
LOGAN UNIVERSITY, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2020

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RubinBrown LLP
Certified Public Accountants &
Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

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, 2020 and 2019, and the related statements of activities 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, 2020 and 2019, 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 2020, the University adopted Financial ASU No. 2018-18, *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 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.

Supplementary Information

The accompanying schedules that calculate the University's Department of Education Composite Score, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements and has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 in the accompanying schedules is fairly stated in all material respects in relation to the financial statements as a whole.

RubinBrown LLP

December 10, 2020

LOGAN UNIVERSITY, INC.
STATEMENT OF FINANCIAL POSITION

Assets

	August 31,	
	2020	2019
Assets		
Cash and cash equivalents		
Unrestricted	\$ 4,050,616	\$ 2,126,315
Restricted	1,104,223	1,627,421
	5,154,839	3,753,736
Accounts receivable, net	314,628	106,309
Contributions receivable, net	1,130,777	1,065,909
Student loans receivable	2,415,960	3,335,534
Prepaid expenses	501,314	582,318
Property and equipment, net	34,415,061	35,035,415
Investments	57,160,312	48,366,279
Cash surrender value of life insurance policies	539,133	510,744
Other assets	22,744	30,346
Beneficial interest in Logan University Education Foundation	10,083	10,083
	5,154,839	3,753,736
Total Assets	\$ 101,664,851	\$ 92,796,673

Liabilities And Net Assets

Liabilities		
Accounts payable	\$ 764,756	\$ 304,863
Accrued liabilities	833,154	1,025,724
Deferred revenue	582,872	564,383
Government grants refundable	2,928,974	4,131,589
Paycheck Protection Program loan	3,180,000	—
Total Liabilities	8,289,756	6,026,559
Net Assets		
Net assets without donor restrictions	90,784,037	84,196,547
Net assets with donor restrictions	2,591,058	2,573,567
Total Net Assets	93,375,095	86,770,114
Total Liabilities And Net Assets	\$ 101,664,851	\$ 92,796,673

LOGAN UNIVERSITY, INC.

STATEMENT OF ACTIVITIES

For The Years Ended August 31,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues And Support						
Tuition and fees	\$ 36,324,190	\$ —	\$ 36,324,190	\$ 33,888,496	\$ —	\$ 33,888,496
Less: Instructional aid	(714,251)	—	(714,251)	(578,331)	—	(578,331)
Net tuition and fees	35,609,939	—	35,609,939	33,310,165	—	33,310,165
Sales and services of educational activities	589,445	—	589,445	723,506	—	723,506
Other revenue sources	203,877	—	203,877	504,622	—	504,622
Other grants and contracts	57,953	—	57,953	79,982	—	79,982
Private gifts, grants and contracts	163,419	272,564	435,983	42,949	167,662	210,611
Investment income	1,013,409	33,357	1,046,766	964,424	27,570	991,994
Gain on sale of property and equipment	5,263	—	5,263	—	—	—
Net assets released from restrictions	312,684	(312,684)	—	387,791	(387,791)	—
Total Revenues And Support	37,955,989	(6,763)	37,949,226	36,013,439	(192,559)	35,820,880
Operating Expenses						
Educational activities						
Instruction	8,753,978	—	8,753,978	8,456,684	—	8,456,684
Academic support	6,530,488	—	6,530,488	5,797,653	—	5,797,653
Student services	4,279,978	—	4,279,978	3,945,442	—	3,945,442
Total educational activities	19,564,444	—	19,564,444	18,199,779	—	18,199,779
Research	145,901	—	145,901	166,458	—	166,458
Public service	222,436	—	222,436	218,814	—	218,814
Institutional support	9,087,640	—	9,087,640	8,509,095	—	8,509,095
Operation and maintenance of plant	2,692,755	—	2,692,755	2,631,236	—	2,631,236
Total Operating Expenses	31,713,176	—	31,713,176	29,725,382	—	29,725,382
Change In Net Assets Before Depreciation And Amortization And Net Realized And Unrealized Gains (Losses) On Investments	6,242,813	(6,763)	6,236,050	6,288,057	(192,559)	6,095,498
Depreciation And Amortization	(2,824,944)	—	(2,824,944)	(2,826,545)	—	(2,826,545)
Net Unrealized Gain (Loss) On Investments	2,642,242	19,560	2,661,802	(236,210)	49,320	(186,890)
Net Realized Gain On Investments	527,379	4,694	532,073	592,894	23,306	616,200
Change In Net Assets	6,587,490	17,491	6,604,981	3,818,196	(119,933)	3,698,263
Net Assets, Beginning Of Year	84,196,547	2,573,567	86,770,114	80,378,351	2,693,500	83,071,851
Net Assets, End Of Year	\$ 90,784,037	\$ 2,591,058	\$ 93,375,095	\$ 84,196,547	\$ 2,573,567	\$ 86,770,114

LOGAN UNIVERSITY, INC.

STATEMENT OF CASH FLOWS

	For The Years Ended August 31,	
	2020	2019
Cash Flows From Operating Activities		
Increase in net assets	\$ 6,604,981	\$ 3,698,263
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	2,824,944	2,826,545
Revenues restricted for scholarships and endowment	(57,918)	(89,153)
Gain on sale of property and equipment	(5,263)	—
Net unrealized (gains) losses on investments	(2,661,802)	186,890
Net realized gain on investments	(532,073)	(616,200)
Changes in assets and liabilities:		
Accounts receivable	(208,319)	37,186
Contributions receivable	(64,868)	82,850
Student loans receivable	919,574	943,272
Prepaid expenses	81,004	(269,853)
Cash surrender value of life insurance	(28,389)	4,911
Other assets	7,602	(16,994)
Accounts payable	459,893	(17,964)
Accrued liabilities	(192,570)	213,124
Deferred revenue	18,489	78,816
Government grants refundable	(1,202,615)	(135,437)
Net Cash Provided By Operating Activities	5,962,670	6,926,256
Cash Flows From Investing Activities		
Purchase of property and equipment	(2,204,836)	(1,553,414)
Proceeds from disposition of property	5,509	1,711
Purchase of investments	(9,779,855)	(5,138,016)
Proceeds from sales of investments	4,179,697	—
Net Cash Used In Investing Activities	(7,799,485)	(6,689,719)
Cash Flows Provided By Financing Activities		
Proceeds restricted for scholarships and endowment	57,918	89,153
Proceeds from issuance of PPP loan	3,180,000	—
Net Cash Provided By Financing Activities	3,237,918	89,153
Increase In Cash And Cash Equivalents	1,401,103	325,690
Cash And Cash Equivalents - Beginning Of Year	3,753,736	3,428,046
Cash And Cash Equivalents - End Of Year	\$ 5,154,839	\$ 3,753,736

LOGAN UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 And 2019

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 121-acre campus in Chesterfield, Missouri. The University has an enrollment of 1,810 and 1,664 students as of August 31, 2020 and 2019, 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.

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 \$1,104,223 and \$1,627,421 as of August 31, 2020 and 2019, 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 And 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, 2020 and 2019, 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, 2020 or 2019.

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. Revenue from these sources as well as sales and services of educational activities are recognized over the periods to which the fees relate and/or the services are performed.

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, 2020 and 2019 were \$553,000 and \$391,000, 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.

New Accounting Pronouncements

During 2020, the University adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The adoption of this accounting standard did not have a material impact on the University's financial statements.

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>2020</u>	<u>2019</u>
Health Center Patients	\$ 36,010	\$ 23,482
Students	216,201	87,449
Purser Center Receivable	11,340	15,878
Federal Funds Receivable	140,577	—
	<u>404,128</u>	<u>126,809</u>
Less: Allowance for doubtful accounts	<u>89,500</u>	<u>20,500</u>
	<u>\$ 314,628</u>	<u>\$ 106,309</u>

3. Contributions Receivable

Contributions receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 60,584	\$ 36,084
One to five years	1,177,729	1,106,979
More than five years	69,464	99,846
	<u>1,307,777</u>	<u>1,242,909</u>
Discount	<u>177,000</u>	<u>177,000</u>
	<u>\$ 1,130,777</u>	<u>\$ 1,065,909</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, 2020 and 2019.

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, net of amounts returned, totaled \$2,928,974 and \$4,131,589 as of August 31, 2020 and 2019, 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 in 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>2020</u>	<u>2019</u>
Loan balances not yet in repayment	\$ 134,684	\$ 360,577
Loan balances in repayment	2,281,276	2,974,957
Total student loan receivables	\$ 2,415,960	\$ 3,335,534

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, 2020					
Student Loans	\$ 134,684	\$ 1,742,272	\$ 119,411	\$ 419,593	\$ 2,415,960
August 31, 2019					
Student Loans	\$ 360,577	\$ 2,146,467	\$ 243,067	\$ 585,423	\$ 3,335,534

LOGAN UNIVERSITY, INC.

Notes To Financial Statements (Continued)

5. Property And Equipment

Property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 735,508	\$ 735,508
Buildings	56,757,648	57,546,414
Equipment	14,974,559	16,513,236
Vehicles	331,776	352,125
Leasehold improvements	350,395	350,395
Construction in progress	1,085,023	168,746
	<u>74,234,909</u>	<u>75,666,424</u>
Less: Accumulated depreciation	<u>39,819,848</u>	<u>40,631,009</u>
	<u>\$ 34,415,061</u>	<u>\$ 35,035,415</u>

Depreciation expense was \$2,824,944 and \$2,826,545 for the years ended August 31, 2020 and 2019, respectively.

6. Investments And Fair Value Measurements

Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 361,653	\$ 260,207
U.S. treasury securities	77,892	141,184
U.S. agency securities	95,933	93,011
Mortgage-backed securities	29,992,588	24,559,833
Asset-backed securities	918,878	1,176,416
Corporate fixed income	1,503,073	1,873,311
Bond mutual funds	3,141,955	2,064,821
Exchange traded funds	5,500,885	4,523,129
Equity mutual funds	12,599,446	11,195,573
Equity securities	2,927,196	2,442,501
Real estate	40,813	36,293
	<u>\$ 57,160,312</u>	<u>\$ 48,366,279</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, 2020 and 2019, unrealized gains of \$2,661,802 and unrealized losses of \$186,890, respectively, were recorded to adjust the investments to fair value.

The total cost basis of investments at August 31, 2020 and 2019 amounted to \$51,962,444 and \$45,896,341, 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, 2020			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 361,653	\$ —	\$ —	\$ 361,653
U.S. treasury securities	—	77,892	—	77,892
U.S. agency securities	—	95,933	—	95,933
Mortgage-backed securities	—	29,992,588	—	29,992,588
Asset-backed securities	—	918,878	—	918,878
Corporate fixed income	—	1,503,073	—	1,503,073
Bond mutual funds	3,141,955	—	—	3,141,955
Exchange traded funds	5,500,885	—	—	5,500,885
Equity mutual funds	12,599,446	—	—	12,599,446
Equity securities	2,927,196	—	—	2,927,196
Real estate	40,813	—	—	40,813
Total assets at fair value	\$ 24,571,948	\$ 32,588,364	\$ —	\$ 57,160,312

	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	\$ 20,486,231	\$ 27,843,755	\$ —	\$ 48,366,279

7. Payroll Protection Program Loan

On April 15, 2020, the Organization received \$3,180,000 under the Paycheck Protection Program (PPP) that was signed into law as part of the CARES Act during the COVID-19 outbreak. This loan has a two-year term at an interest rate of 1% and may also be eligible for tax-free forgiveness up to 100% of the loan value if certain criteria are met. At August 31, 2020, the Organization had not yet applied for any available forgiveness under the CARES Act provisions, and the entire balance of \$3,180,000 remained outstanding. Balances not ultimately forgiven are due upon maturity in April 2022. While management anticipates the outstanding balance to ultimately qualify for forgiveness, forgiveness is not assured and the amount of future forgiveness, if any, cannot be reasonably estimated as of August 31, 2020.

8. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following:

	<u>August 31,</u>	
	<u>2020</u>	<u>2019</u>
Undesignated	\$ 30,726,874	\$ 26,671,542
Board designated for endowment	25,642,102	22,489,590
Investment in property and equipment	34,415,061	35,035,415
	<u>\$ 90,784,037</u>	<u>\$ 84,196,547</u>

Net Assets With Donor Restrictions

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

	<u>August 31,</u>	
	<u>2020</u>	<u>2019</u>
Program Restrictions		
Scholarships	\$ 984,393	\$ 1,080,314
Educational activities	106,912	160,520
General activities and other	109,102	—
	<u>1,200,407</u>	<u>1,240,834</u>
Assets restricted for perpetual endowment	<u>1,390,651</u>	<u>1,332,733</u>
	<u>\$ 2,591,058</u>	<u>\$ 2,573,567</u>

LOGAN UNIVERSITY, INC.

Notes To Financial Statements (*Continued*)

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

	<u>2020</u>	<u>2019</u>
Scholarships	\$ 234,245	\$ 213,930
Educational Activities	53,608	51,611
Other Purpose Restrictions	24,831	—
Time Restrictions	—	120,200
Property (Honoring Tradition - Bell Tower Renovations)	—	2,050
	<u>\$ 312,684</u>	<u>\$ 387,791</u>

LOGAN UNIVERSITY, INC.Notes To Financial Statements (*Continued*)**9. Functional Expense Allocations**

The functional expense allocations of the University are as follows for the years ended August 31, 2020 and 2019:

	2020						
	Educational Activities	Public Service	Research	Total Educational Activities	Institutional Support	Operation Of Plant And Maintenance	Total Expenses
Salaries and benefits	\$ 15,462,540	\$ 161,117	\$ 100,916	\$ 15,724,573	\$ 4,324,766	\$ 1,635,898	\$ 21,685,237
Operating expenses	4,101,904	61,319	44,985	4,208,208	4,762,874	1,056,857	10,027,939
Depreciation	—	—	—	—	—	2,824,944	2,824,944
Total Expenses	19,564,444	222,436	145,901	19,932,781	9,087,640	5,517,699	34,538,120
Allocation of plant	1,753,753	—	—	1,753,753	939,002	(2,692,755)	—
Allocation of depreciation	1,839,845	—	—	1,839,845	985,099	(2,824,944)	—
	\$ 23,158,042	\$ 222,436	\$ 145,901	\$ 23,526,379	\$ 11,011,741	\$ —	\$ 34,538,120

	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

10. 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, 2020 and 2019, the University has the following financial assets available for expenditures within one year:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,050,616	\$ 2,126,316
Accounts receivable, net	314,628	106,309
Investments	<u>28,346,445</u>	<u>23,270,899</u>
Total financial assets	\$ 32,711,689	\$ 25,503,524

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 \$27 million as of August 31, 2020. Approximately \$26 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.

11. Operating Leases

The University has entered into various operating leases for buildings and office equipment through 2025. 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, 2020 and 2019, amounted to \$243,695 and \$238,534, respectively.

Total future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 259,701
2022	259,701
2023	256,828
2024	255,391
2025	185,466
	<u>\$ 1,217,087</u>

12. 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, 2020 and 2019 were \$708,680 and \$641,485, respectively.

13. Endowment

The University's endowment consists of various funds established for program purposes (Note 8). 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:

	2020			
	Without Donor	With Donor Restrictions		Total
	Restrictions	Earnings	Corpus	
Scholarship	\$ —	\$ 178,179	\$ 1,390,651	\$ 1,568,830
Board-designated endowment	25,642,102	—	—	25,642,102
Total endowment funds	\$ 25,642,102	\$ 178,179	\$ 1,390,651	\$ 27,210,932

	2019			
	Without Donor	With Donor Restrictions		Total
	Restrictions	Earnings	Corpus	
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

LOGAN UNIVERSITY, INC.

Notes To Financial Statements (Continued)

Changes in endowment assets are as follows:

	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Earnings	Corpus	
Endowment assets, beginning of year	\$ 22,489,590	\$ 148,818	\$ 1,332,733	\$ 23,971,141
Investment return				
Interest and dividends, net	413,862	33,357	—	447,219
Net realized gain	523,625	4,694	—	528,319
Net unrealized gain	2,215,025	19,560	—	2,234,585
Total investment return	3,152,512	57,611	—	3,210,123
Additions - gifts	—	—	57,918	57,918
Appropriation of endowment assets for expenditure	—	(28,250)	—	(28,250)
Endowment assets, end of year	\$ 25,642,102	\$ 178,179	\$ 1,390,651	\$ 27,210,932
	2019			
	Without Donor Restrictions	With Donor Restrictions		Total
		Earnings	Corpus	
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

14. 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, are not individually, or in the aggregate, likely to have a material adverse effect on the statement of financial position.

In March 2020, the COVID-19 virus was declared a global pandemic and as these financial statements are to be issued, the virus continues to spread. Business continuity relies on students seeking a higher education which has been affected by the virus. Management is carefully monitoring the situation and is evaluating its options during this time.

Due to the uncertainty of this pandemic, no adjustments have been made to the financial statements.

LOGAN UNIVERSITY

U.S. DEPARTMENT OF EDUCATION COMPOSITE SCORE For The Year Ended August 31, 2020

Expendable Net Assets	
Net Assets Without Donor Restrictions	\$ 90,784,037
Net Assets With Donor Restrictions	1,200,407
Net Assets With Donor Restrictions - Restricted in perpetuity	(1,390,651)
Annuities, term endowments and life income funds with donor restrictions	—
Intangible Assets	—
Pre-implementation Net Property and Equipment	(32,210,225)
Post-implementation Net Property and Equipment	(2,204,836)
Post-employment and defined benefit pension liabilities	—
All debt obtained for long-term purposes, not to exceed total net PPE: Pre-implementation	—
All debt obtained for long-term purposes, not to exceed total net PPE: Post-implementation	—
Unsecured related party receivables	—
Total Expendable Net Assets	\$ 56,178,732
Expenses and Losses Without Donor Restrictions	
Total operating expenses without donor restrictions	\$ 34,538,120
Net Periodic Pension Costs reported as non-operating loss, if any	—
Investment loss, if included in Total Expenses without donor restrictions	—
Loss from change in value of split-interest agreements without donor restrictions	—
Total Expenses and Losses Without Donor Restrictions	\$ 34,538,120
Modified Net Assets	
Net Assets Without Donor Restrictions	\$ 90,784,037
Net Assets With Donor Restrictions	1,200,407
Intangible Assets	—
Unsecured Related Party Receivables	—
Total Modified Net Assets	\$ 91,984,444
Modified Assets	
Total Assets	\$ 101,664,851
Intangible Assets	—
Unsecured Related Party Receivables	—
Total Modified Assets	\$ 101,664,851
Change in Net Assets Without Donor Restrictions	\$ 6,587,490
Revenues and Gains Without Donor Restrictions	
Total revenues and gains without donor restrictions, including investment gains	40,812,926
Net Assets Released from Restrictions	312,684
Investment losses included in total revenues and gains without donor restrictions, if any	—
Gain from change in value of split-interest agreements without donor restrictions	—
Other Gains without donor restrictions	—
Total Revenues and Gains Without Donor Restrictions	\$ 41,125,610

LOGAN UNIVERSITY

U.S. DEPARTMENT OF EDUCATION COMPOSITE SCORE For The Year Ended August 31, 2020

	Ratio	Strength Factor	Weight	Composite Score
Primary Reserve Ratio				
Expendable Net Assets				
<hr/> Total Expenses and Losses Without Donor Restrictions	1.6266	3.0000	40%	1.2000
Equity Ratio				
Modified Assets				
<hr/> Modified Net Assets	0.9048	3.0000	40%	1.2000
Net Income Ratio				
Change in Net Assets Without Donor Restrictions				
<hr/> Total Revenue and Gains Without Donor Restrictions	0.1602	9.0090	20%	0.6000
Net Composite Score				<hr/> <hr/> 3.00