The Chicago School—California, Inc.
d/b/a The Chicago School

Consolidated Financial Report
May 31, 2024

Contents

Independent Auditor's Report

Board of Trustees
The Chicago School—California, Inc.
d/b/a The Chicago School

Opinion

We have audited the consolidated financial statements of The Chicago School—California, Inc. d/b/a The Chicago School, which comprise the consolidated statements of financial position as of May 31, 2024 and 2023, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Chicago School as of May 31, 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 Chicago School 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 Chicago School's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Chicago School'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 Chicago School's ability to continue as a going concern for a reasonable period of time.

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

RSM US LLP

Chicago, Illinois
November 22, 2024

The Chicago School—California, Inc.
d/b/a The Chicago School

Consolidated Statements of Financial Position
May 31, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	**$ 42,014,260**	$ 50,827,308
Restricted cash and cash equivalents - unspent bond proceeds	**51,026,776**	-
Student accounts receivable, net of allowance of $1,517,013 and $1,954,715, respectively	**3,110,583**	2,876,700
Due from affiliates	**3,598,584**	-
Prepaid expenses	**982,478**	1,314,344
Other accounts receivable	**1,424,673**	807,180
Investments	**57,164,420**	87,562,540
Investments held in escrow	**54,360,136**	-
Preferred stock in affiliate	**33,595,000**	33,045,000
Dividend receivable on preferred stock investment in affiliate	**2,175,363**	764,743
Other assets	**844,881**	706,511
Property and equipment, net	**62,076,085**	28,470,756
Intangible assets	**295,020**	326,083
Right-of-use assets	**12,060,165**	16,211,531
Total assets	**$ 324,728,424**	$ 222,912,696
Liabilities and Net Assets		
Accounts payable	**$ 574,741**	$ 291,525
Student refunds payable	**1,715,759**	1,374,312
Accrued compensation related expenses	**6,526,778**	6,344,511
Due to affiliates	**-**	497,546
Other accrued expenses	**3,922,316**	1,036,551
Deferred revenue and tuition deposits	**18,407,030**	17,578,224
Refundable advances	**639,361**	703,326
Other payables	**150,306**	156,546
Other liabilities	**693,920**	579,726
Lease liability, net	**17,326,793**	22,714,918
Debt, net of unamortized financing costs	**83,885,593**	-
Total liabilities	**133,842,597**	51,277,185
Net assets:		
Without donor restrictions	**188,215,118**	169,294,274
With donor restrictions	**2,670,709**	2,341,237
Total net assets	**190,885,827**	171,635,511
Total liabilities and net assets	**$ 324,728,424**	$ 222,912,696

See notes to consolidated financial statements.

The Chicago School—California, Inc.
d/b/a The Chicago School

Consolidated Statement of Activities
Year Ended May 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Tuition revenue	$ 144,680,863	$ -	$ 144,680,863
Less scholarships	(5,270,067)	-	(5,270,067)
Net tuition revenue	139,410,796	-	139,410,796
Fee revenue	15,307,710	-	15,307,710
Contributions	34,142	127,757	161,899
Other school revenue	1,118,532	-	1,118,532
Grant revenue	1,523,344	-	1,523,344
Gain on disposal of building	564,646	-	564,646
Net assets released from restriction	107,017	(107,017)	-
Total revenues	158,066,187	20,740	158,086,927
Operating expenses:			
Program services:			
Educational services and facilities	62,228,641	-	62,228,641
Student services	27,255,542	-	27,255,542
Total program services	89,484,183	-	89,484,183
Management, general and administration	58,969,792	-	58,969,792
Fundraising	1,494,535	-	1,494,535
Total expenses	149,948,510	-	149,948,510
Increase in net assets before non-operating items	8,117,677	20,740	8,138,417
Non-operating items:			
Interest, net of fees	5,695,360	-	5,695,360
Dividend on preferred stock in affiliate	1,410,620	-	1,410,620
Net gain on investments	3,605,704	308,732	3,914,436
Other non-operating items	91,483	-	91,483
Total non-operating items	10,803,167	308,732	11,111,899
Changes in net assets	18,920,844	329,472	19,250,316
Net assets, beginning of the year	169,294,274	2,341,237	171,635,511
Net assets, end of the year	$ 188,215,118	$ 2,670,709	$ 190,885,827

See notes to consolidated financial statements.

The Chicago School—California, Inc.
d/b/a The Chicago School

Consolidated Statement of Activities
Year Ended May 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Tuition revenue	$ 140,854,254	$ -	$ 140,854,254
Less scholarships	(5,496,485)	-	(5,496,485)
Net tuition revenue	135,357,769	-	135,357,769
Fee revenue	15,183,835	-	15,183,835
Contributions	65,787	44,478	110,265
Other school revenue	963,490	405	963,895
Grant revenue	2,548,427	-	2,548,427
Net assets released from restriction	37,953	(37,953)	-
Total revenues	154,157,261	6,930	154,164,191
Operating expenses:			
Program services:			
Educational services and facilities	62,815,629	-	62,815,629
Student services	25,606,963	-	25,606,963
Total program services	88,422,592	-	88,422,592
Management, general and administration	52,705,594	-	52,705,594
Fundraising	1,146,835	-	1,146,835
Total expenses	142,275,021	-	142,275,021
Increase in net assets before non-operating items	11,882,240	6,930	11,889,170
Non-operating items:			
Interest, net of fees	2,644,241	-	2,644,241
Dividend on preferred stock in affiliate	694,412	-	694,412
Net gain (loss) on investments	1,751,560	(61,883)	1,689,677
Other non-operating items	(3,398)	-	(3,398)
Total non-operating items	5,086,815	(61,883)	5,024,932
Changes in net assets	16,969,055	(54,953)	16,914,102
Net assets, beginning of the year	152,325,219	2,396,190	154,721,409
Net assets, end of the year	$ 169,294,274	$ 2,341,237	$ 171,635,511

See notes to consolidated financial statements.

The Chicago School—California, Inc.
d/b/a The Chicago School

Consolidated Statements of Cash Flows
Years Ended May 31, 2024 and 2023

	2024	2023
Cash flow from operating activities:		
Change in net assets	$ 19,250,316	$ 16,914,102
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,847,025	2,896,662
Amortization of deferred financing fees	460	-
Amortization of bond premium	(3,983)	-
Bad debt reserve	(437,702)	475,823
Net gain on investments	(3,914,436)	(1,689,677)
Dividend on preferred stock in affiliate	(1,410,620)	(694,412)
Other non-operating items	(91,483)	3,398
Right-of-use asset amortization	4,693,274	5,040,650
Interest on lease liability	(541,908)	(730,394)
Gain on disposal of building	(564,646)	-
Changes in assets and liabilities:		
Student accounts receivable	203,819	(1,127,644)
Prepaid expenses	331,866	(38,075)
Other accounts receivable	(617,493)	337,863
Other assets	(46,886)	(22,135)
Accounts payable	283,216	(153,982)
Student refunds payable	341,447	(2,901,065)
Accrued compensation related expenses	182,267	(358,004)
Other accrued expenses	2,885,765	(316,684)
Deferred revenue and tuition deposits	828,806	(1,857,551)
Refundable advances	(63,965)	703,326
Other payables	(6,240)	(74,325)
Deferred rent	-	(7,324,622)
Due to/from affiliates	(4,096,130)	277,830
Other liabilities	114,194	18,737
Lease liability, net	(5,388,125)	2,193,131
Net cash provided by operating activities	14,778,838	11,572,952
Cash flows from investing activities:		
Purchases of property and equipment	(39,556,646)	(276,804)
Proceeds from sale of building	3,700,000	-
Purchases of investments	(113,860,605)	(44,304,886)
Proceeds from sales of investments	93,263,025	40,708,076
Net cash used in investing activities	(56,454,226)	(3,873,614)
Cash flows from financing activities:		
Proceeds from bond issuance	84,999,031	-
Payment of financing costs	(1,109,915)	-
Net cash provided by financing activities	83,889,116	-
Net increase in cash and cash equivalents and restricted cash and cash equivalents	42,213,728	7,699,338
Cash and cash equivalents and restricted cash and cash equivalents, beginning of year	50,827,308	43,127,970
Cash and cash equivalents and restricted cash and cash equivalents, end of year	$ 93,041,036	$ 50,827,308
Cash and cash equivalents	42,014,260	50,827,308
Restricted cash and cash equivalents - unspent bond proceeds	51,026,776	-
	$ 93,041,036	$ 50,827,308
Supplemental cash flow information related to leases:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows-payments on operating leases	$ 5,645,966	$ 5,892,752

See notes to consolidated financial statements.

Note 1. Nature of Business and Significant Accounting Policies

The Chicago School (the College) is a nonprofit, accredited institution with more than 5,000 students at campuses across the country (Chicago, Illinois; Los Angeles, Anaheim and San Diego, California; Washington, D.C.; Richardson, Texas and online). The College has been an innovator in the field of psychology and related behavioral science for more than 40 years. The College offers more than 25 degree programs and a wealth of opportunities for international experiences. Integrating theory, professional practice and innovation, the College provides an excellent education for careers in psychology and related behavioral and health sciences. The College is committed to service and embraces the diverse communities of our society. The College is accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges, and is an active member of the National Council of Schools and Programs of Professional Psychology, which has recognized the College for its distinguished service and outstanding contributions to cultural diversity and advocacy.

The College formed and is a part of a private, nonprofit system of colleges advancing student success and community impact, which are supported and coordinated by TCS Education System d/b/a The Community Solution Education System (the System), a 501(c)(3) organization recognized by the Internal Revenue Service as a Type II supporting organization. The System provides management services and conducts other support activities for the exclusive benefit of the supported organizations.

The following entities are included within the scope of the College's consolidated financial statements:

- The Chicago School—California, Inc., a 501(c)(3) private, California public benefit organization that prepares professional psychologists who reflect, in practice, a commitment to respect and acknowledgment of individual and cultural differences. It is the sole member of the following subsidiary entities:

- The Chicago School of Professional Psychology, a 501(c)(3) private, nonprofit educational College that operates campuses in Illinois.

- The Chicago School—Washington D.C., Inc., a 501(c)(3) private, District of Columbia nonprofit public benefit corporation that operates a campus in the District of Columbia.

- TCS Education—Texas, Inc, a 501(c)(3) nonprofit corporation located in Dallas, Texas.

Accounting policies: The College follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition. References to generally accepted accounting principles of the United States of America (U.S. GAAP) in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

Principles of consolidation: The consolidated financial statements include the accounts of the College and its related entities in which it has a controlling financial interest. All significant intercompany transactions and accounts are eliminated in consolidation.

Management's use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from these estimates.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Financial statement presentation: To ensure observance of limitations and restrictions placed on the use of resources available to the College, resources are classified for accounting and financial reporting purposes into categories established according to their nature and purposes. The assets, liabilities and net assets of the College are reported in two categories as follows:

Without donor restrictions: Net assets that are not subject to donor-imposed restrictions. Without donor restriction net assets include the revenues and expenses of the primary operations of the College.

With donor restrictions: Net assets subject to donor- or grant-imposed stipulations that require they be maintained permanently or that may or will be met either by actions of the College and/or the passage of time.

Revenues are considered to be available without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as donor-restricted support that increases that net asset class. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are received. Expirations of net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets.

Cash and cash equivalents: The College considers short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present an insignificant risk of change in value from changes in interest rates, and that have an original maturity of three months or less when purchased, to be cash equivalents. The College maintains funds in accounts that, at times, are in excess of the Federal Deposit Insurance Corporation insurance limit; however, the College minimizes this risk by maintaining deposits in high-quality financial institutions. The College has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Restricted cash and cash equivalents - unspent bond proceeds: The Series 2024 bonds require unspent bond proceeds to be used for renovation and construction of the new educational facility. The amounts are held in a money market fund, which qualifies as a cash equivalent, and is held at account value at May 31, 2024.

Student accounts receivable: Student accounts receivable consist primarily of amounts due to the College from its students. The College maintains an allowance for doubtful accounts to reflect the expected amount of student accounts receivable that will not be realized based on past collection history, current conditions and reasonable and supportable forecasts and risks among uncollectible accounts. Student accounts receivable are charged to the allowance for doubtful accounts when the College determines the receivable is not collectible. Bad debt expense for the years ended May 31, 2024 and 2023, were $2,638,611 and $2,512,734, respectively. The College evaluates each student’s creditworthiness on a case-by-case basis. Student accounts receivable, net of allowance for doubtful accounts, at the beginning of the period, June 1, 2022 was $2,224,879.

Other accounts receivable: Other accounts receivable consists primarily of refunds or repayments due back to the College from outside vendors or employees, and grants receivable from governmental agencies. All receivable balances were deemed collectable at May 31, 2024 and 2023.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Investments: The College accounts for its investments at fair value. Realized gains and losses on sales of securities represent the difference between net proceeds received and the cost of the investments. Realized and unrealized gains and losses are included in the consolidated statements of activities and gains and/or losses are allocated to net asset classes, dependent upon donor specifications. If the underlying restriction is met in the same period, realized gains and/or losses are reported under net assets without donor restrictions.

Investment expenses are reported as a reduction of interest income on investments. The College's investments include various types of investment securities and investment vehicles. Investment securities are exposed to several risks, such as interest rates, currency, 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 amounts reported in the College's consolidated financial statements.

Investments held in escrow: The College has investments held in escrow made up of money market accounts held at account balance of $14,616,750 and $0 at May 31, 2024 and 2023, respectively, and U.S. Treasury Notes, held at a fair value of $39,743,386 and $0 at May 31, 2024 and 2023, respectively, totaling $54,360,136 and $0 at May 31, 2024 and 2023, respectively. The amounts are required by the Commission on Osteopathic College Accreditation (COCA) to be put in escrow for a tuition reserve and an operating reserve (see Note 4).

Preferred stock in affiliate: Preferred stock in affiliate is accounted for at fair value, and represents the College's investment in the redeemable preferred shares of Kansas Health Science University, Inc. (KHSU), as discussed in Note 2. The preferred shareholder shall receive preferred returns before the common shareholder, as defined in the agreement. Per the agreement, the preferred shares will earn dividends equal to the proportional market returns generated on the escrow investment account. Dividends will continue to accrue through the final redemption date, at which time, the dividends will be paid on the preferred stock.

Property and equipment: Property and equipment, including acquisition fees and other acquisition costs incurred, are stated at cost or, in the case of contributions, at fair value at the date of receipt. The College capitalizes property and equipment with a value of $2,500 or more and an estimated useful life of one year or more. Expenditures for ordinary maintenance and repairs are expensed as they are incurred. Significant renovations and improvements which improve or extend the useful life of the asset are capitalized.

Depreciation and amortization of property and equipment are accounted for using the straight-line method over the estimated useful lives of the assets as follows:

Library	3 years
Test kits	3 years
Computer equipment and software	3 years
Furniture and fixtures	7 years
Building and building improvements	39 years
Leasehold improvements	Shorter of lease term or useful life

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Intangible assets: Intangible assets relate to accreditation and is recorded at cost and amortized over the useful life using the straight-line method, which approximates the effective-interest method.

Definite lived intangible assets, along with long-lived assets used by the College, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. When such factors indicate that assets should be evaluated for possible impairment, the College performs an analysis comparing the carrying value of the assets to future undiscounted cash flows of the underlying assets. The carrying value of the underlying assets is adjusted to fair value if the sum of the expected undiscounted cash flows is less than book value. There was no impairment recorded during the years ended May 31, 2024 or 2023.

Student refunds payable: Student refunds payable represent the excess of loan proceeds over total tuition due that was subsequently paid to the students.

Deferred financing costs: Direct costs associated with obtaining the College's debt facilities are capitalized and amortized over the term of the debt facilities using the straight-line method, which approximates the effective-interest method, and are presented net of the related debt.

Revenue recognition and deferred revenue: The College receives revenues from various sources. Revenues are recognized as follows:

Tuition revenues are recognized ratably over the length of a course when instructional services are provided. As part of the requirements for completion of courses, students are required to pay other fees associated with courses in addition to tuition, which include an Academic Success Lab Fee, Experiential Learning Technology Fee and Student Institutional Service Fee. These fees are recognized as service revenue over time corresponding to the instructional period, similar to tuition. The College also charges certain fees such as Deferred Tuition Plan Fee, Degree Conferral Fee, Duplicate Diploma Fee, Graduate Transfer Credit Fee and other administrative fees that are recognized at the time of assessment. During the year ended May 31, 2024, fee revenues recognized over time were $14,212,771, and fee revenues recognized at time of assessment were $1,094,939. During the year ended May 31, 2023, fee revenues recognized over time were $14,196,581, and fee revenues recognized at time of assessment were $987,254.

Tuition and fees are refunded 100% to students if withdrawn in the first week. After one week, and up until the second week, withdrawal will result in a refund of 75% of tuition and fees. After two weeks, and up until the third week, withdrawal will result in a refund of 50% of tuition and fees. After three weeks, and up until the fourth week, withdrawal will result in a refund of 25% of tuition and fees. No refund is given if a student withdraws after the fourth week. These refunds reduce tuition and fee revenue at the point in time they occur. All refunds related to withdrawals are fully recognized by each semester end.

The College utilized the portfolio approach to apply the revenue recognition standard to tuition and fee revenue. Tuition and fees received in advance of services rendered are recorded as deferred revenue. Deferred revenue at the beginning of the period, June 1, 2022 was $19,435,775. Scholarships and discounts are recorded net of revenues.

Grant revenue represents conditional contributions received from governmental agencies and private sources. Revenue is recognized when the related conditions are satisfied, generally when qualifying expenditures are incurred. Refundable advances represent contributions received in which conditions have not been met. Conditions associated with the refundable advances consist primarily of incurring allowable expenses.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Contributions: Contributions in the form of an unconditional promise to give are recognized as revenue by the College in the period in which the promise is received. Conditional promises to give are recognized as revenue when the conditions are met. Amounts to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and the expected period of payment. The discount on those amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of discounts (if any) is included in contributions in the accompanying consolidated statements of activities. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as the age of the receivable, creditworthiness of parties, historical collection experience and type of contribution and nature of fundraising activity.

Leases: The College follows the lease accounting guidance in FASB ASC Topic 842. The College determines if an arrangement is a lease at inception of the contract. Under Topic 842, a lease is a contract, or part of a contract, that conveys the right to control the use of identified property or equipment (i.e., an identified asset) for a period of time in exchange for consideration. The College's contracts determined to be or contain a lease, include explicitly or implicitly identified assets where the College has the right to obtain substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term.

Leases are classified as either operating or financing. For operating leases, the College has recognized a lease liability equal to the present value of the remaining lease payments, and a right-of-use asset equal to the lease liability, subject to certain adjustments, such as for prepaid rent and lease incentives. The College has elected to use the risk-free rate as the discount rate for all leases.

The College defines a short-term lease as any arrangement with a lease term of 12 months or less that does not include an option to purchase the underlying asset. The College has made an accounting policy election not to recognize right-of-use assets and lease liabilities for short-term leases; as a result, short-term lease payments are recognized as expense over the lease term.

Advertising: Advertising and marketing costs are expensed as incurred. Advertising and marketing expenses amounted to $24,643,805 and $23,680,328 for the years ended May 31, 2024 and 2023, respectively.

Income taxes: The College has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the College may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the College and various positions related to the potential sources of unrelated business taxable income. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended May 31, 2024 and 2023. The campuses file Form 990s annually in the U.S. federal jurisdiction and in their respective state or district, if applicable.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Newly adopted accounting pronouncements: In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the current incurred loss impairment methodology for financial assets reported at amortized cost, such as receivables, with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The College adopted ASU 2016-13 on June 1, 2023. The adoption did not have a significant effect on the consolidated financial statements.

Note 2. Preferred Stock, Line of Credit, and Subsequent Event

On December 7, 2020, the College entered into a Preferred Stock Purchase Agreement with KHSU, an affiliated organization through common ownership by the System. As part of the requirements to reach full accreditation, KHSU is required to deposit funds into escrow for an operating and tuition reserve. In order to fund the escrow, KHSU converted from a Member to a Stock Nonprofit Corporation, and subsequently issued 31.6 million common shares and 2.9 million non-voting preferred shares. All common shares were issued to the System, whereby the System retained the voting rights it had previously as the sole member. The College acquired all 2.9 million non-voting preferred shares for $31,750,000. KHSU shall automatically redeem 300,000 preferred shares one year after the release of the full escrow, anticipated in May 2028. The operating reserve will be released upon KHSU graduating its first class, estimated to be in May 2026. The tuition reserve will be released upon KHSU graduating its second class, estimated to be in May 2027.

After the initial 300,000 share redemption, KHSU will redeem 100,000 shares each quarter, resulting in quarterly fixed payments of $1,094,828 to the College, that will continue through November 2034, the final redemption date. As of May 31, 2024 and 2023, the College has a dividend receivable from KHSU of $2,175,363 and $764,743, respectively, and the dividend income incurred for fiscal years 2024 and 2023 was $1,410,620 and $694,412, respectively. The preferred shares are recorded as investments at fair value on the consolidated statements of financial position. The College recorded the $31,750,000 investment at a premium of $1,845,000 to par, resulting in a fair value of $33,595,000 at May 31, 2024, and a premium of $1,295,000 to par, resulting in a fair value of $33,045,000 at May 31, 2023, on the consolidated statements of financial position. Unrealized gain of $550,000 and $3,750,000, is included within net gain on investments on the consolidated statements of activities for the years ended May 31, 2024 and 2023, respectively. The KHSU escrow account was held in low risk, liquid money market and U.S. Treasury Notes with Intrust Bank during fiscal years ended May 31, 2024 and 2023.

On May 7, 2021, the College and KHSU entered into a joint revolving credit agreement as co-borrowers with UBS Bank USA, for an amount not to exceed $30,000,000, which will primarily be used for the benefit of KHSU, and for which the College is jointly and severally liable for amounts borrowed thereunder. Effective June 2, 2023, KHSU's Capital Line of Credit was increased from $30,000,000 to $50,000,000. The College pledged cash and investments as collateral for the credit facility of $43,535,572 and $33,999,443 as of May 31, 2024 and 2023, respectively. As of May 31, 2024 and 2023, there was $41,350,000 and $29,850,000 drawn on the revolving credit facility, respectively, which is recorded as a liability within KHSU's financial statements. As part of the credit agreement, KHSU is required to pay guarantor fees to the College. The College reported revenues from the guarantor fees of $713,967 and $488,601 for the years ended May 31, 2024 and 2023, respectively, and is classified within other school revenue in the consolidated statements of activities. As of May 31, 2024, the College does not believe it is probable their performance on this guarantee will be required.

Note 3. Financial Assets Availability and Liquidity

The College regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers general expenditures to be all expenditures related to its ongoing mission-related activities, as well as the conduct of services undertaken to support those activities.

	2024	2023
Cash and cash equivalents	$ 42,014,260	$ 50,827,308
Restricted cash and cash equivalents - unspent bond proceeds	51,026,776	-
Student accounts receivable, net	3,110,583	2,876,700
Due from affiliates	3,598,584	-
Other accounts receivable	1,424,673	807,180
Investments	57,164,420	87,562,540
Investments held in escrow	54,360,136	-
Preferred stock investment in affiliate	33,595,000	33,045,000
Dividend receivable on preferred stock in affiliate	2,175,363	764,743
Retirement plan assets, included in other assets	693,920	579,726
Financial assets, May 31	249,163,715	176,463,197
Less those unavailable for general expenditures within one year, due to:		
Restricted cash and cash equivalents - unspent bond proceeds	(51,026,776)	
Investments held in escrow	(54,360,136)	-
Contractual or donor-imposed restrictions:		
Restrictions by donor with time or purpose restrictions	(251,128)	(230,385)
Donor-restricted endowments	(2,419,581)	(2,110,852)
Retirement plan assets	(693,920)	(579,726)
Preferred stock in affiliate	(33,595,000)	(33,045,000)
Dividend receivable on preferred stock in affiliate	(2,175,363)	(764,743)
Board-designated endowment fund	(39,796,261)	(67,902,799)
Financial assets available to meet cash needs, for general expenditures within one year	$ 64,845,550	$ 71,829,692

The College generally maintains available cash, cash equivalents and short-term investments to meet 90 days of normal operating expenses. Excess operating cash balances are invested in a money market deposit account, which offers daily liquidity. Although the College does not intend to spend from its board-designated endowment fund in the fiscal year ended May 31, 2025, these amounts could be made available if approved by the Board of Trustees. In addition, the College has access to a line of credit of $17,500,000 through the affiliation with the System. The College also operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 4. Escrow

The College is seeking accreditation from COCA as a college of osteopathic medicine. Upon receiving "candidate status" and as part of the requirements to reach full accreditation, COCA requires that the College put funds into escrow for a tuition and an operating reserve. Effective April 2024, the College agreed to and deposited into escrow $10,824,240 into an operating reserve and $43,296,960 into a tuition reserve. The operating reserve will be released upon the College graduating its first class, estimated to be in May 2030. The tuition reserve will be released upon the College graduating its second class, estimated to be in May 2031. The escrow is held in low risk, liquid money market and US Treasury Notes with UBS and J.P. Morgan Chase. The balance of the escrow accounts as of May 31, 2024 is $54,360,136.

Note 5. Investments

The College's investment strategy incorporates a diversified asset allocation approach. This strategy provides the College with a long-term and short-term asset mix that is most likely to meet the College's return goals with the appropriate level of risk. The College's management and the finance, investment and audit committee of the System's Board of Trustees review reports provided by the fund managers, and attend meetings of the fund managers in order to evaluate the risk associated with these investments. In addition, the System's finance, investment and audit committee monitors its portfolio mix to ensure that it is in accordance with the Board of Trustees' policy.

State law permits the Board of Trustees to appropriate as much of the net appreciation of the investments as is prudent, considering the College's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. The College has certain policies and procedures with respect to the maintenance and application of its funds.

The composition of investment assets held by the College is summarized as follows at May 31, 2024 and 2023:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Equity mutual funds	$ 1,107,720	$ 1,760,430	$ 43,112,030	$ 51,808,615
Fixed income mutual funds	611,755	540,301	18,913,843	16,588,334
Real estate investment trust mutual funds	105,874	112,951	3,276,794	3,248,031
Preferred stock in affiliate	31,750,000	33,595,000	31,750,000	33,045,000
Commercial paper	1,896,756	1,960,270	9,977,643	10,090,950
Corporate bonds	11,931,251	12,117,779	4,133,921	4,114,317
Government bonds	3,321,059	3,356,885	1,701,037	1,712,293
U.S. treasury notes	77,217,987	77,059,190	-	-
Money market funds	14,616,750	14,616,750	-	-
Total	$ 142,559,152	$ 145,119,556	$ 112,865,268	$ 120,607,540

Note 6. Fair Value Measurements

The College follows ASC Topic, *Fair Value Measurements and Disclosures*, which provides the framework for measuring fair value under U.S. GAAP. This Topic applies to all financial instruments that are being measured and reported on a fair value basis. As defined in the Topic, 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. In determining fair value, the College uses various methods, including market, income and cost approaches. Based on these approaches, the College often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The College utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used on the valuation techniques, the College is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 assets primarily include listed equities, money market funds, government securities and mutual funds. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The College’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

For fiscal years 2024 and 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent with techniques used in previous years. The valuation methodologies used for instruments at fair value are described below:

Note 6. Fair Value Measurements (Continued)

The College holds investments in mutual funds comprised of equities, fixed income and real estate investment trusts. Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price. The fair value of corporate bonds is estimated using market price quotes corroborated by recently executed transactions observable in the market. The fair value of commercial paper is estimated using market pricing and other observable market inputs for the same or similar securities obtained from a number of industry standard data providers. For government bonds, the College utilizes recent market transactions for identical or similar bonds to corroborate pricing service fair value measurements. Certificates of deposit are held at amortized cost.

The College entered into a transaction during the year ended May 31, 2021, to purchase preferred stock in KHSU (see Note 2). The College determined the fair value of the preferred stock using the income approach and market approach. The income approach considers the expected returns on an investment which are discounted at an appropriate rate of return to reflect the College's risk and hazards. The market approach was utilized to determine a market yield to be used as the present worth factor in the discounted net cash flow analysis. The market yield utilized in the determination of the fair value was 5.50% for both the years ended May 31, 2024 and 2023. The dividend yield utilized in the determination of the fair value was 5.39% and 5.23% for the years ended May 31, 2024 and 2023, respectively.

The College assesses the levels of financial instruments at each measurement date, and transfers between levels are recognized on the actual date of the event of change in circumstances that caused the transfer in accordance with the College's accounting policy regarding recognition of transfers between levels of the fair value hierarchy. There were no such transfers for fiscal years 2024 or 2023.

Note 6. Fair Value Measurements (Continued)

The following tables present the College's fair value hierarchy for those assets measured at fair value on a recurring basis as of May 31, 2024 and 2023:

	2024			
	Fair Value Measurements Using			
Description	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
Equity securities	$ 1,760,430	$ -	$ -	$ 1,760,430
Fixed income	540,301	-	-	540,301
Real estate investment trusts	112,951	-	-	112,951
Total mutual funds	2,413,682	-	-	2,413,682
Commercial paper	-	1,960,270	-	1,960,270
Preferred stock in affiliate	-	-	33,595,000	33,595,000
Corporate bonds	-	12,117,779	-	12,117,779
Government bonds	-	3,356,885	-	3,356,885
U.S. Treasury notes	-	77,059,190	-	77,059,190
Total investments	$ 2,413,682	$ 94,494,124	$ 33,595,000	$ 130,502,806
Other assets:				
Investments held for deferred compensation:				
Equity securities	$ 584,462	$ -	$ -	$ 584,462
Fixed income	98,857	-	-	98,857
Real estate investment trusts	10,601	-	-	10,601
Total investments held for deferred compensation	693,920	-	-	693,920
Total other assets	$ 693,920	$ -	$ -	$ 693,920

	2023			
	Fair Value Measurements Using			
Description	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
Equity securities	$ 51,808,615	$ -	$ -	$ 51,808,615
Fixed income	16,588,334	-	-	16,588,334
Real estate investment trusts	3,248,031	-	-	3,248,031
Total mutual funds	71,644,980	-	-	71,644,980
Commercial paper	-	10,090,950	-	10,090,950
Preferred stock in affiliate	-	-	33,045,000	33,045,000
Corporate bonds	-	4,114,317	-	4,114,317
Government bonds	-	1,712,293	-	1,712,293
Total investments	$ 71,644,980	$ 15,917,560	$ 33,045,000	$ 120,607,540
Other assets:				
Investments held for deferred compensation:				
Equity securities	$ 496,866	$ -	$ -	$ 496,866
Fixed income	74,824	-	-	74,824
Real estate investment trusts	8,036	-	-	8,036
Total investments held for deferred compensation	579,726	-	-	579,726
Total other assets	$ 579,726	$ -	$ -	$ 579,726

Investments in escrow also includes $14,616,750 in money market funds which are held at account value at May 31, 2024.

Note 7. Property and Equipment

Depreciation expense recognized on all depreciable assets was $2,847,026 and $2,865,682 for the years ended May 31, 2024 and 2023, respectively. Property and equipment at May 31, 2024 and 2023, consist of the following:

	2024	2023
Building	$ 46,035,512	$ 20,946,197
Building improvements	5,752,354	5,415,673
Land	11,440,000	912,450
Furniture and fixtures	5,297,514	5,467,121
Library	384,473	384,473
Test kits	848,331	694,331
Computer equipment and software	4,702,529	4,624,220
Medical equipment	229,445	229,445
Leasehold improvements	20,566,636	20,521,940
Construction in progress	179,610	-
	95,436,404	59,195,850
Less accumulated depreciation	(33,360,319)	(30,725,094)
Total	$ 62,076,085	$ 28,470,756

Note 8. Intangible Assets

As part of the affiliation with TCS Education System-Texas, Inc, the College attained a definite-lived intangible asset related to accreditation with an amortization period of 20 years. Intangible assets at May 31 consist of the following:

	2024	2023
Accreditation	$ 620,000	$ 620,000
Less accumulated amortization	(324,980)	(293,917)
Total	$ 295,020	$ 326,083

Amortization expense recognized on intangible assets was $31,064 and $30,980 for the years ended May 31, 2024 and 2023, respectively. Aggregate future amortization expense is as follows:

Years ending May 31:	
2025	$ 30,979
2026	30,979
2027	30,979
2028	31,064
2029	30,979
Thereafter	140,040
Total	$ 295,020

Note 9. Debt

Line of credit: The College has a $17,500,000 line of credit as a co-borrower with the System and the affiliated colleges. The College and the co-borrowers have the option for the interest rate on the line of credit to be (a) the one-month SOFR rate plus 1.57% or (b) the greater of (i) the Prime rate minus 1.25%, and (ii) 2.25%. The average rate for the years ended May 31, 2024 and 2023, was 5.31% and 5.02%, respectively. If not renewed, the line of credit will mature on May 31, 2024. As of May 31, 2024 and 2023, there were no outstanding borrowings on the line of credit.

Public tax-exempt bond financing: On May 29, 2024, the College issued $79,370,000 in tax-exempt revenue bonds through the Illinois Finance Authority (the Series 2024 Bonds). The Series 2024 Bonds were issued primarily to finance the acquisition and buildout of a new educational facility. The building is expected to be ready for occupancy in December 2025. $32,862,340 of the bond proceeds were used for the purchase of property at 400 S. Jefferson Chicago, Illinois. The remaining proceeds of $51,026,776 will be used for the buildout of the new facility. These funds are classified as restricted cash and cash equivalents on the statement of financial position at May 31, 2024.

The Series 2024 Bonds bear interest at rates ranging from 5.00% to 5.25% per annum, with maturities ranging from April 1, 2025, to April 1, 2044. Interest on the bonds is payable semi-annually on April 1 and October 1 of each year. The Series 2024 Bonds were issued at a premium of $5,629,031, resulting in total proceeds of $84,999,031. As of the date of issuance, the Series 2024 Bonds are rated Baa1 by S&P. The bond issuance costs totaled $1,109,915 and are being amortized over the life of the bonds using the straight line method, which approximates the effective-interest method. The Series 2024 Bonds were issued at a premium of $5,629,031, resulting in total proceeds of $84,999,031. The premium is amortized over the life of the bonds using the effective-interest method. The amortization of the premium for the year ended May 31, 2024 was $3,983, which was recorded as a reduction to interest expense.

	2024
Principal amount	$ 79,370,000
Unamortized premium	5,625,048
Unamortized financing costs	(1,109,455)
Total	$ 83,885,593

The following is a summary of the required principal payments on the Series 2024 Bonds as of May 31, 2024:

Years ending May 31:	
2025	$ 2,995,000
2026	2,485,000
2027	2,610,000
2028	2,740,000
2029	2,880,000
Thereafter	65,660,000
Total	$ 79,370,000

Note 10. Leases

The College has various operating leases for several classroom and administrative facilities in Chicago, Illinois; Los Angeles, Orange County and San Diego, California and Washington, D.C.

The weighted average remaining lease term is five years and four months and five years and eight months at May 31, 2024 and 2023, respectively. The weighted average discount rate of the leases at May 31, 2024 and 2023, was 2.95% and 2.93%, respectively.

The minimum annual future operating lease payments as of May 31, 2024, are as follows:

Fiscal years ending May 31:	
2025	$ 4,077,764
2026	3,343,699
2027	3,150,927
2028	3,059,561
2029	2,706,694
Thereafter	2,410,931
Total lease payments	18,749,576
Less imputed interest	(1,422,783)
	$ 17,326,793

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the years ended May 31, 2024 and 2023:

	2024	2023
Operating lease cost	$ 4,693,274	$ 5,040,650
Short-term lease cost	130,429	2,631
Variable lease cost	834,502	930,981
Total lease cost	$ 5,658,205	$ 5,974,262

Note 11. Employee Benefit Plans

The College offers eligible employees a basic contributory 403(b) retirement program. Employees' contributions to this plan are tax deferred. The College contributes a discretionary amount of an employee's salary. Expense related to the 403(b) plan for the years ended May 31, 2024 and 2023, was $3,148,675 and $2,953,546, respectively.

The College has a nonqualified 457(b) deferred compensation plan and a 457(f) deferred compensation plan for its president. Contributions to the plan are invested in equity securities. The College made contributions of $22,912 and $21,346 for the fiscal years ended May 31, 2024 and 2023, respectively. At May 31, 2024 and 2023, $693,920 and $579,726, respectively, was accrued as a liability and set aside in a separate account for this benefit. The assets held in this account are the property of the College, and are subject to the claims of the general creditors. The College accounts for the assets held by this plan as investments held for deferred compensation recorded in other assets, as described in Note 6, with the related liability recorded in other liabilities on the consolidated statements of financial position.

Note 12. Net Assets

Net assets with donor restrictions consist of the following as of May 31, 2024 and 2023:

	2024	2023
Subject to expenditure for specific purpose:		
Student financial assistance	$ 223,949	$ 142,038
General purpose	24,216	51,127
Naomi Ruth Cohen Institute for Mental Health Education	2,963	37,220
Subject to the College or Naomi Ruth Cohen Institute's spending policy and appropriation:		
Investments in perpetuity (including original gift amount of $1,381,121 as of May 31, 2024 and 2023) expendable support scholarships	2,419,581	2,110,852
Total net assets with donor restrictions	$ 2,670,709	$ 2,341,237

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows for the fiscal years ended May 31, 2024 and 2023:

	2024	2023
Purpose restrictions accomplished:		
Student financial assistance	$ 47,692	$ 27,926
General purpose	16,366	10,027
Naomi Ruth Cohen Institute	42,959	-
Total net assets released from restrictions	$ 107,017	$ 37,953

The Naomi Ruth Cohen Institute for Mental Health Education is dedicated to eradicating the stigma associated with mental illness. The institute annually plans and promotes a community mental health conference.

Note 13. Endowment

The College's endowment consists of donor-restricted funds for scholarships and a board-designated fund for general institutional support. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 13. Endowment (Continued)

Underwater endowment funds: Endowment funds are recorded in accordance with state-approved Uniform Prudent Management of Institutional Funds Act (UPMIFA). The College has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift contributed to a donor-restricted endowment fund unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the College 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 (underwater funds). The College has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. Additionally, in accordance with UPMIFA, the College considers the following factors, if relevant, in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purpose of the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the College.
7. The investment policies of the College.

As of May 31, 2024 and 2023, there were no underwater endowment funds.

Endowment use and restrictions: Subject to donor requirements, appropriations from the College's donor-restricted endowment fund shall not exceed 5% of the fair market value of the donor-restricted endowment fund, calculated on the basis of market values determined at least quarterly, and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is made. The Board appropriated $29,409,546 and $0 from the Board-designated endowment fund in fiscal years 2024 and 2023, respectively. $37,977,364 and $33,999,443 of board-designated endowment funds, comprised of cash and investments, were utilized as collateral for a credit facility (see Note 2) as of May 31, 2024 and 2023, respectively.

Endowment net asset composition by type of fund is summarized as follows:

	2024	2023
Donor-restricted endowment funds	$ 2,419,581	$ 2,110,852
Board-designated endowment funds	39,796,261	67,902,799
Total endowment funds	$ 42,215,842	$ 70,013,651

Note 13. Endowment (Continued)

Changes in endowment net assets for the years ended May 31, 2024 and 2023, are as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 67,902,799	$ 2,110,852	$ 70,013,651
Board designated transfers	(29,409,546)	-	(29,409,546)
Investment return:			
Interest and dividends, net	709,917	-	709,917
Net gain, realized and unrealized	593,091	308,729	901,820
Total investment return	1,303,008	308,729	1,611,737
Endowment net assets end of year	$ 39,796,261	$ 2,419,581	$ 42,215,842

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 67,906,372	$ 2,172,735	$ 70,079,107
Investment return:			
Interest and dividends, net	696,640	-	696,640
Net loss, realized and unrealized	(700,213)	(61,883)	(762,096)
Total investment return	(3,573)	(61,883)	(65,456)
Endowment net assets end of year	$ 67,902,799	$ 2,110,852	$ 70,013,651

Return objectives and risk parameters: The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the value of endowment assets. Under this policy, as approved by the College’s finance and investment committee and Board of Trustees, the benchmarks for the equity portion of the endowment shall be the S&P 500 Index and the MCSI All Country World ex-US Index. For fixed income investments, the benchmark portion shall be the Bloomberg Barclays Aggregate Bond Index and the Bloomberg Barclays Global Aggregate ex-US TR Hdg USD Index. For real estate investment trusts (REIT), the benchmark portion shall be the MSCI US REIT Gross Index. Actual returns in any year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy, without regard to capital gains and income. To provide consistent long-term growth, the College targets a diversified asset allocation strategy. Current investment policy guidelines disallow more than 65% of equity investments in the total investment fund at purchase. Due to market fluctuations, asset allocation variances up to 5% above or below the 65% threshold are deemed acceptable.

Note 14. Classification of Expenses

The following reflects the classification of the College's expenses by both the underlying nature of the expense and the function, for the years ended May 31, 2024 and 2023, respectively. An individual expense is allocated to the underlying function to which it was incurred. The consolidated statements of activities includes certain expenses which must be allocated on a reasonable basis. Facilities related and depreciation expenses have been allocated based on faculty and staff headcount. Certain senior leadership expenses are allocated based on time spent by function.

Expenses are classified as follows:

	2024				
	Program Services				
	Educational Services and Facilities	Student Services	Management, General and Administrative	Fundraising	Total
Compensation and employee	$ 51,300,660	$ 12,744,914	$ 9,338,378	$ 974,919	$ 74,358,871
Facility and office	6,444,224	2,172,768	604,296	62,747	9,284,035
Services and other	2,640,724	11,658,621	48,713,844	445,390	63,458,579
Depreciation and amortization	1,843,033	679,239	313,274	11,479	2,847,025
Total	$ 62,228,641	$ 27,255,542	$ 58,969,792	$ 1,494,535	$ 149,948,510

	2023				
	Program Services				
	Educational Services and Facilities	Student Services	Management, General and Administrative	Fundraising	Total
Compensation and employee	$ 49,851,769	$ 12,124,124	$ 6,322,693	$ 728,904	$ 69,027,490
Facility and office	6,743,416	1,846,274	595,564	106,414	9,291,668
Services and other	4,245,224	11,033,687	45,497,200	283,090	61,059,201
Depreciation and amortization	1,975,220	602,878	290,137	28,427	2,896,662
Total	$ 62,815,629	$ 25,606,963	$ 52,705,594	$ 1,146,835	$ 142,275,021

Note 15. Related-Party Transactions

The College is part of the System (Location: Chicago, IL), a nonprofit system of colleges advancing student success and community impact. The System provides management services and conducts other support activities for the exclusive benefit of the support organizations. The provision of those services and the allocation of costs related thereto could result in operating results or a financial position of the College that is significantly different from those that would have been obtained if the College operated independently. Total management and support expenses for the years ended May 31, 2024 and 2023, were $53,470,938 and $50,791,492, respectively.

In addition to the management services and support activities, the System has billed the College for certain costs incurred on its behalf. During the years ended May 31, 2024 and 2023, billings for costs incurred on the College's behalf were $18,018,623 and $16,262,811, respectively. The total amounts due from (to) the System as of May 31, 2024 and 2023, were $3,598,584 and ($497,546), respectively.

The College has a preferred stock investment in KHSU (Location: Wichita, KS), an affiliated organization through common ownership by the System. The preferred stock value as of May 31, 2024 and 2023, was $33,595,000 and $33,045,000, respectively. The College is also jointly and severally liable for a line of credit drawn by KHSU and has pledged certain cash and investments for the line. See Note 2. The guarantor fee revenue for the years ended May 31, 2024 and 2023, were $713,967 and $488,601, respectively. The dividend receivable as of May 31, 2024 and 2023, was $2,175,363 and $764,743, respectively.

The College also offered certification to Saybrook University (Location: Pasadena, CA), an affiliated organization, through their Office of Continuing Education. For the years ended May 31, 2024 and 2023, continuing education revenue from Saybrook University was $200 and $0, respectively.

During the years ended May 31, 2024 and 2023, the College paid $900 and $0, respectively, of expenses related to the System's Family and Medical Leave Act and Employee Assistance Program administration to ComPsych. An owner of the company, Richard Chaifetz (Location: Chicago, IL) is a Board Member of the System.

Note 16. Contingencies

The College is a defendant in legal proceedings arising out of the ordinary course of business. Although the outcome of these proceedings cannot presently be determined, in the opinion of management, disposition of these proceedings would not have a material adverse effect on the financial position of the College.

Note 17. Subsequent Events

Management has evaluated subsequent events through November 22, 2024, on which the financial statements are issued.

Subsequent to May 31, 2024, the College entered into a multi-year lease commitment for rental space in Plano, Texas, totaling $6,312,069. Also, the College entered into a multi-year lease commitment for rental space in Washington, D.C., totaling $24,836,238.

In November 2024, the College dissolved The Chicago School – Washington D.C., Inc. and The Chicago School – Texas legal entities and transferred their assets to The Chicago School – California, Inc. effective August 31, 2024.

Supplementary Information

RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Trustees
The Chicago School—California, Inc.
d/b/a The Chicago School

We have audited the consolidated financial statements of The Chicago School—California, Inc. d/b/a The Chicago School as of and for the years ended May 31, 2024 and 2023, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Chicago, Illinois
November 22, 2024

The Chicago School—California, Inc.
d/b/a The Chicago School

Consolidating Schedule of Financial Position
May 31, 2024

	The Chicago School—Illinois	The Chicago School—California, Inc.	The Chicago School—Washington D.C., Inc.	The Chicago School—Texas	Eliminations	The Chicago School Total
Assets						
Cash and cash equivalents	$ 2,782,035	$ 39,190,720	$ 26,150	$ 15,355	$ -	$ 42,014,260
Restricted cash and cash equivalents - unspent bond proceeds	-	51,026,776	-	-	-	51,026,776
Student accounts receivable, net	590,631	1,939,157	474,053	106,742	-	3,110,583
Due from affiliates	63,254,679	13,977,025	10,997,875	-	(84,630,995)	3,598,584
Prepaid expenses	86,712	822,763	48,123	24,880	-	982,478
Other accounts receivable	559,956	864,717	-	-	-	1,424,673
Investments	5,681,010	51,483,410	-	-	-	57,164,420
Investments held in escrow	-	54,360,136	-	-	-	54,360,136
Preferred stock in affiliate	-	33,595,000	-	-	-	33,595,000
Dividend receivable on preferred stock in affiliate	-	2,175,363	-	-	-	2,175,363
Other assets	-	763,189	57,517	24,175	-	844,881
Property and equipment, net	14,240,443	47,690,583	138,320	6,739	-	62,076,085
Intangible assets, net	-	-	-	295,020	-	295,020
Right-of-use assets	-	10,509,096	1,551,069	-	-	12,060,165
Total assets	$ 87,195,466	$ 308,397,935	$ 13,293,107	$ 472,911	$ (84,630,995)	$ 324,728,424
Liabilities and Net Assets (Deficit)						
Accounts payable	$ 150,866	$ 380,673	$ 31,276	$ 11,926	$ -	$ 574,741
Student refunds payable	196,506	1,274,371	186,812	58,070	-	1,715,759
Accrued compensation related expenses	1,228,770	4,548,311	442,291	307,406	-	6,526,778
Due to affiliate	-	74,252,554	-	10,378,441	(84,630,995)	-
Other accrued expenses	46,858	3,659,768	24,201	191,489	-	3,922,316
Deferred revenue and tuition deposits	3,017,669	13,258,910	1,546,392	584,059	-	18,407,030
Refundable advances	205,649	401,347	-	32,365	-	639,361
Other payables	13,850	136,086	370	-	-	150,306
Other liabilities	-	693,920	-	-	-	693,920
Lease liability, net	-	15,579,399	1,747,394	-	-	17,326,793
Debt, net of unamortized financing costs	-	83,885,593	-	-	-	83,885,593
Total liabilities	4,860,168	198,070,932	3,978,736	11,563,756	(84,630,995)	133,842,597
Net assets (deficit):						
Without donor restrictions	79,843,046	110,179,301	9,314,371	(11,121,600)	-	188,215,118
With donor restrictions	2,492,252	147,702	-	30,755	-	2,670,709
Total net assets (deficit)	82,335,298	110,327,003	9,314,371	(11,090,845)	-	190,885,827
Total liabilities and net assets	$ 87,195,466	$ 308,397,935	$ 13,293,107	$ 472,911	$ (84,630,995)	$ 324,728,424

The Chicago School—California, Inc.
d/b/a The Chicago School

Consolidating Schedule of Financial Position
May 31, 2023

	The Chicago School—Illinois	The Chicago School—California, Inc.	The Chicago School—Washington D.C., Inc.	The Chicago School—Texas	Eliminations	The Chicago School Total
Assets						
Cash and cash equivalents	$ 1,801,556	$ 48,734,864	$ 79,002	$ 211,886	$ -	$ 50,827,308
Student accounts receivable, net	621,162	1,665,639	314,190	275,709	-	2,876,700
Due from affiliates	24,278,820	11,868,193	9,618,577	-	(45,765,590)	-
Prepaid expenses	322,005	793,644	172,411	26,284	-	1,314,344
Other accounts receivable	412,707	392,020	2,453	-	-	807,180
Investments	42,735,104	44,827,436	-	-	-	87,562,540
Preferred stock in affiliate	-	33,045,000	-	-	-	33,045,000
Dividend receivable on preferred stock in affiliate	-	764,743	-	-	-	764,743
Other assets	-	648,994	57,517	-	-	706,511
Property and equipment, net	14,454,285	10,614,297	200,348	3,201,826	-	28,470,756
Intangible assets, net	-	-	-	326,083	-	326,083
Right-of-use assets	1,215,998	12,161,125	2,834,408	-	-	16,211,531
Total assets	$ 85,841,637	$ 165,515,955	$ 13,278,906	$ 4,041,788	$ (45,765,590)	$ 222,912,696
Liabilities and Net Assets (Deficit)						
Accounts payable	$ 84,641	$ 189,174	$ 8,596	$ 9,114	$ -	$ 291,525
Student refunds payable	321,286	814,541	156,552	81,933	-	1,374,312
Accrued compensation related expenses	1,214,264	4,235,062	446,977	448,208	-	6,344,511
Due to affiliate	-	34,394,943	-	11,868,193	(45,765,590)	497,546
Other accrued expenses	293,825	334,884	24,112	383,730	-	1,036,551
Deferred revenue and tuition deposits	3,057,742	12,177,356	1,661,740	681,386	-	17,578,224
Refundable advances	95,987	515,062	-	92,277	-	703,326
Other payables	8,459	147,717	370	-	-	156,546
Other liabilities	-	579,726	-	-	-	579,726
Right-of-use liability	1,333,010	18,126,797	3,255,111	-	-	22,714,918
Total liabilities	6,409,214	71,515,262	5,553,458	13,564,841	(45,765,590)	51,277,185
Net assets (deficit):						
Without donor restrictions	77,235,081	93,873,890	7,721,200	(9,535,897)	-	169,294,274
With donor restrictions	2,197,342	126,803	4,248	12,844	-	2,341,237
Total net assets (deficit)	79,432,423	94,000,693	7,725,448	(9,523,053)	-	171,635,511
Total liabilities and net assets (deficit)	$ 85,841,637	$ 165,515,955	$ 13,278,906	$ 4,041,788	$ (45,765,590)	$ 222,912,696

The Chicago School—California, Inc.
d/b/a The Chicago School

Consolidating Schedule of Activities
Year Ended May 31, 2024

	The Chicago School—Illinois	The Chicago School—California, Inc.	The Chicago School—Washington D.C., Inc.	The Chicago School—Texas	Eliminations	The Chicago School Total
Operating revenues:						
Tuition revenue	$ 32,729,831	$ 90,460,836	$ 15,382,905	$ 6,107,291	$ -	$ 144,680,863
Less scholarships	(2,173,428)	(2,392,293)	(545,713)	(158,633)	-	(5,270,067)
Net tuition revenue	30,556,403	88,068,543	14,837,192	5,948,658	-	139,410,796
Fee revenue	2,823,435	10,650,268	1,359,805	474,202	-	15,307,710
Contributions	27,719	114,180	-	20,000	-	161,899
Other school revenue	162,810	955,662	-	60	-	1,118,532
Grant revenue	1,155,464	349,018	-	18,862	-	1,523,344
Gain on disposal of building	-	-	-	564,646	-	564,646
Intercompany revenue	575,592	8,627,873	-	-	(9,203,465)	-
Total revenues	35,301,423	108,765,544	16,196,997	7,026,428	(9,203,465)	158,086,927
Operating expenses:						
Program services:						
Educational services and facilities	16,591,676	36,784,738	7,061,606	4,258,192	(2,467,571)	62,228,641
Student services	6,067,706	21,828,348	3,012,190	1,263,460	(4,916,162)	27,255,542
Total program services	22,659,382	58,613,086	10,073,796	5,521,652	(7,383,733)	89,484,183
Management, general and administration	11,952,509	41,137,041	4,478,570	3,049,709	(1,648,037)	58,969,792
Fundraising	356,871	1,230,792	55,708	22,859	(171,695)	1,494,535
Total expenses	34,968,762	100,980,919	14,608,074	8,594,220	(9,203,465)	149,948,510
Increase (decrease) in net assets before non-operating items	332,661	7,784,625	1,588,923	(1,567,792)	-	8,138,417
Non-operating items:						
Interest, net of fees	1,651,812	4,043,548	-	-	-	5,695,360
Dividend on preferred stock in affiliate	-	1,410,620	-	-	-	1,410,620
Net gain on investments	918,402	2,996,034	-	-	-	3,914,436
Other non-operating items	-	91,483	-	-	-	91,483
Loss on disposal of property and equipment	-	-	-	-	-	-
Total non-operating items	2,570,214	8,541,685	-	-	-	11,111,899
Changes in net assets (deficit)	2,902,875	16,326,310	1,588,923	(1,567,792)	-	19,250,316
Net assets (deficit), beginning of the year	79,432,423	94,000,693	7,725,448	(9,523,053)	-	171,635,511
Net assets (deficit), end of the year	$ 82,335,298	$ 110,327,003	$ 9,314,371	$ (11,090,845)	$ -	$ 190,885,827

The Chicago School—California, Inc.
d/b/a The Chicago School

Consolidating Schedule of Activities
Year Ended May 31, 2023

	The Chicago School—Illinois	The Chicago School—California, Inc.	The Chicago School—Washington D.C., Inc.	The Chicago School—Texas	Eliminations	The Chicago School Total
Operating revenues:						
Tuition revenue	$ 33,152,280	$ 84,321,215	$ 15,763,069	$ 7,617,690	$ -	$ 140,854,254
Less scholarships	(2,486,740)	(2,159,334)	(622,319)	(228,092)	-	(5,496,485)
Net tuition revenue	30,665,540	82,161,881	15,140,750	7,389,598	-	135,357,769
Fee revenue	3,143,832	10,051,524	1,559,687	428,792	-	15,183,835
Contributions	5,070	88,250	-	16,945	-	110,265
Other school revenue	199,561	759,338	-	4,996	-	963,895
Grant revenue	1,036,317	1,057,090	170,654	284,366	-	2,548,427
Intercompany revenue	318,444	4,968,435	-	-	(5,286,879)	-
Total revenues	35,368,764	99,086,518	16,871,091	8,124,697	(5,286,879)	154,164,191
Operating expenses:						
Program services:						
Educational services and facilities	16,937,473	35,312,661	7,285,303	5,017,712	(1,737,520)	62,815,629
Student services	5,385,937	16,760,734	2,677,334	2,077,981	(1,295,023)	25,606,963
Total program services	22,323,410	52,073,395	9,962,637	7,095,693	(3,032,543)	88,422,592
Management, general and administration	10,012,444	36,594,183	4,142,002	3,958,956	(2,001,991)	52,705,594
Fundraising	227,795	1,040,866	94,844	35,675	(252,345)	1,146,835
Total expenses	32,563,649	89,708,444	14,199,483	11,090,324	(5,286,879)	142,275,021
Increase (decrease) in net assets before non-operating items	2,805,115	9,378,074	2,671,608	(2,965,627)	-	11,889,170
Non-operating items:						
Interest, net of fees	936,257	1,707,974	10	-	-	2,644,241
Dividend on preferred stock in affiliate	-	694,412	-	-	-	694,412
Net gain (loss) on investments	(770,331)	2,460,008	-	-	-	1,689,677
Other non-operating items	-	(3,398)	-	-	-	(3,398)
Total non-operating items	165,926	4,858,996	10	-	-	5,024,932
Changes in net assets (deficit)	2,971,041	14,237,070	2,671,618	(2,965,627)	-	16,914,102
Net assets (deficit), beginning of the year	76,461,382	79,763,623	5,053,830	(6,557,426)	-	154,721,409
Net assets (deficit), end of the year	$ 79,432,423	$ 94,000,693	$ 7,725,448	$ (9,523,053)	$ -	$ 171,635,511