
LOGAN UNIVERSITY, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2018

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Independent Auditors' Report

Board of Trustees
Logan University, Inc.
St. Louis, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of Logan University, Inc. (the University), a not-for-profit organization, which comprise the statement of financial position as of August 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Logan University, Inc. as of August 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Auditors

The financial statements of Logan University, Inc. as of and for the year ended August 31, 2017 were audited by other auditors, whose report dated November 30, 2017 expressed an unmodified opinion on those financial statements.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

RubinBrown LLP

December 12, 2018

LOGAN UNIVERSITY, INC.

STATEMENT OF FINANCIAL POSITION

| | August 31, | |
|---|----------------------|----------------------|
| | 2018 | 2017 |
| Cash and cash equivalents | | |
| Unrestricted | \$ 3,259,360 | \$ 2,064,036 |
| Restricted | 168,686 | 1,038,675 |
| | 3,428,046 | 3,102,711 |
| Accounts receivable, net | 143,495 | 113,337 |
| Contributions receivable, net | 1,148,759 | 992,122 |
| Student loans receivable | 4,278,806 | 4,878,569 |
| Prepaid expenses | 312,465 | 416,491 |
| Property and equipment, net | 36,310,257 | 37,854,518 |
| Investments | 42,798,953 | 38,654,857 |
| Cash surrender value of life insurance policies | 515,655 | 503,614 |
| Other assets | 13,352 | 15,854 |
| Beneficial interest in Logan University Education Foundation | 10,083 | 10,083 |
| | 10,083 | 10,083 |
| Total Assets | \$ 88,959,871 | \$ 86,542,156 |
| Liabilities | | |
| Accounts payable | \$ 322,827 | \$ 332,323 |
| Accrued liabilities | 812,600 | 490,798 |
| Deferred revenue | 485,567 | 554,764 |
| Government grants refundable | 4,267,026 | 4,927,090 |
| | 5,888,020 | 6,304,975 |
| Total Liabilities | 5,888,020 | 6,304,975 |
| Net Assets | | |
| Unrestricted | 80,378,351 | 76,594,919 |
| Temporarily restricted | 1,449,920 | 2,556,210 |
| Permanently restricted | 1,243,580 | 1,086,052 |
| | 83,071,851 | 80,237,181 |
| Total Net Assets | 83,071,851 | 80,237,181 |
| Total Liabilities And Net Assets | \$ 88,959,871 | \$ 86,542,156 |

LOGAN UNIVERITY, INC.

STATEMENT OF ACTIVITIES

For The Years Ended August 31,

| | 2018 | | | | 2017 | | | |
|---|----------------------|---------------------------|---------------------------|----------------------|----------------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Revenues And Support | | | | | | | | |
| Tuition and fees | \$ 30,075,537 | \$ — | \$ — | \$ 30,075,537 | \$ 26,034,915 | \$ — | \$ — | \$ 26,034,915 |
| Less: Instructional aid | (430,055) | — | — | (430,055) | (89,261) | — | — | (89,261) |
| Net tuition and fees | 29,645,482 | — | — | 29,645,482 | 25,945,654 | — | — | 25,945,654 |
| Sales and service of educational activities | 559,636 | — | — | 559,636 | 552,764 | — | — | 552,764 |
| Sales and services of auxiliary enterprises | — | — | — | — | 1,346 | — | — | 1,346 |
| Other revenue sources | 385,784 | — | — | 385,784 | 447,676 | — | — | 447,676 |
| Other grants and contracts | 3,828 | — | — | 3,828 | 69,701 | — | — | 69,701 |
| Private gifts, grants and contracts | 1,042,711 | 119,123 | 107,528 | 1,269,362 | 26,874 | 121,544 | 49,715 | 198,133 |
| Investment income | 765,067 | 22,237 | — | 787,304 | 926,216 | 110,324 | — | 1,036,540 |
| Gain (loss) on sale of property and equipment | (50,425) | — | — | (50,425) | 42,798 | — | — | 42,798 |
| Clarification of donor intention | — | (50,000) | 50,000 | — | — | — | — | — |
| Net assets released from restrictions | 1,245,321 | (1,245,321) | — | — | 410,271 | (410,271) | — | — |
| Total Revenues And Support | 33,597,404 | (1,153,961) | 157,528 | 32,600,971 | 28,423,300 | (178,403) | 49,715 | 28,294,612 |
| Operating Expenses | | | | | | | | |
| Instruction | 12,156,213 | — | — | 12,156,213 | 11,916,352 | — | — | 11,916,352 |
| Research | 197,550 | — | — | 197,550 | 187,690 | — | — | 187,690 |
| Academic support | 1,118,980 | — | — | 1,118,980 | 1,095,903 | — | — | 1,095,903 |
| Student services | 3,807,595 | — | — | 3,807,595 | 3,029,294 | — | — | 3,029,294 |
| Instructional support | 9,098,381 | — | — | 9,098,381 | 8,139,361 | — | — | 8,139,361 |
| Operation and maintenance of plant | 2,097,360 | — | — | 2,097,360 | 2,142,138 | — | — | 2,142,138 |
| Total Operating Expenses | 28,476,079 | — | — | 28,476,079 | 26,510,738 | — | — | 26,510,738 |
| Change In Net Assets Before Depreciation And Amortization And Net Realized And Unrealized Gains On Investments | 5,121,325 | (1,153,961) | 157,528 | 4,124,892 | 1,912,562 | (178,403) | 49,715 | 1,783,874 |
| Depreciation And Amortization | (2,863,630) | — | — | (2,863,630) | (2,841,717) | — | — | (2,841,717) |
| Net Unrealized Gain On Investments | 1,075,485 | 39,382 | — | 1,114,867 | 66,793 | — | — | 66,793 |
| Net Realized Gain On Investments | 450,252 | 8,289 | — | 458,541 | 1,216,330 | — | — | 1,216,330 |
| Change In Net Assets | 3,783,432 | (1,106,290) | 157,528 | 2,834,670 | 353,968 | (178,403) | 49,715 | 225,280 |
| Net Assets, Beginning Of Year | 76,594,919 | 2,556,210 | 1,086,052 | 80,237,181 | 76,240,951 | 2,734,613 | 1,036,337 | 80,011,901 |
| Net Assets, End Of Year | \$ 80,378,351 | \$ 1,449,920 | \$ 1,243,580 | \$ 83,071,851 | \$ 76,594,919 | \$ 2,556,210 | \$ 1,086,052 | \$ 80,237,181 |

LOGAN UNIVERSITY, INC.

STATEMENTS OF CASH FLOWS

| | For The Years Ended August 31, | |
|--|-----------------------------------|---------------------|
| | 2018 | 2017 |
| Cash Flows From Operating Activities | | |
| Increase in net assets | \$ 2,834,670 | \$ 225,280 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,863,630 | 2,841,717 |
| Revenues restricted for scholarships | (157,528) | (49,715) |
| Revenues restricted for property | — | (24,815) |
| (Gain) loss on sale of property and equipment | 50,425 | (6,516) |
| Net unrealized gain on investments | 1,114,867 | (66,793) |
| Net realized gain on investments | 458,541 | (1,216,330) |
| (Increase) decrease in assets: | | |
| Accounts receivable | (30,158) | 5,180 |
| Contributions receivable | (156,637) | 136,797 |
| Student loans receivable | 599,763 | 756,574 |
| Prepaid expenses | 104,026 | (13,377) |
| Cash surrender value of life insurance | (12,041) | (30,161) |
| Other assets | 2,502 | (8,671) |
| Increase (decrease) liabilities | | |
| Accounts payable | (9,496) | (29,643) |
| Accrued expenses | 321,802 | (149,324) |
| Deferred revenues | (69,197) | 158,769 |
| Government grants refundable | (660,064) | (258,355) |
| Net Cash Provided By Operating Activities | 7,255,105 | 2,270,617 |
| Cash Flows From Investing Activities | | |
| Purchase of property and equipment | (1,375,694) | (1,061,880) |
| Proceeds from disposition of property | 5,900 | 43,175 |
| Purchase of investments | (6,236,238) | (27,001,349) |
| Proceeds from sales of investments | 518,734 | 23,393,703 |
| Net Cash Used In Investing Activities | (7,087,298) | (4,626,351) |
| Cash Flows From Financing Activities | | |
| Proceeds restricted for scholarships | 157,528 | 49,715 |
| Proceeds restricted for property | — | 24,815 |
| Net Cash Provided By Financing Activities | 157,528 | 74,530 |
| Increase (Decrease) In Cash And Cash Equivalents | 325,335 | (2,281,204) |
| Cash And Cash Equivalents - Beginning Of Year | 3,102,711 | 5,383,915 |
| Cash And Cash Equivalents - End Of Year | \$ 3,428,046 | \$ 3,102,711 |

LOGAN UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2018 And 2017

1. Summary Of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the financial statements of Logan University, Inc. (the University). These accounting policies conform to accounting principles generally accepted in the United States of America.

History And Business Activity

The University was founded in 1935 and offers one degree in Doctor of Chiropractic, one doctorate of Health Professions Education degree, two Bachelor of Science degrees, a master's degree in Sports Science and Rehabilitation, and a master's degree in Nutrition and Human Performance. The University is located on a 112-acre campus in Chesterfield, Missouri. The University has an enrollment of 1,450 and 1,441 students as of August 31, 2018 and 2017, respectively, and is primarily supported by tuition, contributions and earnings from investments. The University operates seven satellite health centers in the St. Louis area.

Financial Statement Presentation

The University's resources are classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories is as follows:

Unrestricted Net Assets - Represent those that are not subject to donor-imposed stipulations. Unrestricted net assets include discretionary designations made by the Board of Trustees.

Temporarily Restricted Net Assets - Represent those net assets subject to donor-imposed stipulations that may or will be met, either by actions of the University and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets include donations for scholarships to students, building renovation and equipment purchases and educational and other activities.

Permanently Restricted Net Assets - Represent those net assets donated for the purpose of establishing a perpetual endowment to earn interest to benefit the University, assets donated to provide earnings for scholarships and assets donated to provide non-interest-bearing loans to students for emergency situations. The income earned on any related investments is also generally subject to donor-imposed stipulations.

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 highly liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents. The University's money market funds, which are included in investments, are deposited with national brokerage houses. These funds are insured by the Securities Investor Protection Corporation (SIPC).

Restricted cash and cash equivalents includes Perkins cash balances of \$168,686 and \$1,038,675 as of August 31, 2018 and 2017, respectively.

Accounts Receivable

The University carries its accounts receivable at cost. Management charges off uncollectible receivables to expense when it is determined the amounts will not be realized. The allowance for doubtful accounts is based on the University's prior experience of collections.

Contributions Receivable

Contributions receivable consist of unconditional promises-to-give. Unconditional promises-to-give are reported at fair value at the date of the pledge and subsequently measured at the present value of future cash flows. Such gifts are recorded as restricted support if the gifts are received with donor stipulations that limit the use of the donated assets or are to be received at some future date greater than one year. When a donor restriction expires, such as when a stipulated time restriction ends or the purpose of the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Gifts received without donor restrictions are recorded as unrestricted support. Contributions receivable are stated at the amount management expects to collect from outstanding balances. As of August 31, 2018 and 2017, management has determined that no allowance for doubtful accounts is deemed necessary.

Student Loans Receivable

Student loans receivable consist of Perkins loans. A reasonable estimate of the market value of student loans receivable under government loan programs cannot be made because the notes are not held for sale and can only be assigned to the U.S. Government or its designees. In the event that student loans are non-collectible, the University shall lose its institutional capital contribution. There was no allowance for doubtful accounts at August 31, 2018 or 2017.

Investments

All investments with readily determinable fair values are reported in the financial statements at fair value with net unrealized and realized gains or losses reflected in the statement of activities. Donated investments are recorded at their fair values (based upon quotations or appraisals) on the date of the gift. Purchases and sales of investments are recorded on the trade date.

Long-term investments consist primarily of debt securities and investments in mutual funds. Investments received with donor-imposed restrictions that limit their use to long-term purposes are classified as temporarily or permanently restricted investments.

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 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 statement of financial position.

Property And Equipment

Property and equipment are carried at cost, if purchased, or at fair market value at the date of donation, if acquired by contribution, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years. All gifts of land, buildings and equipment are recorded as unrestricted non-operating resources, unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted non-operating resources. Absent donor restrictions on how long those long-lived assets must be maintained, the expiration of donor restrictions are reported as being released from restriction when the donated or acquired long-lived assets are placed in service.

Asset Impairment Assessments

The University reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is recognized to the extent that the sum of undiscounted estimated future cash flows expected to result from use and disposition of the assets is less than carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value.

Beneficial Interest In Logan University Education Foundation

The University has a beneficial interest in the assets of Logan University Education Foundation. Accounting Standards Update 958-20-25-4, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, establishes standards for transactions in which a donor makes contributions to a not-for-profit organization (the recipient organization) that agrees to transfer those assets, the return on investment of those assets or both to another entity (the beneficiary). Under ASU 958-20-25-4, a financially interrelated beneficiary is required to recognize the interest in the net assets of the recipient organization and adjust that interest for its share of the change in net assets of the recipient organization.

Government Grants Refundable

Government grants refundable consists of the liability associated with the Perkins student loans receivable. These funds are revolving funds. The total liability associated with the Perkins student loans receivable is reduced by the Institution Capital Contribution, which is a component of unrestricted net assets.

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 activities. Salaries and wages have been allocated among the program, management and general, and fundraising categories based on an analysis of personnel time and related activities. Total fundraising costs of the University for the years ended August 31, 2018 and 2017 were \$377,859 and \$421,393, respectively.

Income Taxes

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Code. However, income from certain activities not directly related to the tax exempt status of the University is subject to taxation as unrelated business income.

Concentration Of Credit Risk

Financial instruments, which potentially subject the University to concentration of credit risk, consist principally of cash and cash equivalents. The University places its cash and cash equivalents with high credit quality financial institutions. At times, such cash and cash equivalents may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits.

Reclassification

Certain prior year amounts have been reclassified, where appropriate, to conform to the current year presentation.

Subsequent Events

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

LOGAN UNIVERSITY, INC.Notes To Financial Statements (*Continued*)**2. Accounts Receivable**

Accounts receivable consists of the following:

| | <u>2018</u> | <u>2017</u> |
|--------------------------|-------------------|-------------------|
| Health Center Patients | \$ 38,212 | \$ 23,474 |
| Students | 47,709 | 37,397 |
| Purser Center Receivable | 23,448 | 22,305 |
| Bookstore Receivable | 33,131 | — |
| Other Receivable | 995 | 30,161 |
| | <u>\$ 143,495</u> | <u>\$ 113,337</u> |

3. Contributions Receivable

Contributions receivable consists of the following:

| | <u>2018</u> | <u>2017</u> |
|----------------------|---------------------|-------------------|
| Due within one year | \$ 146,863 | \$ 134,749 |
| One to five years | 1,102,036 | 1,018,123 |
| More than five years | 76,860 | 16,250 |
| | <u>1,325,759</u> | <u>1,169,122</u> |
| Discount | 177,000 | 177,000 |
| | <u>\$ 1,148,759</u> | <u>\$ 992,122</u> |

A discount rate of 4.6% was used to record unconditional promises-to-give at the present value of the future cash flows as of August 31, 2018 and 2017.

LOGAN UNIVERSITY, INC.Notes To Financial Statements (*Continued*)**4. Student Loans Receivable**

The University makes uncollateralized loans to students through its participation in the Federal Perkins Loan program. The availability of funds under this program is dependent on reimbursement to the loan fund from repayments on outstanding loans. Effective October 1, 2017, the Federal Perkins Loan program is no longer issuing new loans to students. Funds advanced by the federal government totaled \$4,267,026 and \$4,927,090 as of August 31, 2018 and 2017, respectively. A portion of these advances is ultimately refundable to the federal government and are classified as liabilities in the statements of financial position. Outstanding loans canceled under the programs result a decrease in the University's liability to the federal government. The federal government and the University share the risk of loss of uncollectible loans, in accordance with their federal and institutional capital contributions.

Perkins student loans receivable at August 31 consists of the following:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|---------------------|---------------------|
| Loan balances not yet in repayment | \$ 784,704 | \$ 1,859,374 |
| Loan balances in repayment | <u>3,494,102</u> | <u>3,019,195</u> |
| Total student loan receivables | \$ 4,278,806 | \$ 4,878,569 |

The following table represents the amounts past due under the University's student loan programs as of August 31, 2018 and 2017:

| | <u>Loans in Repayment</u> | | | | | <u>Total Loans Receivable</u> |
|------------------------|---|--|------------------------------------|-----------------------------|--------------|-----------------------------------|
| | <u>Students In School - Amounts Not Due</u> | <u>Current Or Less Than 30 Days Past Due</u> | <u>30-89 Days Past Due</u> | <u>90 Days Past Due</u> | | |
| August 31, 2018 | | | | | | |
| Student Loans | \$ 784,704 | \$ 2,443,107 | \$ 239,752 | \$ 811,243 | \$ 4,278,806 | |
| August 31, 2017 | | | | | | |
| Student Loans | \$ 1,859,374 | \$ 2,733,327 | \$ 18,677 | \$ 267,191 | \$ 4,878,569 | |

LOGAN UNIVERSITY, INC.Notes To Financial Statements *(Continued)*

5. Property And Equipment

Property and equipment consists of the following:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|----------------------|----------------------|
| Land | \$ 735,508 | \$ 735,508 |
| Buildings | 56,608,540 | 55,861,951 |
| Equipment | 15,981,680 | 15,622,081 |
| Vehicles | 352,125 | 334,649 |
| Leasehold improvements | 350,395 | 901,662 |
| Construction in progress | 86,502 | 87,391 |
| | <u>74,114,750</u> | <u>73,543,242</u> |
| Less: Accumulated depreciation | <u>37,804,493</u> | <u>35,688,724</u> |
| | <u>\$ 36,310,257</u> | <u>\$ 37,854,518</u> |

Depreciation expense was \$2,863,630 and \$2,841,717 for the years ended August 31, 2018 and 2017, respectively.

6. Investments And Fair Value Measurements

Investments consist of the following:

| | 2018 | 2017 |
|----------------------------|----------------------|----------------------|
| Money market funds | \$ 124,490 | \$ 268,151 |
| U.S. treasury securities | 132,029 | 137,415 |
| U.S. agency securities | 81,768 | 85,917 |
| Mortgage-backed securities | 17,638,993 | 14,459,813 |
| Asset-backed securities | 85,833 | 89,834 |
| Corporate fixed income | 1,172,519 | 1,459,346 |
| Municipal fixed income | 1,388,909 | 1,235,671 |
| Bond mutual funds | 618,478 | 599,662 |
| Certificates of deposit | 2,526,083 | 3,839,021 |
| Exchange traded funds | 4,580,803 | 3,973,797 |
| Equity mutual funds | 11,721,450 | 10,183,624 |
| Equity securities | 2,727,598 | 2,322,606 |
| | \$ 42,798,953 | \$ 38,654,857 |

These investments are carried at fair value in accordance with accounting principles generally accepted in the United States of America. For the years ended August 31, 2018 and 2017, unrealized gains of \$1,114,867 and \$66,793, respectively, were recorded to adjust the investments to fair value.

The total cost basis of investments at August 31, 2018 and 2017 amounted to \$40,142,125 and \$37,112,896, respectively.

Accounting rules regarding fair value measurements establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

LOGAN UNIVERSITY, INC.Notes To Financial Statements (*Continued*)

The following table sets forth by level, within the fair value hierarchy, the University's assets at fair value:

| | August 31, 2018 | | | |
|-----------------------------------|----------------------|----------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | \$ 124,490 | \$ — | \$ — | \$ 124,490 |
| U.S. treasury securities | — | 132,029 | — | 132,029 |
| U.S. agency securities | — | 81,768 | — | 81,768 |
| Mortgage-backed securities | — | 17,638,993 | — | 17,638,993 |
| Asset-backed securities | — | 85,833 | — | 85,833 |
| Corporate fixed income | — | 1,172,519 | — | 1,172,519 |
| Municipal fixed income | — | 1,388,909 | — | 1,388,909 |
| Bond mutual funds | 618,478 | — | — | 618,478 |
| Certificates of deposit | — | 2,526,083 | — | 2,526,083 |
| Exchange traded funds | 4,580,803 | — | — | 4,580,803 |
| Equity mutual funds | 11,721,450 | — | — | 11,721,450 |
| Equity securities | 2,727,598 | — | — | 2,727,598 |
| Total assets at fair value | \$ 19,772,819 | \$ 23,026,134 | \$ — | \$ 42,798,953 |

| | August 31, 2017 | | | |
|-----------------------------------|----------------------|----------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | \$ 268,151 | \$ — | \$ — | \$ 268,151 |
| U.S. treasury securities | — | 137,415 | — | 137,415 |
| U.S. agency securities | — | 85,917 | — | 85,917 |
| Mortgage-backed securities | — | 14,459,813 | — | 14,459,813 |
| Asset-backed securities | — | 89,834 | — | 89,834 |
| Corporate fixed income | — | 1,459,346 | — | 1,459,346 |
| Municipal fixed income | — | 1,235,671 | — | 1,235,671 |
| Bond mutual funds | 599,662 | — | — | 599,662 |
| Certificates of deposit | — | 3,839,021 | — | 3,839,021 |
| Exchange traded funds | 3,973,797 | — | — | 3,973,797 |
| Equity mutual funds | 10,183,624 | — | — | 10,183,624 |
| Equity securities | 2,322,606 | — | — | 2,322,606 |
| Total assets at fair value | \$ 17,347,840 | \$ 21,307,017 | \$ — | \$ 38,654,857 |

LOGAN UNIVERSITY, INC.Notes To Financial Statements (*Continued*)**7. Net Assets****Unrestricted Net Assets**

Unrestricted net assets consist of the following:

| | August 31, | |
|--------------------------------------|----------------------|----------------------|
| | 2018 | 2017 |
| Undesignated | \$ 21,272,257 | \$ 18,523,940 |
| Board Designated for Endowment | 22,795,837 | 20,216,461 |
| Investment in property and equipment | 36,310,257 | 37,854,518 |
| | \$ 80,378,351 | \$ 76,594,919 |

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

| | August 31, | |
|--|---------------------|---------------------|
| | 2018 | 2017 |
| Program Restrictions | | |
| Scholarships | \$ 1,117,590 | \$ 1,107,550 |
| Educational activities | 212,130 | 262,225 |
| Perkins | — | 990,154 |
| General activities and other | — | 4,314 |
| | 1,329,720 | 2,364,243 |
| Property (Honoring Tradition - Bell Tower Renovations) | — | 70,467 |
| Time Restrictions | 120,200 | 121,500 |
| | \$ 1,449,920 | \$ 2,556,210 |

LOGAN UNIVERSITY, INC.

Notes To Financial Statements (Continued)

Net assets released from restrictions consist of the following for the years ended August 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|-------------------|
| Scholarships | \$ 127,741 | \$ 110,503 |
| Educational Activities | 50,095 | 58,858 |
| Perkins | 990,154 | 109,410 |
| Other Purpose Restrictions | 4,964 | — |
| Time Restrictions | 1,900 | 131,500 |
| Property (Honoring Tradition - Bell Tower Renovations) | 70,467 | — |
| | <u>\$ 1,245,321</u> | <u>\$ 410,271</u> |

Permanently Restricted Net Assets

Permanently restricted net assets consist of investment funds designated by the donor to be held indefinitely by the University.

The income from the permanently restricted net assets is expendable to support:

| | <u>August 31,</u> | |
|--------------|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Scholarships | <u>\$ 1,243,580</u> | <u>\$ 1,086,052</u> |

8. Operating Leases

The University has entered into various operating leases for buildings and office equipment through 2026. It is expected that in the normal course of business, such leases will continue to be required. Net expenditures for rentals under leases for the years ended August 31, 2018 and 2017, amounted to \$237,097 and \$496,465, respectively.

Total future minimum lease payments are as follows:

| Year | Amount |
|-------------|---------------------|
| 2019 | \$ 238,534 |
| 2020 | 173,770 |
| 2021 | 139,830 |
| 2022 | 139,830 |
| 2023 | 136,957 |
| Thereafter | 271,040 |
| | <u>\$ 1,099,961</u> |

9. Retirement Plans

The University has defined contribution pension plans covering all full-time employees. Under terms of the plans, the University contributes 5% of the participants' annual compensation. Employees can voluntarily contribute additional funds from their annual compensation up to the amount limited by law. The University's contributions for the years ended August 31, 2018 and 2017 were \$622,624 and \$615,091, respectively.

10. Endowment

The University's endowment consists of various funds established for program purposes (Note 7). The endowment includes Board designated and donor restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions.

Interpretation Of Relevant Law

On August 28, 2009, the State of Missouri adopted UPMIFA, which amended the previous law (UMIFA). The Board of Trustees of the University has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives And Risk Parameters

The University 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 purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the University must hold in perpetuity or for a donor specified period as well as Board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the appropriate index while assuring a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed For Achieving Objectives

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

Spending Policy And How The Investment Objectives Relate To Spending Policy

The University has a policy of distributing interest, dividends and capital gains to the extent the then-current market value of the fund principal exceeds the historical dollar value of the gift less any distributions of principal allowed under the terms of the gift, unless otherwise specified by the donor. In establishing this policy, the University considered the long-term expected return on its endowment.

Endowment net assets consist of the following:

| | 2018 | | | |
|------------------------------|----------------------|-------------------------------|-------------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Scholarship | \$ — | \$ 75,497 | \$ 1,243,580 | \$ 1,319,077 |
| Board-designated endowment | 22,795,837 | — | — | 22,795,837 |
| Total endowment funds | \$ 22,795,837 | \$ 75,497 | \$ 1,243,580 | \$ 24,114,914 |

| | 2017 | | | |
|------------------------------|----------------------|-------------------------------|-------------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Scholarship | \$ — | \$ 34,039 | \$ 1,086,052 | \$ 1,120,091 |
| Board-designated endowment | 20,216,461 | — | — | 20,216,461 |
| Total endowment funds | \$ 20,216,461 | \$ 34,039 | \$ 1,086,052 | \$ 21,336,552 |

LOGAN UNIVERSITY, INC.Notes To Financial Statements (*Continued*)

Changes in endowment net assets are as follows:

| | 2018 | | | Total |
|--|---------------|------------------------|------------------------|---------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Endowment net assets, beginning of year | \$ 20,216,461 | \$ 34,039 | \$ 1,086,052 | \$ 21,336,552 |
| Interest and dividends | 338,846 | 22,237 | — | 361,083 |
| Net realized gain | 450,252 | 8,289 | — | 458,541 |
| Net unrealized gain | 1,790,278 | 39,382 | — | 1,829,660 |
| Additions - gifts | — | — | 157,528 | 157,528 |
| Appropriation of endowment assets for expenditure | — | (28,450) | — | (28,450) |
| Endowment net assets, end of year | \$ 22,795,837 | \$ 75,497 | \$ 1,243,580 | \$ 24,114,914 |

| | 2017 | | | Total |
|--|---------------|------------------------|------------------------|---------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Endowment net assets, beginning of year | \$ 14,564,036 | \$ 18,433 | \$ 1,036,337 | \$ 15,618,806 |
| Interest and dividends | 174,024 | 53,829 | — | 227,853 |
| Net realized gain | 1,216,330 | — | — | 1,216,330 |
| Net unrealized gain | 66,793 | — | — | 66,793 |
| Additions - gifts | — | — | 49,715 | 49,715 |
| Additions - board designated | 4,195,278 | — | — | 4,195,278 |
| Appropriation of endowment assets for expenditure | — | (38,223) | — | (38,223) |
| Endowment net assets, end of year | \$ 20,216,461 | \$ 34,039 | \$ 1,086,052 | \$ 21,336,552 |

11. Contingencies

The University, from time to time, is involved in litigation in the ordinary course of business. The University is a party to lawsuits or proceedings which, in the opinion of management, is not individually or in the aggregate, likely to have a material adverse effect on the statement of financial position.