030 | \$ 1,248,270 | Daily Illiquid | Daily withdrawals: 1 day notice Illiquid: No redemption rights |
| Real estate funds (E) | \$ 2,100,365 | \$ 687,322 | Quarterly | Quarterly withdrawals: 60-95 days notice |

(A) This category includes investments in hedge fund of funds, which invest in underlying hedge funds that pursue multiple strategies to diversify risk and reduce volatility.

(B) These private equity funds invest in underlying private equity funds and U.S. and international companies that pursue multiple strategies to earn attractive long-term rates of return. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that the distributions are received through the liquidation of underlying assets of the funds. It is estimated the underlying assets of the funds will be liquidated over the next five to 10 years. The fair values of the investments in this category have been estimated using the net asset value of the University's ownership interest in partners' capital.

(C) These public equity funds invest in U.S. and international companies that pursue multiple strategies to earn attractive long-term rates of return. The fair values of the investments in this category have been estimated using the net asset value of the University's ownership interest in partners' capital.

(D) These real asset funds include an overall investment strategy designed to enhance return and diversity risk within the investment portfolio by investing in a wide array of commodity investments. These investments cannot be liquidated at the University's request. Instead, the nature of the investments in this category is that the distributions are received through the liquidation of underlying assets of the funds. It is estimated the underlying assets of the funds will be liquidated over the next five to 10 years. The fair values of the investments in this category have been estimated using the net asset value of the University's ownership interest in partners' capital.

(E) These real estate funds invest primarily in U.S. commercial real estate. These investments can be redeemed quarterly with the fund subject to adequate liquidity being available.

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment amounts reported in the Statements of Financial Position.

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Total investment return is comprised of the following:

| | 2024 | | |
|------------------------------|-----------------------------------|--------------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Interest and dividend income | \$ 1,381,792 | \$ 266,703 | \$ 1,648,495 |
| Net realized gains | 3,163,295 | 610,555 | 3,773,850 |
| Net unrealized gains | 4,520,489 | 970,800 | 5,491,289 |
| Investment fees | (703,334) | (63,061) | (766,395) |
| | <u>\$ 8,362,242</u> | <u>\$ 1,784,997</u> | <u>\$ 10,147,239</u> |

| | 2023 | | |
|------------------------------|-----------------------------------|--------------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Interest and dividend income | \$ 1,756,777 | \$ 265,315 | \$ 2,022,092 |
| Net realized gains | 1,535,449 | 239,912 | 1,775,361 |
| Net unrealized gains | 7,199,458 | 1,278,829 | 8,478,287 |
| Investment fees | (777,936) | (58,975) | (836,911) |
| | <u>\$ 9,713,748</u> | <u>\$ 1,725,081</u> | <u>\$ 11,438,829</u> |

Note 4. Loans Receivable

The University makes uncollateralized loans to students through its participation in the Federal Perkins Loan program and the Health Professions Student Loan program. The availability of funds under these programs is dependent on reimbursement to the loan fund from repayments on outstanding loans. Funds advanced by the federal government totaled \$4,181,696 and \$4,789,593 as of June 30, 2024 and 2023, respectively. These advances are ultimately refundable to the federal government and are classified as liabilities in the Statements of Financial Position. Outstanding loans canceled under the programs result in a reduction of funds available for future loans and a decrease in the University's liability to the federal government. These loan amounts represent approximately 1.7% and 1.8% of total assets as of June 30, 2024 and 2023, respectively.

Allowances for credit losses are established based on current economic factors adjusted for current conditions, reasonable and supportable forecasts and specific circumstances of the borrower which, in management's judgment, could influence the ability of the borrower to repay the amounts per the loan terms. For both of the programs, the federal government bears the risk of loss of uncollectible loans provided the University performs required collection due diligence procedures. The University does not stop the accrual of interest until a loan is written off; therefore, the University has no loans on nonaccrual status.

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Categories of loans at June 30, include:

| | 2024 | 2023 |
|--------------------------------------|--------------|--------------|
| Student loans receivable | | |
| Federal government programs | \$ 4,181,696 | \$ 4,789,593 |
| Less allowance for doubtful accounts | | |
| Balance, beginning of year | 197,061 | 185,594 |
| Provision charged to expense | 4,741 | 11,467 |
| Balance, end of year | 201,802 | 197,061 |
| Net loans receivable | \$ 3,979,894 | \$ 4,592,532 |

The following tables represent the amounts past due under the University's student loan programs as of June 30, 2024 and 2023:

| | 2024 | | | | | |
|--|----------------------------------|--------------------------------|---------------------------------|---------------------------|----------------|-----------------------------------|
| | 30 - 59 Days Past Due | 60-89 Days Past Due | Greater than 90 Days | Total Past Due | Current | Total Loans Receivable |
| Student loans receivable | | | | | | |
| Federal government programs | \$ 14,022 | \$ 23,961 | \$ 460,591 | \$ 498,574 | \$ 3,683,122 | \$ 4,181,696 |
| As a percentage of total loan portfolio | 0.3% | 0.6% | 11.0% | 11.9% | 88.1% | 100.0% |

| | 2023 | | | | | |
|--|----------------------------------|--------------------------------|---------------------------------|---------------------------|----------------|-----------------------------------|
| | 30 - 59 Days Past Due | 60-89 Days Past Due | Greater than 90 Days | Total Past Due | Current | Total Loans Receivable |
| Student loans receivable | | | | | | |
| Federal government programs | \$ 8,881 | \$ 1,902 | \$ 213,372 | \$ 224,155 | \$ 4,565,438 | \$ 4,789,593 |
| As a percentage of total loan portfolio | 0.2% | 0.0% | 4.5% | 4.7% | 95.3% | 100.0% |

Note 5. Revenue from Contracts with Students

Revenue from contracts with students for tuition and auxiliary services is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and related services. These amounts are due from students, third-party payers and others and includes variable consideration for discounts, scholarships, and financial aid.

Revenue is recognized as performance obligations are satisfied, which is ratably over the academic term. Generally, the University bills students prior to the beginning of the semester, and student accounts receivable are due on payment due dates set by the University for each semester unless the student elects a payment plan.

In addition, students who adjust their course load or withdraw from the University completely within the first six weeks of the fall or spring academic term may receive a full or partial refund in accordance with the University's refund policy. Students who adjust their course load or withdraw from the University completely within the first 20% of the summer academic term may receive a full refund in accordance with the University's refund policy. Historically, the University's refunds have been below 1% of the total amount invoiced. Refunds issued reduce the amount of revenue recognized. The University adjusts student accounts at year-end based on actual experience subsequent to year-end.

Tuition and auxiliary service revenue are considered to be separate contracts. The fees charged to students to tuition, housing and other services based on standalone charges to students for tuition and those services.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

The University has identified performance obligations associated with the provision of its educational instruction and other educational services, housing services, and other academic related services and used the output measure for recognition as the period of time over which the services are provided to its students. The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdrew during certain limited, stated refund periods. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the University continued to recognize the tuition that is not refunded pro-rata over the applicable period of instruction. The University does not record revenue on amounts that may be refunded. Because all of the University's performance obligations relate to contracts with a duration of less than one year, the University has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transactions price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied performance obligations referred to above are primarily related to providing instruction to students. The performance obligations for these contracts are generally completed when the academic term is completed.

During the years ended June 30, 2024 and 2023, the University recognized revenue of \$2,360,922 and \$2,639,198, respectively, that was recorded as deposits and deferred revenue at the beginning of the respective year.

At June 30, 2024 and 2023, the University deferred tuition and housing revenue of \$2,068,213 and \$2,379,215 that it expects to recognize in subsequent to the respective year ends when the summer and fall academic terms are completed.

Contract Balances

The following table provides information about the University's receivables from contracts with customers:

| | Fair Value at June 30, | |
|--|-------------------------------|--------------|
| | 2024 | 2023 |
| Accounts receivable, beginning of year | \$ 3,311,423 | \$ 3,676,317 |
| Accounts receivable, end of year | \$ 2,226,942 | \$ 3,311,423 |

Significant Judgments

The University determines the transaction price based on standard charges for services provided net of scholarship allowances in accordance with the University's policy.

The University estimates the transaction price for students based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any scholarship allowances. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the student's ability to pay are recorded as credit loss expense. The University has determined that the primary nature, amount, timing, and uncertainty of revenue and cash flows are affected by the timing of repayment, the student's demographics and ability to pay for the services.

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Disaggregation of Revenue

The composition of net tuition and fees and auxiliary enterprises revenue for the years ended June 30, 2024 and 2023, are as follows.

| | 2024 | 2023 |
|-----------------------------|---------------|---------------|
| Tuition and fees | \$ 18,698,257 | \$ 21,187,088 |
| Auxiliary enterprises, net | | |
| Room and board | \$ 4,317,685 | \$ 4,248,922 |
| Other auxiliary enterprises | \$ 1,203,157 | \$ 880,767 |

Note 6. Contributions Receivable, Net

Contributions receivable, net, at June 30 consisted of the following:

| | 2024 | 2023 |
|---|-------------------|-------------------|
| Due within one year | \$ 38,495 | \$ 43,395 |
| Due in one to five years | 112,250 | 109,650 |
| Due in more than five years | 50,000 | 75,000 |
| | <u>200,745</u> | <u>228,045</u> |
| Less | | |
| Allowance for uncollectible contributions | 11,066 | 21,413 |
| Unamortized discount | 3,795 | 4,133 |
| | <u>\$ 185,884</u> | <u>\$ 202,499</u> |

The discount rate was 2.00% for 2024 and 2023.

Contributions receivable, net, as of June 30 are designated for specific purposes as follows:

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Time restrictions | \$ - | \$ 4,802 |
| Building renovations | 5,906 | 8,980 |
| Scholarship awards | - | 2,641 |
| Investment in perpetuity, the income which is expendable to support Scholarship awards | 179,978 | 186,076 |
| | <u>\$ 185,884</u> | <u>\$ 202,499</u> |

Note 7. Assets Held by Trustees

The University is the beneficiary under various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the University's use. The portion of the trust attributable to the future interest of the University is recorded in the Statements of Activities as temporarily restricted contributions in the period the trusts were established. Assets held in the charitable remainder trusts are recorded at fair value in the University's Statements of Financial Position. The present value of the estimated future payments is calculated using a discount rate estimated as a risk-free rate for similar maturity periods and applicable mortality tables.

Note 8. Assets Limited As To Use

Assets limited as to use at June 30 consists of:

| | <u>2024</u> | <u>2023</u> |
|-----------------------|-------------------|-------------------|
| Funds held for others | \$ 6 | \$ 6 |
| Deferred compensation | 416,622 | 397,543 |
| | <u>\$ 416,628</u> | <u>\$ 397,549</u> |

Note 9. Interest in Net Assets in Perpetual Trusts

O.J. Cloughly Educational Foundation

The University has a four-fifths right to annual income from the O.J. Cloughly Educational Foundation as established by a donor document. The income, once received, is available to be used for any purpose of the University with a request from donor that \$500 per year of the income received be used for a scholarship award.

The estimated value of the expected future cash flows is \$3,208,157 and \$2,813,202, which represents the fair value of the assets at June 30, 2024 and 2023, respectively.

Ballman Family Foundation

The University has a 5% right to annual income from the Ballman Family Foundation, as established by a donor document. The income, once received, is to be used for annual scholarship awards.

The estimated value of the expected future cash flows is \$1,938,315 and \$1,745,659 at June 30, 2024 and 2023, respectively, which represents the fair value of the assets.

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Note 10. Property and Equipment

Property and equipment at June 30 consists of:

| | 2024 | 2023 |
|----------------------------------|-----------------------|-----------------------|
| Land | 2,622,399 | 2,622,399 |
| Buildings and improvements | 164,940,168 | 164,196,416 |
| Equipment, fixtures, and library | 22,291,355 | 21,966,811 |
| Construction in progress | 102,935 | 608,051 |
| | 189,956,857 | 189,393,677 |
| Less accumulated depreciation | 70,524,243 | 65,269,798 |
| | <u>\$ 119,432,614</u> | <u>\$ 124,123,879</u> |

Note 11. Deferred Revenue – Food Service Management

During fiscal year 2018, the University entered into a food service agreement with Pedestal Foods (“Pedestal”) that allowed Pedestal exclusive operation of the on-campus food service program maintained by the University for its students, employees, visitors, and guests. As part of the agreement, Pedestal provided \$1,198,088 to the University to build out the space to house the national brands. In addition, Pedestal advanced the University \$775,000, which represented 10 years of payments for the space housing the national brands. During the year ended 2023, Pedestal notified the University of its intent to exit the higher education industry and terminate the agreement, effective May 18, 2023. As a result, the University was required to reimburse Pedestal the unamortized balance of the capital investment as well as the advance payments in accordance with the terms of the agreement. At June 30, 2023, the aggregate unamortized portion of the capital investment and the advance payments under the agreement was \$946,376. The University paid Pedestal the amount due of \$946,376 during the year ended June 30, 2024.

Note 12. Long-Term Debt

| | 2024 | 2023 |
|--|--------------|---------------|
| Series 2014 Health and Educational Facilities Authority of the State of Missouri Bonds; maturing in varying amounts between 2024 and 2027; interest rate is 2.45% | \$ 9,170,000 | \$ 12,090,000 |
| Series 2015A Health and Educational Facilities Authority of the State of Missouri Bonds; maturing in varying amounts through 2029; interest rate is 2.3% | 4,705,000 | 5,760,000 |
| Series 2015B Health and Educational Facilities Authority of the State of Missouri Bonds; maturing in varying amounts from 2029 through 2045 (See 2023B Bonds below); interest rates vary from 4.0% to 5.0% | - | 28,380,000 |
| Series 2023A Health and Educational Facilities Authority of the State of Missouri Bonds; maturing in varying amounts from 2028 through 2043; interest rates vary from 4.0% to 5.0% | 52,675,000 | 52,675,000 |

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| | <u>2024</u> | <u>2023</u> |
|--|----------------------|-----------------------|
| Series 2023B Health and Educational Facilities Authority of the State of Missouri Bonds; maturing in varying amounts from 2029 through 2045; interest rates vary from 4.0% to 5.0% | \$ 27,965,000 | \$ - |
| Premium on 2023 bonds | 5,510,690 | 4,813,246 |
| | 100,025,690 | 103,718,246 |
| Less unamortized bond issuance costs | (929,782) | (709,796) |
| | <u>\$ 99,095,908</u> | <u>\$ 103,008,450</u> |

In November 2013, the Health and Educational Facilities Authority of the State of Missouri (the "Authority") sold \$77,215,000 Series 2013 Educational Facilities Revenue Bonds ("Series 2013 Revenue Bonds"). Under the terms of the loan agreement, the Authority lent the proceeds of the bonds for purposes of repaying \$22,430,000 of the \$32,440,000 of the Series 2006 Revenue Bonds outstanding. In addition, \$55,000,000 of the proceeds were escrowed to construct a six-story, 229,000 square feet academic building. Funds were also borrowed to fund construction period interest and cost of issuance. Principal was payable in installments through 2043 and interest rates ranged from 2.0% to 5.5%. Under the terms of the loan agreement, the University pledged all tangible personal property of the University, the related buildings and all receivables without donor restrictions. The Series 2013 Revenue Bonds were refinanced through the issuance of the Series 2023A Revenue Bonds (as further described below). Consequently, the unamortized debt issuance costs were fully written off during the year ended June 30, 2023, in conjunction with completion of the refinancing transaction that occurred on May 1, 2023.

In November 2014, the Authority sold \$12,090,000 Series 2014 Educational Facilities Revenue Bonds ("Series 2014 Revenue Bonds"). Under the terms of the loan agreement, the Authority lent the proceeds of the bonds for purposes of repaying Series 2006 Revenue Bonds in the amount of \$11,880,000. Principal is payable in installments between 2024 and 2027 and bears interest at 2.45% until 2025, then is reset at 65% of the sum of the two-year U.S. treasury rate plus 1.5%. Under the terms of the loan agreement, the University has pledged all tangible personal property of the University, the related buildings and all receivables without donor restrictions. Unamortized debt issuance costs on the 2014 Bonds were \$19,491 and \$34,668 at June 30, 2024 and 2023, respectively.

In September 2015, the Authority authorized the issuance of \$12,500,000 Series 2015A Educational Facilities Revenue Bonds ("Series 2015A Revenue Bonds") for the purposes of (i) financing, refinancing and reimbursing the costs of construction of a seven story, 193,000 square foot building that houses a new student center, residence hall, student and faculty recreation center, gymnasium, and dining hall, (ii) funding construction period interest and (iii) paying costs associated with the issuance of the Series 2015B Revenue Bonds. The Series 2015A Revenue Bonds were issued as "draw down" bonds, with \$166,000 funded at the closing. The entire principal amount of the Series 2015A Revenue Bonds was fully funded and outstanding by December 1, 2016. Principal is payable in installments through 2029 and bears interest at a fixed rate of 2.30% per annum until September 30, 2025, and thereafter will accrue interest at a fixed rate based on U.S. treasury rates and a spread as of the September 30, 2025 reset date. Under the terms of the loan agreement, the University has pledged all tangible personal property of the University, the related buildings and all receivables without donor restrictions.

In October 2015, the Authority sold \$28,380,000 Series 2015B Educational Facilities Revenue Bonds ("Series 2015B Revenue Bonds"). Under the terms of the loan agreement, the Authority lent the proceeds of the bonds for purposes of (i) financing, refinancing, and reimbursing the costs of construction of a seven story, 193,000 square foot building that houses a new student center, residence hall, student and faculty recreation center, gymnasium, and dining hall, (ii) funding construction period interest and (iii) paying costs associated with the issuance of the Series 2015B Revenue Bonds. Principal is payable in installments between 2029 and 2045 and bears interest at rates ranging from 4.0% to 5.0%. Under the terms of the loan agreement, the University pledged all tangible personal property of the University, the related buildings and all receivables without donor restrictions. Series

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2015B Revenue Bonds were refinanced through the issuance of the Series 2023B Revenue Bonds (as further described below). Consequently, the unamortized debt issuance costs were fully written off during the year ended June 30, 2023, in anticipation of the refinancing transaction that occurred on August 3, 2023.

In February 2023, the Authority sold \$52,675,000 Series 2023A Educational Facilities Revenue Bonds ("Series 2023A Revenue Bonds"). Under the terms of the loan agreement, the Authority lent the proceeds of the bonds for purposes of refunding the Series 2013 Revenue Bonds outstanding with maturities of May 1, 2030, 2033, and 2043 and paying certain costs of issuance. The Series 2013 Revenue Bonds were primarily utilized to construct a six story, 229,000 square feet academic building. Principal is payable in installments between 2028 and 2043 and bears interest at rates ranging from 4.0% to 5.0%. Under the terms of the loan agreement, the University pledged all tangible personal property of the University, the related buildings and all receivables without donor restrictions. Unamortized debt issuance costs on the Series 2023A Revenue Bonds were \$624,970 and \$675,128 at June 30, 2024 and 2023, respectively. This transaction resulted in a gain of \$1,104,602 during the year ended 2023, which is reflected in the nonoperating section of the statement of activities.

In August 2023, the Authority sold \$27,965,000 Series 2023B Educational Facilities Revenue Bonds ("Series 2023B Revenue Bonds"). Under the terms of the loan agreement, the Authority lent the proceeds of the bonds for purposes of refunding the Series 2015B Revenue Bonds outstanding with maturities of May 1, 2029 through 2045 and paying certain costs of issuance. The Series 2015B Revenue Bonds were primarily utilized to construct a seven story, 193,000 square feet building that houses a new student center, residence hall, student and faculty recreation center, gymnasium, and dining hall. Principal is payable in installments between 2029 and 2045 and bears interest at rates ranging from 4.0% to 5.0%. Under the terms of the loan agreement, the University pledged all tangible personal property of the University, the related buildings and all receivables without donor restrictions. Unamortized debt issuance costs on the Series 2023B Revenue Bonds were \$285,321 at June 30, 2024. This transaction resulted in a gain of \$341,667 during the fiscal year ended 2024, which is reflected in the nonoperating section of the statement of activities.

The indenture agreement for the Series 2014, Series 2015A, Series 2023A, and Series 2023B Revenue Bonds contains various financial covenants and other provisions pertaining to limitations on capital expenditures, additional indebtedness, and certain other financial requirements. The University was not in compliance with the debt service coverage ratio requirement as of June 30, 2024 or 2023; however, the University was in compliance with all other requirements as of June 30, 2024 and 2023.

Total scheduled bond principal payments are as follows:

| Fiscal Year | Total Long-term Debt |
|--------------------|-------------------------------------|
| 2025 | \$ 4,060,000 |
| 2026 | 4,160,000 |
| 2027 | 4,265,000 |
| 2028 | 3,455,000 |
| 2029 | 3,565,000 |
| Thereafter | 75,010,000 |
| | <u>\$ 94,515,000</u> |

Note 13. Annuities Payable

The University has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The University has recorded a liability at June 30, 2024 and 2023, of \$76,952 and \$82,835, respectively, which represents the present value of the future annuity obligations.

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Note 14. Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are available for the following purposes or periods:

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| Subject to expenditure for specified purpose | | |
| Building project | \$ 615,920 | \$ 616,541 |
| Student aid | 407,330 | 407,330 |
| Scholarships | 4,664,837 | 4,135,724 |
| Annuities | 376,199 | 351,612 |
| Research and other scholarly activities | 8,242,495 | 7,532,066 |
| | <u>14,306,781</u> | <u>13,043,273</u> |
| Trust assets restricted by passage of time with funds to be used for the following when received: | | |
| Unrestricted operations/community outreach program | 591,794 | 592,993 |
| Investment in perpetuity, the income of which is expendable to support: | | |
| Restricted by donors for | | |
| Scholarships | \$ 8,309,942 | \$ 8,114,461 |
| Endowed chairs | 1,020,279 | 1,020,229 |
| Unrestricted operations | 659,439 | 659,439 |
| | <u>9,989,660</u> | <u>9,794,129</u> |
| Not subject to spending policy or appropriation | | |
| Interest in net assets of perpetual trust | 5,146,472 | 4,558,861 |
| Total Net Assets With Donor Restrictions | <u>\$ 30,034,707</u> | <u>\$ 27,989,256</u> |

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 have been designated for the following purposes:

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------|-----------------------|
| Board designated endowment, subject to spending policy and appropriation | \$ 90,871,980 | \$ 103,019,738 |
| Undesignated | 19,806,589 | 20,016,555 |
| Total Net Assets Without Donor Restrictions | <u>\$ 110,678,569</u> | <u>\$ 123,036,293</u> |

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

| | 2024 | 2023 |
|---|-------------------|-------------------|
| Operating | | |
| Student aid and scholarships | \$ 503,062 | \$ 341,256 |
| Research and other scholarly activities | 87,023 | 224,960 |
| | <u>\$ 590,085</u> | <u>\$ 566,216</u> |

Note 15. Endowment

The University's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (quasi-endowment). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's governing body has interpreted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as requiring preservation of the historical 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 assets with permanent donor restrictions: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment and (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. The remaining portion of donor-restricted endowment funds is classified as restricted net assets until those amounts are appropriated for expenditure by the University. The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

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The composition of net assets by type of endowment fund at June 30, was:

| | 2024 | | |
|----------------------------------|-----------------------------------|--------------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds | \$ - | \$ 22,956,735 | \$ 22,956,735 |
| Board-designated endowment funds | 90,871,980 | - | 90,871,980 |
| Total endowment funds | <u>\$ 90,871,980</u> | <u>\$ 22,956,735</u> | <u>\$ 113,828,715</u> |
| | 2023 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds | \$ - | \$ 21,522,320 | \$ 21,522,320 |
| Board-designated endowment funds | 103,019,738 | - | \$ 103,019,738 |
| Total endowment funds | <u>\$ 103,019,738</u> | <u>\$ 21,522,320</u> | <u>\$ 124,542,058</u> |

Changes in endowment net assets for the years ended June 30, were:

| | 2024 | | |
|--|-----------------------------------|--------------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | \$ 103,019,738 | \$ 21,522,320 | \$ 124,542,058 |
| Student services scholarships | - | (518,394) | (518,394) |
| Investment return | | | |
| Investment income, net | 3,841,753 | 814,197 | 4,655,950 |
| Net appreciation | 4,520,489 | 970,800 | 5,491,289 |
| Total investment return, net | <u>8,362,242</u> | <u>1,784,997</u> | <u>10,147,239</u> |
| Contributions | - | 195,400 | 195,400 |
| Appropriation of endowment assets for expenditure | (20,053,000) | (25,000) | (20,078,000) |
| Appropriation of endowment assets for research | (457,000) | - | (457,000) |
| Other changes including board designation of endowment funds | - | (2,588) | (2,588) |
| Endowment net assets, end of year | <u>\$ 90,871,980</u> | <u>\$ 22,956,735</u> | <u>\$ 113,828,715</u> |

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| | 2023 | | |
|---|---------------------------------------|------------------------------------|----------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | \$ 112,516,990 | \$ 19,996,000 | \$ 132,512,990 |
| Student services scholarships | - | (378,618) | (378,618) |
| Investment return | | | |
| Investment income, net | 2,514,290 | 446,252 | 2,960,542 |
| Net appreciation | 7,199,458 | 1,278,829 | 8,478,287 |
| Total investment return, net | 9,713,748 | 1,725,081 | 11,438,829 |
| Contributions | - | 245,971 | 245,971 |
| Appropriation of endowment assets for expenditure | (19,111,000) | (25,000) | (19,136,000) |
| Appropriation of endowment assets for research | (100,000) | - | (100,000) |
| Other changes including board designation of endowment funds | - | (41,114) | (41,114) |
| Endowment net assets, end of year | \$ 103,019,738 | \$ 21,522,320 | \$ 124,542,058 |

Investment and Spending Policies

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. The University expects its endowment funds to provide an average rate of return of approximately 7% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has an approved spending policy of appropriating for expenditure each year approximately 5% of its endowment fund's average fair value over the prior three years. In establishing this policy, the University considered the long-term expected return on its endowment. The University transferred \$20,535,000 and \$19,236,000 in 2024 and 2023, respectively, from the endowment to support operations including the implementation of three principal areas of investment designed to stimulate enrollment growth: new academic programs, innovative student experience initiatives, and new avenues for extracurricular and athletics participation.

Underwater Endowments

The governing body of the University has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the University considers a fund to be underwater if the fair value of the fund is less than the sum of a) the original value of initial and subsequent gift amounts donated to the fund and b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The University has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual donation pursuant to donor stipulation or UPMIFA. There were no such amounts as of June 30, 2024 and 2023.

Note 16. Insurance Coverage

The University maintains fire and extended coverage insurance on its buildings and their contents, including business interruption, in the amount of \$500,000,000 as of June 30, 2024. Buildings and library books are insured for their approximate replacement value. The University participates in the College and University Risk Management Association of Missouri ("CURMA"), which provides the property and liability insurance.

The University also participates in the College and University Trust Association ("CUTA"), which provides workers' compensation coverage. Both CURMA and CUTA are self-insured risk pools in which 15 Missouri institutions of higher education participate. Should actual insurance losses exceed CURMA's and CUTA's estimates, the University could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the University's overall financial position or results of operations.

Note 17. Retirement Plan

Retirement benefits in the form of annuity payments are provided for substantially all University employees through the Teachers Insurance and Annuity Association ("TIAA") and the College Retirement Equities Fund ("CREF"). Under this arrangement, the University and plan participants make monthly contributions to TIAA and CREF to purchase individually owned annuity contracts. The amount of contributions made by the University is based upon the employee's salary. Effective January 1, 2021, the Plan provided for the University to contribute a discretionary match of up to 2.00% of the employee's contribution, as specified by the plan agreement. On January 1, 2023, the discretionary match was modified such that the University will contribute a discretionary match of up to 4.00% of the employee's contribution. On January 1, 2024, the discretionary match was modified such that the University will contribute a discretionary match of up to 5.00% of the employee's contribution. Vesting provisions are full and immediate. The University's share of the cost of these benefits was approximately \$738,000 and \$541,000 in fiscal years 2024 and 2023, respectively.

Note 18. Deferred Compensation Plans

The University offers certain employees deferred compensation plans created in accordance with *Internal Revenue Code* Section 457. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All compensation deferred under the Plans and related assets are assets of the University subject to the claims of the University's general creditors until the assets become available to the respective employees or their beneficiaries. The assets are not restricted to provision of benefits under the Plans and employees' rights under the Plans are equal to those of general creditors.

The Plans' assets are included in the University's Statements of Financial Position as assets limited as to use. These assets are invested at the employee's direction in various mutual funds. These investments are stated at fair value, which equals the University's liability.

Note 19. Leases

Accounting Policies - Lessee

The University determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the Statements of Financial Position. ROU assets represent 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, measured on a discounted basis. The University determines lease classification as operating or finance at the lease commencement date. The University combines lease and nonlease components in calculating the ROU assets and lease liabilities.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The University uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the University uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Incremental borrowing rates used to determine the present value of lease payments were derived by reference to the University's secured-debt yields corresponding to the lease commencement date.

The lease term may include options to extend or to terminate the lease that the University is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

Nature of Leases - Lessee

The University has entered into the following lease arrangements:

Operating Leases

Noncancellable operating leases for office copiers, compactors, and parking spaces expire, or have noncancellable terms in various years through 2026. These leases generally contain renewal options for periods ranging 12 months or more.

Short-term Leases

The University has elected not to record leases with an initial term of 12 months or less on the Statements of Financial Position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

All Leases

The University has no material related-party leases. The University's lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of June 30, 2024, the University has not entered into additional material operating and finance leases that have not yet commenced.

Quantitative Disclosures - Lessee

The lease cost and other required information for the years ended June 30, 2024 and 2023, are:

| | <u>2024</u> | <u>2023</u> |
|-----------------------|-------------------|-------------------|
| Lease cost | | |
| Operating lease cost | \$ 258,864 | \$ 258,864 |
| Short-term lease cost | - | 1,217 |
| Total lease cost | <u>\$ 258,864</u> | <u>\$ 260,081</u> |

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| | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| Other information | | |
| Right of use assets obtained in exchange for new operating lease liabilities | \$ - | \$ 262,777 |
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from operating leases | \$ 239,601 | \$ 225,612 |
| Weighted-average remaining lease term | | |
| Operating leases | 1.85 years | 2.77 years |
| Weighted-average discount rate | | |
| Operating leases | 3.86% | 3.74% |

Future minimum lease payments and reconciliation to the Statements of Financial Position at June 30, 2024, are as follows:

| | <u>Operating Leases</u> |
|--|-----------------------------|
| 2025 | \$ 270,345 |
| 2026 | 114,100 |
| 2027 | <u>60,276</u> |
| Total future undiscounted lease payments | 444,721 |
| Less imputed interest | <u>(25,856)</u> |
| Lease liabilities | <u><u>\$ 418,865</u></u> |

Accounting Policies – Lessor

The University determines if an arrangement is a lease or contains a lease at inception. The University determines lease classification as a sales-type, direct financing or operating lease at the lease commencement date. The future cash flows arising from the lease is determined at lease inception. Lease payments are recognized on a straight-line basis over the lease term.

The lease term may include options to extend or to terminate the lease that the lessee is reasonably certain to exercise. Lease income is recognized on a straight-line basis over the lease term.

The University has elected not to include leases with an initial term of 12 months or less in consideration of future cash flows. The University also combines lease and nonlease components, such as common area and other maintenance costs.

The University has no related party lease agreements.

Nature of Leases - Lessor

The University has an operating lease with a third party that provides for the rental of space to operate the food service offerings of one of the national brands that expires in 2028. The lease contains two renewal options for five years and requires the University to pay all executory costs (property taxes, maintenance, and insurance). The University recognized approximately \$42,000 in rental income for the year ended June 30, 2024 and 2023.

University of Health Sciences and Pharmacy in St. Louis
Notes to Financial Statements
June 30, 2024 and 2023

Future minimum rental receipts at June 30, 2024, were:

| | | |
|------|----|----------------|
| 2025 | \$ | 42,000 |
| 2026 | | 42,000 |
| 2027 | | 42,000 |
| 2028 | | 37,484 |
| | | <u>37,484</u> |
| | \$ | <u>163,484</u> |

At June 30, 2024, the underlying assets under the operating lease include buildings and equipment valued at approximately \$1,306,400, net of accumulated depreciation of approximately \$840,000.

Note 20. U.S. Department of Education Financial Responsibility Ratio Information

The following information is required by the U.S. Department of Education for the years ended June 30, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------|-----------------------|
| Property and equipment, net of accumulated depreciation - pre-implementation | \$ 114,196,002 | \$ 118,881,375 |
| Land, buildings, equipment, net of accumulated depreciation - post implementation without outstanding debt for original purchase | 5,133,677 | 4,634,453 |
| Construction in progress | <u>102,935</u> | <u>608,051</u> |
| Total property and equipment, net | <u>\$ 119,432,614</u> | <u>\$ 124,123,879</u> |
| Long-term debt obtained for long-term purposes - pre-implementation | <u>\$ 99,095,908</u> | <u>\$ 103,008,450</u> |

Note 21. Subsequent Events

Subsequent events have been evaluated through October 14, 2024, which is the date the financial statements were issued.

UNIVERSITY OF HEALTH SCIENCES AND PHARMACY IN ST. LOUIS

SUPPLEMENTAL CONTINUING DISCLOSURE

ANNUAL REPORT – 2024

Name Change

Effective September 8, 2020, the St. Louis College of Pharmacy changed its name to University of Health Sciences and Pharmacy in St. Louis and transitioned to University status, which is consistent with the continued diversification and expansion of the University's academic programs.

Enrollment

The following table sets forth certain enrollment statistics for the University for the current year and each of the last five academic years, based on fall semester registrations.

Head Count ⁽¹⁾

| <u>Year</u> <u>(Fall Term)</u> | <u>Under-</u> <u>Graduate</u> | <u>Graduate</u> ⁽³⁾ | <u>Professional</u> ⁽⁴⁾ | <u>Total</u> |
|---|--|---------------------------------------|---|---------------------|
| 2024-2025 | 343 | 9 | 297 | 649 |
| 2023-2024 | 275 | 5 | 351 | 631 |
| 2022-2023 | 264 | 1 | 430 | 695 |
| 2021-2022 | 255 | - | 544 | 799 |
| 2020-2021 | 286 | - | 712 | 998 |
| 2019-2020 | 333 | - | 704 | 1,037 |

Full-Time Equivalents ⁽²⁾

| <u>Year</u> <u>(Fall Term)</u> | <u>Under-</u> <u>Graduate</u> | <u>Graduate</u> ⁽³⁾ | <u>Professional</u> ⁽⁴⁾ | <u>Total</u> |
|---|--|---------------------------------------|---|---------------------|
| 2024-2025 | 341.8 | 9.0 | 288.4 | 639.2 |
| 2023-2024 | 273.2 | 5.0 | 343.0 | 621.2 |
| 2022-2023 | 263.4 | 1.0 | 416.4 | 680.8 |
| 2021-2022 | 253.8 | - | 529.2 | 783.0 |
| 2020-2021 | 283.0 | - | 695.3 | 978.3 |
| 2019-2020 | 327.5 | - | 688.6 | 1,016.1 |

(1) Head count measures the actual number of students registered for one or more for-credit courses, including part-time students, non-degree seeking students and full-time students.

(2) Full-time equivalents are determined by using the IPEDS method of multiplying the total number of enrolled part-time students by 0.392857 for undergraduate students and by 0.382059 for graduate students. Students enrolled on a full-time basis represent 1.0 full-time equivalent.

(3) Graduate includes students enrolled in the Master of Medicinal Chemistry program or Master of Public Health program.

(4) Professional includes students enrolled in the Doctor of Pharmacy (Pharm.D.) program.

Admission Statistics

The following table sets forth certain admission statistics for the University for the current year and each of the last five academic years:

| | Fall Semester | | | | |
|---|---------------|-------------|-------------|-------------|-------------|
| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
| Applications | 2,871 | 1,602 | 1,296 | 1,007 | 630 |
| Admitted | 1,377 | 901 | 719 | 544 | 331 |
| Enrolled | 223 | 153 | 147 | 110 | 125 |
| Selectivity Percentage | 48.0 | 56.2 | 55.5 | 54.0 | 52.5 |
| Matriculation Percentage | 16.2 | 17.0 | 20.4 | 20.2 | 37.8 |
| Average ACT Scores of Freshmen ⁽¹⁾ | -- | -- | -- | -- | 26 |

⁽¹⁾ UHSP discontinued its previous practice of requiring test scores for admittance for undergraduate and professional students in September 2020 and October 2020, respectively.

The following table sets forth the University's fall-to-fall student attrition rate by grade level for the past five academic years.

| | Academic Year | | | | |
|----------------------|---------------|-----------|-----------|-----------|-----------|
| Level | 2023-2024 | 2022-2023 | 2021-2022 | 2020-2021 | 2019-2020 |
| Freshman | 32.0% | 36.0% | 31.6% | 17.9% | 19.0% |
| Sophomore | 11.0% | 23.3% | 13.6% | 21.7% | 13.2% |
| Junior | 19.0% | 15.2% | 7.7% | 15.5% | 10.3% |
| Professional Level 1 | 5.9% | 2.6% | 10.8% | 9.4% | 8.7% |
| Professional Level 2 | 2.6% | 2.2% | 6.0% | 2.0% | 3.2% |
| Professional Level 3 | 4.3% | 2.5% | 1.4% | 2.8% | 0.4% |
| Professional Level 4 | 1.7% | 3.5% | 1.8% | 0.4% | 0.0% |

Tuition

The following table sets forth the base tuition charged to students for the current and five prior academic years:

| Academic Year | Undergraduate ⁽¹⁾ | Graduate | Professional ⁽¹⁾ |
|----------------------------|------------------------------|----------|-----------------------------|
| Fiscal Year Ended June 30, | | | |
| 2024-2025 | \$31,950 | (2) | \$44,230 |
| 2023-2024 | 31,320 | (2) | 43,360 |
| 2022-2023 | 30,680 | (2) | 41,676 |
| 2021-2022 | 30,108 | -- | 40,112 |
| 2020-2021 | 29,547 | -- | 38,606 |
| 2019-2020 | 28,996 | -- | 37,153 |

(1) Undergraduate and professional tuition are based on students enrolled in 12 to 18 credit hours per semester.

(2) Billed at a per credit hour rate. Master of Medicinal Chemistry is billed at \$950 / credit hour. The Master of Public Health is billed at \$550 / credit hour.

Financial Information

Loan Programs

The University administers federal government loan programs, including the Federal Perkins Student Loan Program and the Health Professions Student Loan Program. Under these two programs, the federal government and the University contribute funds to the program. The University's share is not insured by a governmental agency under these programs. Under federal law, the authority for schools to make new Perkins loans ended on September 30, 2017, and final disbursements were permitted through June 30, 2018. At June 30, 2024, the University had the following loan receivables outstanding:

| | Total Loan Value | Value of University's Share in Loans | Default Rate |
|---|---------------------|---|----------------------|
| As of or For Fiscal Year Ended June 30, | | | |
| Perkins Program Loans | \$ 338,325 | \$ 116,026 | 8.57% ⁽¹⁾ |
| Health Professions Program Loans | <u>3,843,371</u> | <u>573,024</u> | 4.87% ⁽²⁾ |
| Total | <u>\$ 4,181,696</u> | <u>\$ 689,050</u> | |

(1) Average cohort default rate for borrowers who entered repayment in the 2020-2023 award year.

(2) Default rate for borrowers who are 120 days or more delinquent as of June 30, 2024.

Market Value of the Endowment

The following table sets forth the market value of the University's endowment as of June 30 in each of the indicated years:

| Market Value of the Endowment | |
|-------------------------------|---------------|
| June 30, | |
| <u>Year</u> | <u>Amount</u> |
| 2024 | \$113,828,715 |
| 2023 | 124,542,058 |
| 2022 | 132,512,990 |
| 2021 | 156,212,741 |
| 2020 | 133,519,625 |

Summary of Gifts to the University

The following table depicts the gifts (excluding pledges) received by the University during each of the prior five fiscal years:

| Gifts (Excluding Pledges) Received by the University | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Fiscal Year Ended June 30, | | | | | |
| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
| Unrestricted | \$ 192,087 | \$ 251,923 | \$ 224,740 | \$ 219,383 | \$ 276,476 |
| Restricted | <u>570,635</u> | <u>548,210</u> | <u>559,406</u> | <u>497,397</u> | <u>464,199</u> |
| Total | <u>\$ 762,722</u> | <u>\$ 800,133</u> | <u>\$ 784,146</u> | <u>\$ 716,780</u> | <u>\$ 740,675</u> |

UNIVERSITY OF HEALTH SCIENCES AND PHARMACY IN ST. LOUIS
DEBT SERVICE COVERAGE RATIO
RATIO OF UNRESTRICTED NET ASSETS TO TOTAL OUTSTANDING INDEBTEDNESS
FISCAL YEAR ENDED JUNE 30, 2024

Master Trust Indenture - Section 507

The Institution shall file annually with the Master Trustee, within 15 days after the Institution Financial Statements for each Fiscal Year become available, an Officer's Certificate demonstrating (i) the Historical Debt Service Coverage Ratio for the Fiscal Year and (ii) the Ratio of Unrestricted Net Assets to Total Outstanding Long-term Indebtedness as of such Fiscal Year.

Debt Service Coverage Ratio

| | | |
|---------------------------------------|-----------------------|---------------------------------------|
| Change in Unrestricted Net Assets | \$ (12,357,724) | From Statement of Activities |
| Plus: Interest Expense | 3,911,179 | From Statement of Functional Expenses |
| Less: Unrealized Gains | (4,520,489) | From Note 3 |
| Plus: Depreciation and Amortization | 5,333,382 | From Statement of Functional Expenses |
| Net Income Available for Debt Service | <u>\$ (7,633,652)</u> | |

| | | |
|----------------------------------|---------------------|---------------------------------------|
| Annual Debt Service | | |
| Principal Paid on Long-term Debt | \$ 3,975,000 | From Statement of Cash Flows |
| Interest Paid | 3,911,179 | From Statement of Functional Expenses |
| Debt Service | <u>\$ 7,886,179</u> | |

| | | | |
|-----------------------------|-----------------|--------|--|
| Debt Service Coverage Ratio | (FY23 = (0.82)) | (0.97) | Master Trust Indenture Requirement = 1.10 * |
|-----------------------------|-----------------|--------|--|

| | |
|---|------------------------|
| Debt Service Coverage Requirement at 1.10 | \$ 8,674,797 |
| Debt Service Coverage - FY24 | (7,633,652) |
| Debt Service Coverage - Deficiency | <u>\$ (16,308,449)</u> |

* --- For additional debt incurrences only.

Unrestricted Net Assets to Total Outstanding Indebtedness

| | | |
|--------------------------------|----------------|--------------------------------------|
| Unrestricted Net Assets | \$ 110,678,569 | From Statement of Financial Position |
| Total Outstanding Indebtedness | \$ 99,095,908 | From Statement of Financial Position |

| | | | |
|-------|---------------|------|--|
| Ratio | (FY23 = 1.19) | 1.12 | Master Trust Indenture Requirement = 1.00 * |
|-------|---------------|------|--|

| | |
|---|----------------------|
| Unrestricted Net Assets to Total Indebtedness - Surplus | <u>\$ 11,582,661</u> |
|---|----------------------|

* --- For additional debt incurrences only.

UNIVERSITY OF HEALTH SCIENCES AND PHARMACY IN ST. LOUIS
DEBT SERVICE COVERAGE RATIO
CHANGE IN UNRESTRICTED NET ASSETS
FISCAL YEARS ENDED JUNE 30, 2024 and 2023

| | 2024 | 2023 | Net Change |
|---|------------------------|------------------------|------------------------|
| Beginning Balance - Unrestricted Net Assets | \$ 123,036,293 | \$ 133,784,865 | \$ (10,748,572) |
| | Operational | | |
| Income | \$ 55,912,300 | \$ 60,473,577 | \$ (4,561,277) |
| Expenses | (47,284,700) | (52,377,664) | 5,092,964 |
| Debt Service | (3,911,179) | (5,325,038) | 1,413,859 |
| Fixed Asset Additions Funded by Operations | 48,658 | 137,320 | (88,662) |
| Change in University Contribution | 11,778 | (25,110) | 36,888 |
| | \$ 4,776,857 | \$ 2,883,085 | \$ 1,893,772 |
| | Non-Operational | | |
| Depreciation Expense - Fixed Assets | (5,333,382) | (5,243,165) | (90,217) |
| Investment Income | 3,841,753 | 2,514,290 | 1,327,463 |
| Investments - Net Appreciation (Depreciation) | 4,525,381 | 7,203,616 | (2,678,235) |
| Gain on debt refinancing | 341,667 | 1,104,602 | (762,935) |
| Appropriation for Operating Expenditures | (20,053,000) | (19,111,000) | (942,000) |
| Appropriation for Research | (457,000) | (100,000) | (357,000) |
| | \$ (17,134,581) | \$ (13,631,657) | \$ (3,502,924) |
| Ending Balance - Unrestricted Net Assets | \$ 110,678,569 | \$ 123,036,293 | \$ (12,357,724) |
| Controlled by Management | \$ (20,609,525) | \$ (21,471,080) | \$ 861,555 |
| Controlled by Others with Oversight from the University | 7,910,134 | 9,617,906 | (1,707,772) |
| | \$ (12,699,391) | \$ (11,853,174) | \$ (846,217) |

Source: Net Asset Reconciliation and Related Supporting Documentation