
LOGAN UNIVERSITY, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2019

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Independent Auditors' Report

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Board of Trustees
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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, 2019 and 2018, and the related statements of activities, statement of functional expenses (2019 only) and cash flows for the years 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 audits. We conducted our audits 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, 2019 and 2018, 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.

Emphasis Of Matter

As discussed in Note 1 to the financial statements, in 2019, the University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14: *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2020 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

January 6, 2020

LOGAN UNIVERSITY, INC.

STATEMENT OF FINANCIAL POSITION

	August 31,	
	2019	2018
Assets		
Cash and cash equivalents		
Unrestricted	\$ 2,126,316	\$ 2,580,720
Restricted	1,627,420	847,326
	3,753,736	3,428,046
Accounts receivable, net	106,309	143,495
Contributions receivable, net	1,065,909	1,148,759
Student loans receivable	3,335,534	4,278,806
Prepaid expenses	582,318	312,465
Property and equipment, net	35,035,415	36,310,257
Investments	48,366,279	42,798,953
Cash surrender value of life insurance policies	510,744	515,655
Other assets	30,346	13,352
Beneficial interest in Logan University Education Foundation	10,083	10,083
	\$ 92,796,673	\$ 88,959,871
Liabilities		
Accounts payable	\$ 304,863	\$ 322,827
Accrued liabilities	1,025,724	812,600
Deferred revenue	564,383	485,567
Government grants refundable	4,131,589	4,267,026
	6,026,559	5,888,020
Net Assets		
Net assets without donor restrictions	84,196,547	80,378,351
Net assets with donor restrictions	2,573,567	2,693,500
	86,770,114	83,071,851
	\$ 92,796,673	\$ 88,959,871

LOGAN UNIVERSITY, INC.

STATEMENT OF ACTIVITIES

For The Years Ended August 31,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues And Support						
Tuition and fees	\$ 33,888,496	\$ —	\$ 33,888,496	\$ 29,820,814	\$ —	\$ 29,820,814
Less: Instructional aid	(578,331)	—	(578,331)	(430,055)	—	(430,055)
Net tuition and fees	33,310,165	—	33,310,165	29,390,759	—	29,390,759
Sales and service of educational activities	723,506	—	723,506	814,359	—	814,359
Other revenue sources	504,622	—	504,622	385,784	—	385,784
Other grants and contracts	79,982	—	79,982	3,828	—	3,828
Private gifts, grants and contracts	42,949	167,662	210,611	1,042,711	226,651	1,269,362
Investment income	964,424	27,570	991,994	765,067	22,237	787,304
Loss on sale of property and equipment	—	—	—	(50,425)	—	(50,425)
Net assets released from restrictions	387,791	(387,791)	—	1,245,321	(1,245,321)	—
Total Revenues And Support	36,013,439	(192,559)	35,820,880	33,597,404	(996,433)	32,600,971
Operating Expenses						
Educational activities						
Instruction	8,456,684	—	8,456,684	7,606,172	—	7,606,172
Academic support	5,797,653	—	5,797,653	6,262,298	—	6,262,298
Student services	3,945,442	—	3,945,442	3,708,826	—	3,708,826
Total educational activities	18,199,779	—	18,199,779	17,577,296	—	17,577,296
Research	166,458	—	166,458	205,155	—	205,155
Public service	218,814	—	218,814	33,806	—	33,806
Institutional support	8,509,095	—	8,509,095	8,063,256	—	8,063,256
Operation and maintenance of plant	2,631,236	—	2,631,236	2,596,566	—	2,596,566
Total Operating Expenses	29,725,382	—	29,725,382	28,476,079	—	28,476,079
Change In Net Assets Before Depreciation And Amortization And Net Realized And Unrealized Gains (Losses) On Investments	6,288,057	(192,559)	6,095,498	5,121,325	(996,433)	4,124,892
Depreciation And Amortization	(2,826,545)	—	(2,826,545)	(2,863,630)	—	(2,863,630)
Net Unrealized Gain (Loss) On Investments	(236,210)	49,320	(186,890)	1,075,485	39,382	1,114,867
Net Realized Gain On Investments	592,894	23,306	616,200	450,252	8,289	458,541
Change In Net Assets	3,818,196	(119,933)	3,698,263	3,783,432	(948,762)	2,834,670
Net Assets, Beginning Of Year	80,378,351	2,693,500	83,071,851	76,594,919	3,642,262	80,237,181
Net Assets, End Of Year	\$ 84,196,547	\$ 2,573,567	\$ 86,770,114	\$ 80,378,351	\$ 2,693,500	\$ 83,071,851

LOGAN UNIVERSITY, INC.

STATEMENT OF CASH FLOWS

	For The Years Ended August 31,	
	2019	2018
Cash Flows From Operating Activities		
Increase in net assets	\$ 3,698,263	\$ 2,834,670
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	2,826,545	2,863,630
Revenues restricted for scholarships	(89,153)	(157,528)
Loss on sale of property and equipment	—	50,425
Net unrealized (gain) loss on investments	186,890	(1,114,867)
Net realized gain on investments	(616,200)	(458,541)
Changes in asset and liability accounts:		
Accounts receivable	37,186	(30,158)
Contributions receivable	82,850	(156,637)
Student loans receivable	943,272	599,763
Prepaid expenses	(269,853)	104,026
Cash surrender value of life insurance	4,911	(12,041)
Other assets	(16,994)	2,502
Accounts payable	(17,964)	(9,496)
Accrued expenses	213,124	321,802
Deferred revenues	78,816	(69,197)
Government grants refundable	(135,437)	(660,064)
Net Cash Provided By Operating Activities	6,926,256	4,108,289
Cash Flows From Investing Activities		
Purchase of property and equipment	(1,553,414)	(1,375,694)
Proceeds from disposition of property	1,711	5,900
Purchase of investments	(5,138,016)	(3,089,422)
Proceeds from sales of investments	—	518,734
Net Cash Used In Investing Activities	(6,689,719)	(3,940,482)
Cash Flows Provided By Financing Activities		
Proceeds restricted for scholarships	89,153	157,528
Increase In Cash And Cash Equivalents	325,690	325,335
Cash And Cash Equivalents - Beginning Of Year	3,428,046	3,102,711
Cash And Cash Equivalents - End Of Year	\$ 3,753,736	\$ 3,428,046

LOGAN UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 And 2018

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, a master's degree in Nutrition and Human Performance, and a masters' degree in Health Informatics. The University is located on a 112-acre campus in Chesterfield, Missouri. The University has an enrollment of 1,664 and 1,441 students as of August 31, 2019 and 2018, respectively, and is primarily supported by tuition, contributions and earnings from investments. The University operates six satellite health centers in the St. Louis area.

Financial Statement Presentation

The financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Financial statements of private, not-for-profit organizations measure aggregate net assets and net activity based on the absence or existence of donor-imposed restrictions. Effective with the September 1, 2018 implementation of new guidance contained in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, the University's net assets are reported as without donor restrictions and with donor restrictions. Brief definitions of the two net asset classes are presented below:

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

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

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 \$1,627,420 and \$847,326 as of August 31, 2019 and 2018, 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 support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Gifts received without donor restrictions are recorded as private gifts, grants, and contracts without donor restrictions. Contributions receivable are stated at the amount management expects to collect from outstanding balances. As of August 31, 2019 and 2018, 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 forfeit its institutional capital contribution. There was no allowance for doubtful accounts at August 31, 2019 or 2018.

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 donor 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 3 to 50 years. All gifts of land, buildings and equipment are recorded as non-operating resources without donor restrictions, 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.

Deferred Revenue

Revenue from tuition, room and board, and other fees that are billed in advance are deferred and recognized over the periods to which the fees relate.

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 net assets without donor restrictions.

Functional Allocation Of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs, including operation of plant and maintenance, have been allocated among educational activities, research, public service, and institutional support categories based on the actual direct expenditures and cost allocations based upon square footage of space occupied or number of users. Management and general and fundraising costs are included in the institutional support category on the statement of functional expenses. Total fundraising costs of the University for the years ended August 31, 2019 and 2018 were \$391,000 and \$377,859, 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.

LOGAN UNIVERSITY, INC.

Notes To Financial Statements (Continued)

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.

2. Accounts Receivable

Accounts receivable consists of the following:

	<u>2019</u>	<u>2018</u>
Health Center Patients	\$ 23,482	\$ 38,212
Students	87,449	47,709
Purser Center Receivable	15,878	23,448
Bookstore Receivable	—	33,131
Other Receivable	—	995
	<u>126,809</u>	<u>143,495</u>
Less: Allowance for doubtful accounts	<u>20,500</u>	—
	<u>\$ 106,309</u>	<u>\$ 143,495</u>

3. Contributions Receivable

Contributions receivable consists of the following:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 36,084	\$ 146,863
One to five years	1,106,979	1,102,036
More than five years	99,846	76,860
	<u>1,242,909</u>	<u>1,325,759</u>
Discount	<u>177,000</u>	<u>177,000</u>
	<u>\$ 1,065,909</u>	<u>\$ 1,148,759</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, 2019 and 2018.

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 \$4,131,589 and \$4,267,026 as of August 31, 2019 and 2018, respectively. A portion of these advances is ultimately refundable to the federal government and are classified as liabilities in the statement 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>2019</u>	<u>2018</u>
Loan balances not yet in repayment	\$ 360,577	\$ 784,704
Loan balances in repayment	<u>2,974,957</u>	<u>3,494,102</u>
Total student loan receivables	\$ 3,335,534	\$ 4,278,806

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

	<u>Loans in Repayment</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>	<u>Total Loans Receivable</u>
August 31, 2019					
Student Loans	\$ 360,577	\$ 2,146,467	\$ 243,067	\$ 585,423	\$ 3,335,534
August 31, 2018					
Student Loans	\$ 784,704	\$ 2,443,107	\$ 239,752	\$ 811,243	\$ 4,278,806

LOGAN UNIVERSITY, INC.

Notes To Financial Statements (Continued)

5. Property And Equipment

Property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 735,508	\$ 735,508
Buildings	57,546,414	56,608,540
Equipment	16,513,236	15,981,680
Vehicles	352,125	352,125
Leasehold improvements	350,395	350,395
Construction in progress	168,746	86,502
	<u>75,666,424</u>	<u>74,114,750</u>
Less: Accumulated depreciation	<u>40,631,009</u>	<u>37,804,493</u>
	<u>\$ 35,035,415</u>	<u>\$ 36,310,257</u>

Depreciation expense was \$2,826,545 and \$2,863,630 for the years ended August 31, 2019 and 2018, respectively.

6. Investments And Fair Value Measurements

Investments consist of the following:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 260,207	\$ 124,490
U.S. treasury securities	141,184	132,029
U.S. agency securities	93,011	81,768
Mortgage-backed securities	24,559,833	17,638,993
Asset-backed securities	1,176,416	85,833
Corporate fixed income	1,873,311	1,172,519
Municipal fixed income	—	1,388,909
Bond mutual funds	2,064,821	618,478
Certificates of deposit	—	2,526,083
Exchange traded funds	4,523,129	4,580,803
Equity mutual funds	11,195,573	11,721,450
Equity securities	2,442,501	2,727,598
Real estate	36,293	—
	<u>\$ 48,366,279</u>	<u>\$ 42,798,953</u>

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, 2019 and 2018, unrealized losses of \$186,890 and unrealized gains of \$1,114,867, respectively, were recorded to adjust the investments to fair value.

The total cost basis of investments at August 31, 2019 and 2018 amounted to \$45,896,341 and \$40,142,125, 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.

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

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.

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

	August 31, 2019			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 260,207	\$ —	\$ —	\$ 260,207
U.S. treasury securities	—	141,184	—	141,184
U.S. agency securities	—	93,011	—	93,011
Mortgage-backed securities	—	24,559,833	—	24,559,833
Asset-backed securities	—	1,176,416	—	1,176,416
Corporate fixed income	—	1,873,311	—	1,873,311
Bond mutual funds	2,064,821	—	—	2,064,821
Exchange traded funds	4,523,129	—	—	4,523,129
Equity mutual funds	11,195,573	—	—	11,195,573
Equity securities	2,442,501	—	—	2,442,501
Real estate	36,293	—	—	36,293
Total assets at fair value	\$ 20,522,524	\$ 27,843,755	\$ —	\$ 48,366,279

	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

LOGAN UNIVERSITY, INC.

Notes To Financial Statements (Continued)

7. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following:

	<u>August 31,</u>	
	<u>2019</u>	<u>2018</u>
Undesignated	\$ 26,671,542	\$ 21,272,257
Board designated for endowment	22,489,590	22,795,837
Investment in property and equipment	35,035,415	36,310,257
	<u>\$ 84,196,547</u>	<u>\$ 80,378,351</u>

Net Assets With Donor Restrictions

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

	<u>August 31,</u>	
	<u>2019</u>	<u>2018</u>
Program Restrictions		
Scholarships	\$ 1,080,314	\$ 1,117,590
Educational activities	160,520	212,130
	<u>1,240,834</u>	<u>1,329,720</u>
Time Restrictions	—	120,200
	<u>1,240,834</u>	<u>1,449,920</u>
Assets restricted for endowment	1,332,733	1,243,580
	<u>\$ 2,573,567</u>	<u>\$ 2,693,500</u>

Net assets released from donor restrictions consist of the following for the years ended August 31:

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 213,930	\$ 127,741
Educational Activities	51,611	50,095
Perkins	—	990,154
Other Purpose Restrictions	—	4,964
Time Restrictions	120,200	1,900
Property (Honoring Tradition - Bell Tower Renovations)	2,050	70,467
	<u>\$ 387,791</u>	<u>\$ 1,245,321</u>

LOGAN UNIVERSITY, INC.Notes To Financial Statements (*Continued*)**8. Functional Expense Allocations**

The functional expense allocation of the University are as follows for the years ended August 31, 2019 and 2018:

	2019						
	Educational Activities	Public Service	Research	Total Educational Activities	Institutional Support	Operation Of Plant And Maintenance	Total Expenses
Salaries and benefits	\$ 13,560,734	\$ 89,595	\$ 110,327	\$ 13,760,656	\$ 3,502,077	\$ 988,911	\$ 18,251,644
Operating expenses	4,639,045	129,219	56,131	4,824,395	5,007,018	1,642,325	11,473,738
Depreciation	—	—	—	—	—	2,826,545	2,826,545
Total Expenses	18,199,779	218,814	166,458	18,585,051	8,509,095	5,457,781	32,551,927
Allocation of plant	1,720,199	—	—	1,720,199	911,037	(2,631,236)	—
Allocation of depreciation	1,847,883	—	—	1,847,883	978,662	(2,826,545)	—
	\$ 21,767,861	\$ 218,814	\$ 166,458	\$ 22,153,133	\$ 10,398,794	\$ —	\$ 32,551,927

	2018						
	Educational Activities	Public Service	Research	Total Educational Activities	Institutional Support	Operation Of Plant And Maintenance	Total Expenses
Salaries and benefits	\$ 13,547,618	\$ 11,837	\$ 131,255	\$ 13,690,710	\$ 3,220,964	\$ 988,408	\$ 17,900,082
Operating expenses	4,029,678	21,969	73,900	4,125,547	4,842,292	1,608,158	10,575,997
Depreciation	—	—	—	—	—	2,863,630	2,863,630
Total Expenses	17,577,296	33,806	205,155	17,816,257	8,063,256	5,460,196	31,339,709
Allocation of plant	1,697,533	—	—	1,697,533	899,033	(2,596,566)	—
Allocation of depreciation	1,872,129	—	—	1,872,129	991,501	(2,863,630)	—
	\$ 21,146,958	\$ 33,806	\$ 205,155	\$ 21,385,919	\$ 9,953,790	\$ —	\$ 31,339,709

9. Liquidity And Availability Of Resources

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investments of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures. As of August 31, 2019 and 2018, the University has the following financial assets available for expenditures within one year:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,126,316	\$ 2,387,587
Accounts receivable, net	106,309	143,495
Investments	23,270,899	17,309,615
Total financial assets	<u>\$ 25,503,524</u>	<u>\$ 19,840,697</u>

Student loan receivables are not included in the analysis as principal and interest on these loans are used solely to repay balances due to the Federal Government under the Perkins Loan Program.

The University maintains an endowment of approximately \$24 million as of August 31, 2019. Approximately \$22 million of the endowment is designated by the Board and is invested for long-term appreciation. These funds could be made available for general expenditures at the discretion of the Board of Trustees.

In addition to the financial assets available to meet general expenditures over the next 12 months, the University has established a balanced budget for the 2020 fiscal year and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which demonstrates positive cash generated by operations for the fiscal years ended August 31, 2019 and 2018.

10. 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, 2019 and 2018, amounted to \$238,534 and \$237,097, respectively.

Total future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 173,770
2021	139,830
2022	139,830
2023	136,957
2024	135,520
Thereafter	135,520
	<u>\$ 861,427</u>

11. 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, 2019 and 2018 were \$641,485 and \$622,624, respectively.

12. 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 donor restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts donated to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as donor 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 assets consist of the following:

	2019			
	Without Donor Restrictions	With Donor Earnings	Restrictions Principal	Total
Scholarship	\$ —	\$ 148,818	\$ 1,332,733	\$ 1,481,551
Board-designated endowment	22,489,590	—	—	22,489,590
Total endowment funds	\$ 22,489,590	\$ 148,818	\$ 1,332,733	\$ 23,971,141

	2018			
	Without Donor Restrictions	With Donor Earnings	Restrictions Principal	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

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

Changes in endowment assets are as follows:

	2019			
	Without Donor Restrictions	With Donor Restrictions		Total
		Earnings	Principal	
Endowment assets, beginning of year	\$ 22,795,837	\$ 75,497	\$ 1,243,580	\$ 24,114,914
Investment return				
Interest and dividends, net	352,551	27,570	—	380,121
Net realized gain	592,455	23,306	—	615,761
Net unrealized gain (loss)	(1,251,253)	49,320	—	(1,201,933)
Total investment return	(306,247)	100,196	—	(206,051)
Additions - gifts	—		89,153	89,153
Appropriation of endowment assets for expenditure	—	(26,875)	—	(26,875)
Endowment assets, end of year	\$ 22,489,590	\$ 148,818	\$ 1,332,733	\$ 23,971,141

	2018			
	Without Donor Restrictions	With Donor Restrictions		Total
		Earnings	Principal	
Endowment assets, beginning of year	\$ 20,216,461	\$ 34,039	\$ 1,086,052	\$ 21,336,552
Investment return				
Interest and dividends, net	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
Total investment return	2,579,376	69,908	—	2,649,284
Additions - gifts	—	—	157,528	157,528
Appropriation of endowment assets for expenditure	—	(28,450)	—	(28,450)
Endowment assets, end of year	\$ 22,795,837	\$ 75,497	\$ 1,243,580	\$ 24,114,914

13. 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.