
LOGAN UNIVERSITY, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2022

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Independent Auditors' Report

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

Report On The Financial Statements

Opinion

We have audited the financial statements of Logan University, Inc., a not-for-profit organization, which comprise the statement of financial position as of August 31, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Logan University, Inc. as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Logan University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Logan University's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities For The Audit Of The Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule Of Department Of Education Composite Score Calculation is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information 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 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2023, on our consideration of Logan University, Inc.'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 Logan University, Inc.'s internal control over financial reporting and compliance.

RubinBrown LLP

January 12, 2023

LOGAN UNIVERSITY, INC.

STATEMENT OF FINANCIAL POSITION

Assets

| | August 31, | |
|-----------------------------------------------------------------|----------------|----------------|
| | 2022 | 2021 |
| Assets | | |
| Cash and cash equivalents | | |
| Unrestricted | \$ 1,904,917 | \$ 3,280,684 |
| Restricted | 634,757 | 824,979 |
| | 2,539,674 | 4,105,663 |
| Accounts receivable, net | 201,001 | 185,320 |
| Contributions receivable, net | 1,511,505 | 1,112,786 |
| Student loans receivable | 1,234,081 | 1,819,095 |
| Prepaid expenses | 951,145 | 668,731 |
| Property and equipment, net | 38,235,016 | 35,374,027 |
| Investments | 56,617,795 | 66,378,535 |
| Interest rate swap | 529,872 | — |
| Cash surrender value of life insurance policies | 599,356 | 568,741 |
| Other assets | 8,650 | 10,790 |
| Beneficial interest in Logan University Education Foundation | 10,083 | 10,083 |
| | \$ 102,438,178 | \$ 110,233,771 |
| | \$ 102,438,178 | \$ 110,233,771 |

Liabilities And Net Assets

| | | |
|---------------------------------------|----------------|----------------|
| Liabilities | | |
| Accounts payable | \$ 2,084,693 | \$ 631,233 |
| Accrued liabilities | 929,235 | 1,558,865 |
| Deferred revenue | 789,536 | 841,256 |
| Government grants refundable | 1,541,321 | 2,184,349 |
| Total Liabilities | 5,344,785 | 5,215,703 |
| Net Assets | | |
| Net assets without donor restrictions | 94,980,655 | 102,332,071 |
| Net assets with donor restrictions | 2,112,738 | 2,685,997 |
| Total Net Assets | 97,093,393 | 105,018,068 |
| | \$ 102,438,178 | \$ 110,233,771 |
| | \$ 102,438,178 | \$ 110,233,771 |

LOGAN UNIVERSITY, INC.

STATEMENT OF ACTIVITIES

For The Years Ended August 31,

| | 2022 | | | 2021 | | |
|--------------------------------------------------------|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues And Support | | | | | | |
| Tuition and fees | \$ 39,431,202 | \$ — | \$ 39,431,202 | \$ 38,391,106 | \$ — | \$ 38,391,106 |
| Less: Instructional aid | (901,906) | — | (901,906) | (887,642) | — | (887,642) |
| Net tuition and fees | 38,529,296 | — | 38,529,296 | 37,503,464 | — | 37,503,464 |
| Sales and services of educational activities | 967,284 | — | 967,284 | 711,435 | — | 711,435 |
| Other revenue sources | 472,059 | — | 472,059 | 103,200 | — | 103,200 |
| Gifts, grants and contracts | 402,529 | 101,443 | 503,972 | 1,800,603 | 438,548 | 2,239,151 |
| Capital campaign | 11,800 | 933,255 | 945,055 | — | — | — |
| Investment income | 884,916 | 35,626 | 920,542 | 752,781 | 27,550 | 780,331 |
| Loss on sale of property and equipment | — | — | — | (1,656) | — | (1,656) |
| Net assets released from restrictions | 1,421,682 | (1,421,682) | — | 482,927 | (482,927) | — |
| Total Revenues And Support | 42,689,566 | (351,358) | 42,338,208 | 41,352,754 | (16,829) | 41,335,925 |
| Operating Expenses | | | | | | |
| Educational activities | | | | | | |
| Instruction | 10,093,587 | — | 10,093,587 | 9,668,959 | — | 9,668,959 |
| Academic support | 7,362,101 | — | 7,362,101 | 7,125,234 | — | 7,125,234 |
| Student services | 5,711,784 | — | 5,711,784 | 4,522,666 | — | 4,522,666 |
| Total educational activities | 23,167,472 | — | 23,167,472 | 21,316,859 | — | 21,316,859 |
| Research | 490,604 | — | 490,604 | 433,107 | — | 433,107 |
| Public service | 1,418,277 | — | 1,418,277 | 750,901 | — | 750,901 |
| Student grant expense | — | — | — | 1,278,497 | — | 1,278,497 |
| Institutional support | 11,973,901 | — | 11,973,901 | 10,048,406 | — | 10,048,406 |
| Operation and maintenance of plant | 2,813,868 | — | 2,813,868 | 2,673,882 | — | 2,673,882 |
| Total Operating Expenses | 39,864,122 | — | 39,864,122 | 36,501,652 | — | 36,501,652 |
| Change In Net Assets From Operations | 2,825,444 | (351,358) | 2,474,086 | 4,851,102 | (16,829) | 4,834,273 |
| Depreciation | (2,999,895) | — | (2,999,895) | (2,929,864) | — | (2,929,864) |
| Net Unrealized Gain (Loss) On Investments | (9,475,736) | (247,239) | (9,722,975) | 5,662,145 | 93,492 | 5,755,637 |
| Net Realized Gain On Investments | 1,768,899 | 25,338 | 1,794,237 | 784,651 | 18,276 | 802,927 |
| Change In Value Of Interest Rate Swap Contract | 529,872 | — | 529,872 | — | — | — |
| Forgiveness Of Paycheck Protection Program Loan | — | — | — | 3,180,000 | — | 3,180,000 |
| Change In Net Assets | (7,351,416) | (573,259) | (7,924,675) | 11,548,034 | 94,939 | 11,642,973 |
| Net Assets, Beginning Of Year | 102,332,071 | 2,685,997 | 105,018,068 | 90,784,037 | 2,591,058 | 93,375,095 |
| Net Assets, End Of Year | \$ 94,980,655 | \$ 2,112,738 | \$ 97,093,393 | \$ 102,332,071 | \$ 2,685,997 | \$ 105,018,068 |

LOGAN UNIVERSITY, INC.

STATEMENT OF CASH FLOWS

| | For The Years Ended August 31, | |
|-------------------------------------------------------------------------------------------|-----------------------------------|---------------------|
| | 2022 | 2021 |
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ (7,924,675) | \$ 11,642,973 |
| Adjustments to reconcile increase in net assets to net cash from operating activities: | | |
| Depreciation | 2,999,895 | 2,929,864 |
| Revenues restricted for scholarships and endowment | (55,383) | (297,313) |
| Forgiveness of PPP loan | — | (3,180,000) |
| (Gain) loss on sale of property and equipment | — | 1,656 |
| Net unrealized gains on investments | 9,722,975 | (5,755,637) |
| Net realized gain on investments | (1,794,237) | (802,927) |
| Change in value of interest rate swap | (529,872) | — |
| Changes in assets and liabilities: | | |
| Accounts receivable | (15,681) | 129,308 |
| Contributions receivable | (398,719) | 17,991 |
| Student loans receivable | 585,014 | 596,865 |
| Prepaid expenses | (282,414) | (167,417) |
| Cash surrender value of life insurance | (30,615) | (29,608) |
| Other assets | 2,140 | 11,954 |
| Accounts payable | 680,913 | (334,143) |
| Accrued liabilities | (629,630) | 725,711 |
| Deferred revenue | (51,720) | 258,384 |
| Government grants refundable | (643,028) | (744,625) |
| Net Cash Provided By Operating Activities | 1,634,963 | 5,003,036 |
| Cash Flows From Investing Activities | | |
| Purchase of property and equipment | (5,088,337) | (3,689,866) |
| Purchase of investments | (15,887,241) | (19,127,642) |
| Proceeds from sales of investments | 17,719,243 | 16,467,983 |
| Net Cash Used In Investing Activities | (3,256,335) | (6,349,525) |
| Cash Flows Provided By Financing Activities | | |
| Proceeds restricted for scholarships and endowment | 55,383 | 297,313 |
| Decrease In Cash And Cash Equivalents | (1,565,989) | (1,049,176) |
| Cash And Cash Equivalents And Restricted Cash- Beginning Of Year | 4,105,663 | 5,154,839 |
| Cash And Cash Equivalents And Restricted Cash - End Of Year | \$ 2,539,674 | \$ 4,105,663 |
| Supplemental Disclosure Of Cash Flow Information (Note 16) | | |

LOGAN UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 And 2021

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 as Logan College of Chiropractic, offering a full time on campus Doctor of Chiropractic degree. It later expanded to become Logan University, adding the College of Health Sciences which offers several, mostly online, Bachelors, Masters and Doctorate level programs. The University is located on a 121-acre campus in Chesterfield, Missouri. The University has an enrollment of 1,735 and 1,878 students as of August 31, 2022 and 2021, respectively, and is primarily supported by tuition, contributions and earnings from investments. The University operates several 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 Assets 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 endowments. 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.

Operating And Non-Operating Activity

Operating results in the statement of activities reflect all transactions except for depreciation, net unrealized and realized gains on investments and forgiveness of the Paycheck Protection Program loan.

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 \$634,757 and \$824,978 as of August 31, 2022 and 2021, 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. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until the conditions on which they depend have been met. The University reports such gifts 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, 2022 and 2021, management has determined that no allowance for doubtful accounts is deemed necessary.

The University has received conditional contributions approximating \$1,375,000 that have not been recognized at August 31, 2022 as conditions had not been met. The majority of these conditional contributions is related to a bequest.

Contributed non-financial assets received by the University are recorded at fair value at the date of donation within revenue and support without donor restrictions. The University may generally utilize three valuation methods in a given fiscal year, which would include 1) current price located on a publicly available website if the item is a match for the website items when donated; 2) percentage of the price located on a publicly available website if the item donated has been used but the item located online is new; 3) the current average price located on a publicly available website for similar items if a group of items are donated and the items range in price depending on size, type, brand, etc.

If a donated non-financial asset is not utilized for an academic or other institutionally related purpose, the University's policy is to monetize the contribution upon receipt. For the year ended August 31, 2022, there were no material contributions of non-financial assets.

Cost-Reimbursable Grants

A portion of the University's revenue and support is derived from cost-reimbursable federal and state contracts, which are conditional upon the incurrence of allowable qualifying expenses. Amounts received prior to incurring qualifying expenditures would be reported as refundable advances in the statement of financial position.

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, 2022 or 2021.

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. No impairments were present at August 31, 2022.

Paycheck Protection Program Loan

During 2020, The University received a loan that was part of the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). In accordance with the requirements of the CARES Act, the University used the loan proceeds exclusively for qualified expenses under PPP.

The University considered the PPP loan to be debt, subject to the provisions of Accounting Standards Codification (ASC) 470, *Debt*. The University did not impute interest at a market rate as transactions where interest rates are not prescribed by governmental agencies are not subject to the accounting guidance on imputing interest.

The loan remained recorded as a liability until the loan was forgiven and the debtor was legally released. The PPP loan was forgiven in the prior fiscal year (Note 7).

Deferred Revenue

Tuition payments received prior to August 31 that relate to the subsequent school year are recorded as deferred revenue until earned in the subsequent period.

Revenue Recognition

The University follows Accounting Standards Update (ASU) 2014-09: *Revenue from Contracts with Customers* which requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The University has elected to apply this to all contracts existing at the date of application. The University has determined that there was no significant impact under the new ASU on revenues generated from Fall, Spring, or Summer tuition and fees. Additionally, there was no significant impact under the new ASU on revenues generated from sales and services of educational activities.

The University's revenue is derived primarily from academic programs taught to students. Tuition and related fees are recognized as revenue over the course of the academic term or program for which it is earned. Generally, the University bills students as they complete the registration process, prior to the beginning of the trimester, and students' accounts receivable are due in full on the first day of classes. If a student drops courses or withdraws altogether, the student is entitled to a full, partial or no refund of charges based on the duration of time that has passed from the first day of classes.

Non-tuition related revenue is recognized as services are performed or goods are delivered.

The University determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid in accordance with the University's policies for granting certain merit based aid.

From time to time the University will incur student credit balances due to overpayment or payment in advance of the beginning of a trimester and student deposits indicating plans to matriculate to a future academic term. These amounts are excluded from revenues and are recorded as liabilities until they are earned or refunded. As of August 31, 2022, 2021 and 2020, the University has a liability for prepayment, refunds and deposits from students of \$516,996, \$501,242 and \$320,071, respectively, which are included in deferred revenue in the statements of financial position.

Beneficial Interest In Logan University Education Foundation

The University has a beneficial interest in the assets of Logan University Education Foundation (the 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.

The Foundation is considered a related party to the University. During the years ended August 31, 2022 and 2021, there were no transactions between the University and the Foundation. There are no other entities that are classified as related parties to the University, other than the unsecured related party contributions receivable, which are disclosed in note 3.

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, 2022 and 2021 were \$646,130 and \$440,000, respectively.

LOGAN UNIVERSITY, INC.

Notes To Financial Statements (Continued)

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.

2. Accounts Receivable

Accounts receivable consists of the following:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|-------------------|-------------------|
| Health Center Patients | \$ 49,304 | \$ 46,952 |
| Students | 190,308 | 202,585 |
| Purser Center Receivable | 38,889 | 783 |
| | <u>278,501</u> | <u>250,320</u> |
| Less: Allowance for doubtful accounts | <u>77,500</u> | <u>65,000</u> |
| | <u>\$ 201,001</u> | <u>\$ 185,320</u> |

3. Contributions Receivable

Contributions receivable consist of the following:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------------------------|---------------------|---------------------|
| Less than one year | | |
| Contributions | \$ 75,176 | \$ 68,509 |
| Capital campaign | 149,183 | — |
| | <u>224,359</u> | <u>68,509</u> |
| One to five years | | |
| Contributions | 1,250,799 | 1,202,887 |
| Capital campaign | 185,383 | — |
| | <u>1,436,182</u> | <u>1,202,887</u> |
| More than five years | | |
| Contributions | 9,250 | 51,932 |
| Capital campaign | 26,300 | — |
| | <u>35,550</u> | <u>51,932</u> |
| Discount to record promise to give at present value | <u>(184,586)</u> | <u>(210,542)</u> |
| | <u>\$ 1,511,505</u> | <u>\$ 1,112,786</u> |

A discount rate of 4.6% and 2.5% was used to record unconditional promises-to-give at the present value of the future cash flows as of August 31, 2022 and 2021, respectively.

At August 31, 2022, there was a total of \$101,240 of unsecured related party contributions receivable from members of the Board of Trustees and employees designated as members of the President's Cabinet.

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 and payable to the federal government, net of amounts returned, totaled \$1,541,321 and \$2,184,349 as of August 31, 2022 and 2021, 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>2022</u> | <u>2021</u> |
|---------------------------------------|----------------------------|----------------------------|
| Loan balances not yet in repayment | \$ 26,000 | \$ 101,720 |
| Loan balances in repayment | <u>1,208,081</u> | <u>1,717,375</u> |
| Total student loan receivables | <u>\$ 1,234,081</u> | <u>\$ 1,819,095</u> |

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, 2022 | | | | | |
| Student Loans | \$ 26,000 | \$ 972,487 | \$ 57,337 | \$ 178,257 | <u>\$ 1,234,081</u> |
| August 31, 2021 | | | | | |
| Student Loans | \$ 101,720 | \$ 1,338,101 | \$ 43,618 | \$ 335,656 | <u>\$ 1,819,095</u> |

5. Property And Equipment

Property and equipment consists of the following:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|----------------------|----------------------|
| Land | \$ 1,997,652 | \$ 1,997,652 |
| Buildings | 58,023,892 | 56,908,447 |
| Equipment | 17,478,061 | 16,672,938 |
| Vehicles | 331,776 | 331,776 |
| Leasehold improvements | 417,903 | 417,903 |
| Construction in progress | 5,716,215 | 1,775,900 |
| | <u>83,965,499</u> | <u>78,104,616</u> |
| Less: Accumulated depreciation | <u>45,730,483</u> | <u>42,730,589</u> |
| | <u>\$ 38,235,016</u> | <u>\$ 35,374,027</u> |

Depreciation expense was \$2,999,895 and \$2,929,864 for the years ended August 31, 2022 and 2021, respectively.

6. Investments And Fair Value Measurements

Investments consist of the following:

| | <u>2022</u> | <u>2021</u> |
|----------------------------|----------------------|----------------------|
| Money market funds | \$ 225,193 | \$ 202,043 |
| U.S. treasury securities | 2,090,365 | 75,588 |
| U.S. agency securities | 77,028 | 90,953 |
| Mortgage-backed securities | 26,760,442 | 31,528,027 |
| Asset-backed securities | 631,885 | 561,583 |
| Corporate fixed income | 1,593,969 | 1,271,094 |
| Bond mutual funds | 4,476,626 | 5,646,918 |
| Exchange traded funds | 5,769,218 | 7,019,590 |
| Equity mutual funds | 11,611,132 | 16,062,833 |
| Equity securities | 3,339,229 | 3,871,233 |
| Real estate | 42,708 | 48,673 |
| | <u>\$ 56,617,795</u> | <u>\$ 66,378,535</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, 2022 and 2021, unrealized losses of \$9,722,975 and unrealized gains \$5,755,637, respectively, were recorded to adjust the investments to fair value. The total cost basis of investments at August 31, 2022 and 2021 amounted to \$56,617,795 and \$55,372,408, 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 fair value of investments in U.S. treasury, U.S. agency, mortgage-backed and asset-backed securities, and corporate fixed income is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

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 University has measured the fair value of the interest rate swap contract based on prior, current and future interest rate yields.

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

| | August 31, 2022 | | | |
|-----------------------------------|----------------------|----------------------|-------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | \$ 225,193 | \$ — | \$ — | \$ 225,193 |
| U.S. treasury securities | — | 2,090,365 | — | 2,090,365 |
| U.S. agency securities | — | 77,028 | — | 77,028 |
| Mortgage-backed securities | — | 26,760,442 | — | 26,760,442 |
| Asset-backed securities | — | 631,885 | — | 631,885 |
| Corporate fixed income | — | 1,593,969 | — | 1,593,969 |
| Bond mutual funds | 4,476,626 | — | — | 4,476,626 |
| Exchange traded funds | 5,769,218 | — | — | 5,769,218 |
| Equity mutual funds | 11,611,132 | — | — | 11,611,132 |
| Equity securities | 3,339,229 | — | — | 3,339,229 |
| Real estate | 42,708 | — | — | 42,708 |
| Interest rate swap | — | — | 529,872 | 529,872 |
| Total assets at fair value | \$ 25,464,106 | \$ 31,153,689 | \$ 529,872 | \$ 57,147,667 |

| | August 31, 2021 | | | |
|-----------------------------------|----------------------|----------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | \$ 202,043 | \$ — | \$ — | \$ 202,043 |
| U.S. treasury securities | — | 75,588 | — | 75,588 |
| U.S. agency securities | — | 90,953 | — | 90,953 |
| Mortgage-backed securities | — | 31,528,027 | — | 31,528,027 |
| Asset-backed securities | — | 561,583 | — | 561,583 |
| Corporate fixed income | — | 1,271,094 | — | 1,271,094 |
| Bond mutual funds | 5,646,918 | — | — | 5,646,918 |
| Exchange traded funds | 7,019,590 | — | — | 7,019,590 |
| Equity mutual funds | 16,062,833 | — | — | 16,062,833 |
| Equity securities | 3,871,233 | — | — | 3,871,233 |
| Real estate | 48,673 | — | — | 48,673 |
| Total assets at fair value | \$ 32,802,617 | \$ 33,527,245 | \$ — | \$ 66,378,535 |

LOGAN UNIVERSITY, INC.

Notes To Financial Statements (Continued)

The roll forward of assets valued at level 3 for the year ended August 31, 2022 is displayed below. There were no re-categorizations of assets within the fair value hierarchy for the years ended August 31, 2022 or 2021.

| | | |
|---------------------------------|----|-----------------------|
| Fair value at beginning of year | \$ | — |
| Change in value of contract | | <u>529,872</u> |
| Fair value at end of year | \$ | <u><u>529,872</u></u> |

7. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following:

| | <u>August 31,</u> | |
|--------------------------------------|----------------------|-----------------------|
| | <u>2022</u> | <u>2021</u> |
| Undesignated | \$ 28,806,576 | \$ 34,177,201 |
| Board designated for endowment | 27,939,063 | 32,780,843 |
| Investment in property and equipment | <u>38,235,016</u> | <u>35,374,027</u> |
| | <u>\$ 94,980,655</u> | <u>\$ 102,332,071</u> |

Net Assets With Donor Restrictions

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

| | <u>August 31,</u> | |
|-------------------------------------------|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Program Restrictions | | |
| Scholarships | \$ 319,270 | \$ 817,936 |
| Educational activities | 7,890 | 53,995 |
| Capital campaign | — | 12,000 |
| General activities and other | <u>42,231</u> | <u>114,102</u> |
| | <u>369,391</u> | <u>998,033</u> |
| Assets restricted for perpetual endowment | <u>1,743,347</u> | <u>1,687,964</u> |
| | <u>\$ 2,112,738</u> | <u>\$ 2,685,997</u> |

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

| | <u>2022</u> | <u>2021</u> |
|----------------------------|---------------------|-------------------|
| Scholarships | \$ 341,281 | \$ 343,995 |
| Educational Activities | 46,105 | 52,917 |
| Other Purpose Restrictions | <u>1,034,296</u> | <u>86,015</u> |
| | <u>\$ 1,421,682</u> | <u>\$ 482,927</u> |

LOGAN UNIVERSITY, INC.

Notes To Financial Statements (Continued)

8. Functional Expense Allocations

The functional expense allocations of the University are as follows for the years ended August 31, 2022 and 2021:

| | 2022 | | | | | | |
|----------------------------|------------------------|----------------|------------|------------------------------|-----------------------|------------------------------------|----------------|
| | Educational Activities | Public Service | Research | Total Educational Activities | Institutional Support | Operation Of Plant And Maintenance | Total Expenses |
| Salaries and benefits | \$ 18,803,660 | \$ 616,912 | \$ 347,101 | \$ 19,767,673 | \$ 5,300,222 | \$ 1,142,005 | \$ 26,209,900 |
| Operating expenses | 4,363,812 | 801,365 | 143,503 | 5,308,680 | 6,673,679 | 1,671,863 | 13,654,222 |
| Depreciation | — | — | — | — | — | 2,999,895 | 2,999,895 |
| Other | — | — | — | — | — | — | — |
| Total Expenses | 23,167,472 | 1,418,277 | 490,604 | 25,076,353 | 11,973,901 | 5,813,763 | 42,864,017 |
| Allocation of plant | 1,336,587 | — | 23,449 | 1,360,036 | 1,453,832 | (2,813,868) | — |
| Allocation of depreciation | 1,424,950 | — | 24,999 | 1,449,949 | 1,549,946 | (2,999,895) | — |
| | \$ 25,929,009 | \$ 1,418,277 | \$ 539,052 | \$ 27,886,338 | \$ 14,977,679 | \$ — | \$ 42,864,017 |

| | 2021 | | | | | | | |
|----------------------------|------------------------|----------------|------------|-----------------------|------------------------------|-----------------------|------------------------------------|----------------|
| | Educational Activities | Public Service | Research | Student Grant Expense | Total Educational Activities | Institutional Support | Operation Of Plant And Maintenance | Total Expenses |
| Salaries and benefits | \$ 15,967,019 | \$ 559,263 | \$ 329,932 | \$ — | \$ 16,856,214 | \$ 4,638,863 | \$ 1,039,047 | \$ 22,534,124 |
| Operating expenses | 5,349,840 | 191,638 | 103,175 | — | 5,644,653 | 5,409,543 | 1,634,835 | 12,689,031 |
| Depreciation | — | — | — | — | — | — | 2,929,864 | 2,929,864 |
| Other | — | — | — | 1,278,497 | 1,278,497 | — | — | 1,278,497 |
| Total Expenses | 21,316,859 | 750,901 | 433,107 | 1,278,497 | 23,779,364 | 10,048,406 | 5,603,746 | 39,431,516 |
| Allocation of plant | 1,244,738 | — | — | — | 1,244,738 | 1,429,144 | (2,673,882) | — |
| Allocation of depreciation | 1,363,902 | — | — | — | 1,363,902 | 1,565,962 | (2,929,864) | — |
| | \$ 23,925,499 | \$ 750,901 | \$ 433,107 | \$ 1,278,497 | \$ 26,388,004 | \$ 13,043,512 | \$ — | \$ 39,431,516 |

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, 2022 and 2021, the University has the following financial assets available for expenditures within one year:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 1,904,917 | \$ 3,280,684 |
| Accounts receivable, net | 201,001 | 185,320 |
| Investments | <u>26,437,794</u> | <u>30,793,930</u> |
| <u>Total financial assets</u> | <u>\$ 28,543,712</u> | <u>\$ 34,259,934</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 \$30 million as of August 31, 2022. Approximately \$28 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.

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, 2022 and 2021, amounted to \$288,952 and \$286,545, respectively.

Total future minimum lease payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2023 | \$ 288,444 |
| 2024 | 287,529 |
| 2025 | 267,161 |
| 2026 | 22,993 |
| | <u>\$ 866,127</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, 2022 and 2021 were \$853,945 and \$803,032, 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.

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

Endowment assets consist of the following:

| | 2022 | | | |
|------------------------------|-------------------------------|-------------------------|---------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | | Total |
| | | Earnings | Corpus | |
| Scholarship | \$ — | \$ 65,586 | \$ 1,743,347 | \$ 1,808,933 |
| Board-designated endowment | 27,939,063 | — | — | 27,939,063 |
| Total endowment funds | \$ 27,939,063 | \$ 65,586 | \$ 1,743,347 | \$ 29,747,996 |

| | 2021 | | | |
|------------------------------|-------------------------------|-------------------------|---------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | | Total |
| | | Earnings | Corpus | |
| Scholarship | \$ — | \$ 289,772 | \$ 1,687,964 | \$ 1,977,736 |
| Board-designated endowment | 32,780,843 | — | — | 32,780,843 |
| Total endowment funds | \$ 32,780,843 | \$ 289,772 | \$ 1,687,964 | \$ 34,758,579 |

Changes in endowment assets are as follows:

| | 2022 | | | |
|------------------------------------------------------|-------------------------------|-------------------------|---------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | | Total |
| | | Earnings | Corpus | |
| Endowment assets, beginning of year | \$ 32,780,843 | \$ 289,772 | \$ 1,687,964 | \$ 34,758,579 |
| Investment return | | | | |
| Interest and dividends, net | 875,743 | 35,626 | — | 911,369 |
| Net realized gain | 1,758,916 | 25,338 | — | 1,784,254 |
| Net unrealized loss | (7,476,439) | (247,239) | — | (7,723,678) |
| Total investment return | (4,841,780) | (186,275) | — | (5,028,055) |
| Additions - gifts | — | — | 55,383 | 55,383 |
| Appropriation of endowment assets for expenditure | — | (37,911) | — | (37,911) |
| Endowment assets, end of year | \$ 27,939,063 | \$ 65,586 | \$ 1,743,347 | \$ 29,747,996 |

| | 2021 | | | |
|------------------------------------------------------|-------------------------------|-------------------------|---------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | | Total |
| | | Earnings | Corpus | |
| Endowment assets, beginning of year | \$ 25,642,102 | \$ 178,179 | \$ 1,390,651 | \$ 27,210,932 |
| Investment return | | | | |
| Interest and dividends, net | 740,396 | 27,550 | — | 767,946 |
| Net realized gain | 776,557 | 18,276 | — | 794,833 |
| Net unrealized gain | 5,621,788 | 93,492 | — | 5,715,280 |
| Total investment return | 7,138,741 | 139,318 | — | 7,278,059 |
| Additions - gifts | — | — | 297,313 | 297,313 |
| Appropriation of endowment assets for expenditure | — | (27,725) | — | (27,725) |
| Endowment assets, end of year | \$ 32,780,843 | \$ 289,772 | \$ 1,687,964 | \$ 34,758,579 |

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

14. Commitments

Long-Term Employment Contracts

The University routinely enters into annual and multi-year employment contracts with faculty and staff.

Construction Contract

The University entered into a construction contract with a third party to renovate the science and administration buildings for approximately \$29,000,000. Renovations began during 2022 and are expected to be completed in 2024.

Lease Commitments

During 2020, the University entered into a 30-year lease agreement with the City of Chesterfield (the City), with an option to extend an additional 30 years. During 2021, the University, as the lessor, purchased and subsequently leased a parcel of land to the City for \$1 to be operated as a park. As a condition of the lease, the City, as the lessee, is required to make various leasehold improvements within three years from lease inception. As of the date these financial statements were available for issuance, the leasehold improvements had not been completed and therefore the lease transaction has not been reflected in the financial statements.

15. Supplemental Cash Flow Information

As of August 31, 2022 and 2021, \$772,547 and \$200,620, respectively, of purchases of property and equipment were included in accounts payable and accrued liabilities.

16. Bonds Payable

During 2022, the University entered into a bond agreement with Health and Educational Facilities Authority at the State of Missouri (MOHEFA) in an amount not to exceed \$22,500,000. The bonds were funded through issuance of Educational Facilities Revenue Bonds Series 2022, pursuant to a bond trust indenture between MOHEFA and the bond trustee. The bonds were subsequently sold in a tax-exempt private placement to the bond purchaser. Proceeds from the bonds are required to be used by the University for capital improvements and bond issuance costs and must be drawn down completely by May 31, 2024. If the full balance of the proceeds of the bond have not been drawn down by this date, the residual balance will be drawn and set aside in a debt-service fund to offset future payment obligations as the bonds become due.

As of August 31, 2022, the University had drawn approximately \$258,329 on the bond for the purpose of paying bond issuance costs. The unamortized bond issuance costs offset the outstanding debt in its entirety on the statement of financial position.

The bonds are a special limited obligation of MOHEFA, payable from payments the University makes under the bond agreement and are secured primarily by a deed of trust on the University's campus. The bonds bear interest at a floating rate of 1.65% plus 79% of the SOFR Index (adjusted monthly). Interest payments on the debt are made by the University on a monthly basis to the bond trustee. During 2022, interest of \$2,122 was paid and was capitalized as part of the cost of the renovation project. The bonds can be optionally redeemed by the University at any time with no prepayment penalty and are subject to a mandatory monthly redemption of \$93,750 beginning in June 2024 with final redemption in May 2044.

Total scheduled bond principal payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|----------------------|
| 2023 | \$ — |
| 2024 | 281,250 |
| 2025 | 1,125,000 |
| 2026 | 1,125,000 |
| 2027 | 1,125,000 |
| Thereafter | 18,843,750 |
| | <u>\$ 22,500,000</u> |

The bond purchaser agreed to an initial purchase period ending on May 1, 2029 with subsequent one-year renewals each May 1. The bond purchaser is required to give the University 120 days notice prior to the end of each purchase period of their intent to tender the bonds. As a condition of the purchase, the University is required to meet certain covenants, including a minimum liquidity covenant. The minimum liquidity covenant requires the University maintain no less than 1.75 times the then-outstanding principal amount of the bonds in unrestricted cash and investments, measured twice annually on February 28 and August 31. The University was in compliance with this requirement and all other covenant requirements as of August 31, 2022.

During 2022, in connection with the bond issuance described above, the University entered into an interest rate swap agreement to manage exposure to interest rate fluctuations. The swap contract is a 2-year forward agreement with an effective date of May 1, 2024 and terminating May 1, 2029. The notional amount of the swap contract is \$22,500,000 with a fixed interest rate of 1.58% with a credit spread of 1.3%. As of August 31, 2022, the fair value of the interest rate swap contract was \$529,872 on the statement of financial position.

LOGAN UNIVERSITY

U.S. DEPARTMENT OF EDUCATION COMPOSITE SCORE For The Year Ended August 31, 2022

| | |
|--------------------------------------------------------------------------------------------|-----------------------|
| Expendable Net Assets | |
| Net Assets Without Donor Restrictions | \$ 94,980,655 |
| Net Assets With Donor Restrictions | 2,112,738 |
| Net Assets With Donor Restrictions - Restricted in perpetuity | (1,743,347) |
| Annuities, term endowments and life income funds with donor restrictions | — |
| Intangible Assets | — |
| Pre-implementation Net Property and Equipment | (32,518,801) |
| Post-implementation Net Property and Equipment | (5,716,215) |
| 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 | (101,240) |
| Total Expendable Net Assets | \$ 57,013,790 |
| Expenses and Losses Without Donor Restrictions | |
| Total operating expenses without donor restrictions | \$ 42,864,017 |
| 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 | \$ 42,864,017 |
| Modified Net Assets | |
| Net Assets Without Donor Restrictions | \$ 94,980,655 |
| Net Assets With Donor Restrictions | 2,112,738 |
| Intangible Assets | — |
| Unsecured Related Party Receivables | — |
| Total Modified Net Assets | \$ 97,093,393 |
| Modified Assets | |
| Total Assets | \$ 102,438,178 |
| Intangible Assets | — |
| Unsecured Related Party Receivables | — |
| Total Modified Assets | \$ 102,438,178 |
| Change in Net Assets Without Donor Restrictions | \$ (7,351,416) |
| Revenues and Gains Without Donor Restrictions | |
| Total revenues and gains without donor restrictions, including investment gains | 43,036,783 |
| Net Assets Released from Restrictions | 1,421,682 |
| 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 | \$ 44,458,465 |

LOGAN UNIVERSITY

U.S. DEPARTMENT OF EDUCATION COMPOSITE SCORE For The Year Ended August 31, 2022

| | Ratio | Strength Factor | Weight | Composite Score |
|--------------------------------------------------------|--------------|----------------------------|---------------|----------------------------|
| Primary Reserve Ratio | | | | |
| <u>Expendable Net Assets</u> | | | | |
| Total Expenses and Losses Without Donor Restrictions | 1.3301 | 3.0000 | 40% | 1.2000 |
| Equity Ratio | | | | |
| <u>Modified Assets</u> | | | | |
| Modified Net Assets | 0.9478 | 3.0000 | 40% | 1.2000 |
| Net Income Ratio | | | | |
| <u>Change in Net Assets Without Donor Restrictions</u> | | | | |
| Total Revenue and Gains Without Donor Restrictions | (0.1654) | (1.0000) | 20% | (0.2000) |
| Net Composite Score | | | | <u><u>2.20</u></u> |