

**SAINT LOUIS UNIVERSITY**

Consolidated Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)



**SAINT LOUIS  
UNIVERSITY™**

— EST. 1818 —



KPMG LLP  
Suite 900  
10 South Broadway  
St. Louis, MO 63102-1761

## Independent Auditors' Report

The Board of Trustees  
Saint Louis University:

We have audited the accompanying consolidated financial statements of Saint Louis University, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Saint Louis University as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



*Emphasis of Matters*

As discussed in note 1(cc) to the consolidated financial statements, Saint Louis University adopted new accounting guidance for Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*; ASU 2016-18, *Restricted Cash*; ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* and ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. Our opinion is not modified with respect to these matters.

KPMG LLP

St. Louis, Missouri  
October 30, 2020

**SAINT LOUIS UNIVERSITY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
AS OF JUNE 30,  
(000's Omitted)

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 103,056	\$ 98,641
Accounts receivable, net	107,627	112,666
Prepaid expenses	7,041	4,557
Investments	1,208,564	1,249,813
Notes receivable	30,216	38,923
Unexpended bond proceeds	36,197	112,920
Funds held by trustees	69,296	69,228
Land, buildings, and equipment, net	810,689	723,499
Right of use assets - operating leases	9,876	-
Right of use assets - financing leases	31,168	-
Other assets, net	86,333	86,441
Total assets	<u>\$ 2,500,063</u>	<u>\$ 2,496,688</u>
<b>Liabilities and Net Assets:</b>		
Liabilities:		
Accounts payable	\$ 39,908	\$ 41,396
Accrued payroll and benefits	45,641	57,353
Deposits and deferred revenues	26,641	38,443
Line of credit payable	79,250	-
Other accrued liabilities	91,844	85,470
Lease liabilities - operating	10,269	-
Lease liabilities - financing	31,168	-
Notes and bonds payable	517,036	526,868
U.S. government refundable grants	18,529	22,346
Total liabilities	<u>860,286</u>	<u>771,876</u>
Net assets:		
Without donor restrictions	1,127,816	1,206,267
With donor restrictions	511,961	518,545
Total net assets	<u>1,639,777</u>	<u>1,724,812</u>
Total liabilities and net assets	<u>\$ 2,500,063</u>	<u>\$ 2,496,688</u>

See Accompanying Notes to the Consolidated Financial Statements.

**SAINT LOUIS UNIVERSITY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
(000's omitted)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2020 Total</b>
Operating revenues and other support:			
Education and related activities:			
Tuition and fees, net of (\$196,961) scholarship allowances	\$ 267,260		\$ 267,260
Government grants and contracts	42,629		42,629
Contributions and private grants	28,088	\$ 6,808	34,896
Investment return, net	63,826		63,826
Auxiliary enterprises	50,078		50,078
Other	19,983		19,983
Total education and related activities	<u>471,864</u>	<u>6,808</u>	<u>478,672</u>
Patient care (net of contractual allowances and discounts)	363,719		363,719
Net assets released from restrictions	<u>3,426</u>	<u>(3,426)</u>	<u>—</u>
Total operating revenues and other support	<u>839,009</u>	<u>3,382</u>	<u>842,391</u>
Operating expenses:			
Salaries and benefits	573,690		573,690
Supplies, repairs, utilities, and other expenses	218,765		218,765
Depreciation and amortization	44,116		44,116
Interest expense	17,983		17,983
Total operating expenses	<u>854,554</u>		<u>854,554</u>
Net operating results	<u>(15,545)</u>	<u>3,382</u>	<u>(12,163)</u>
Nonoperating activities:			
Investment return net of amounts designated for operations	(62,200)	(24,439)	(86,639)
Donor restricted contributions and private grants		13,231	13,231
Other, net	(371)	1,242	871
Total nonoperating activities, net	<u>(62,571)</u>	<u>(9,966)</u>	<u>(72,537)</u>
Change in net assets	<u>(78,116)</u>	<u>(6,584)</u>	<u>(84,700)</u>
Net assets at beginning of year, as previously reported	1,206,267	518,545	1,724,812
Cumulative effect of accounting change	<u>(335)</u>		<u>(335)</u>
Net assets at beginning of year, as restated	<u>1,205,932</u>	<u>518,545</u>	<u>1,724,477</u>
Net assets at end of year	<u>\$ 1,127,816</u>	<u>\$ 511,961</u>	<u>\$ 1,639,777</u>

See Accompanying Notes to the Consolidated Financial Statements.

**SAINT LOUIS UNIVERSITY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(000's omitted)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2019 Total</b>
Operating revenues and other support:			
Education and related activities:			
Tuition and fees, net of (\$171,489) scholarship allowances	\$ 269,775		\$ 269,775
Government grants and contracts	40,749		40,749
Contributions and private grants	47,985	\$ 3,780	51,765
Investment return, net	60,746		60,746
Auxiliary enterprises	58,386		58,386
Other	16,825		16,825
Total education and related activities	<u>494,466</u>	<u>3,780</u>	<u>498,246</u>
Patient care (net of contractual allowances and discounts)	361,229		361,229
Net assets released from restrictions	<u>3,214</u>	<u>(3,214)</u>	<u>—</u>
Total operating revenues and other support	<u>858,909</u>	<u>566</u>	<u>859,475</u>
Operating expenses:			
Salaries and benefits	582,698		582,698
Supplies, repairs, utilities, and other expenses	216,181		216,181
Depreciation and amortization	42,325		42,325
Interest expense	16,159		16,159
Total operating expenses	<u>857,363</u>		<u>857,363</u>
Net operating results	<u>1,546</u>	<u>566</u>	<u>2,112</u>
Nonoperating activities:			
Investment return net of amounts designated for operations	(5,303)	4,700	(603)
Donor restricted contributions and private grants		14,032	14,032
Other, net	<u>(3,552)</u>	<u>2,153</u>	<u>(1,399)</u>
Total nonoperating activities, net	<u>(8,855)</u>	<u>20,885</u>	<u>12,030</u>
Change in net assets	(7,309)	21,451	14,142
Net assets at beginning of year	<u>1,213,576</u>	<u>497,094</u>	<u>1,710,670</u>
Net assets at end of year	<u>\$ 1,206,267</u>	<u>\$ 518,545</u>	<u>\$ 1,724,812</u>

See Accompanying Notes to the Consolidated Financial Statements.

**SAINT LOUIS UNIVERSITY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
YEARS ENDED JUNE 30,  
(000's Omitted)

	<u>2020</u>	<u>2019</u>
<b>Net cash flows from operating activities:</b>		
Increase / (decrease) in net assets	\$ (84,700)	\$ 14,142
Adjustments to reconcile change in net assets:		
Net losses on disposition of property and equipment	7,815	690
Depreciation and amortization	44,116	42,325
(Increase) / decrease in accounts receivable, net	8,382	(3,966)
Increase / (decrease) in accounts payable	(9,414)	5,426
Increase / (decrease) in accrued payroll and benefits	(12,602)	2,219
(Decrease) in deposits and deferred revenues	(11,802)	(494)
Increase / (decrease) in other accrued liabilities	(8,475)	5,136
(Increase) / decrease in other assets	3,088	(750)
Other changes in assets and liabilities	(6,353)	917
Contributions restricted for permanent endowment	(12,972)	(14,529)
Contributions restricted for acquisitions of property and equipment	(121)	(715)
Investment income restricted for long-term investment	(464)	(706)
Net (gains) / losses on long-term investments	41,615	(37,730)
Net losses on assets held by trustees	822	303
Net cash provided by / (used in) operating activities	<u>(41,065)</u>	<u>12,268</u>
<b>Net cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	540,994	875,767
Purchase of investments	(528,725)	(807,439)
Proceeds from disposition of property and equipment	347	293
(Increase) / decrease in unexpended bond proceeds	76,723	(112,438)
Purchase of property and equipment	<u>(138,275)</u>	<u>(63,688)</u>
Net cash used in investing activities	<u>(48,936)</u>	<u>(107,505)</u>
<b>Net cash flows from financing activities:</b>		
Issuance of notes receivable	(228)	(20,869)
Payments on notes receivable	8,886	3,945
Drawdown on line of credit	79,250	-
Issuance of notes and bonds payable	-	150,008
Payments on notes and bonds payable	(9,730)	(12,835)
Increase / (decrease) in cash overdrafts	6,732	(3,407)
Contributions restricted for permanent endowment	9,575	15,141
Contributions restricted for acquisitions of property and equipment	175	717
Investment income restricted for long-term investment	464	706
Net cash provided by financing activities	<u>95,124</u>	<u>133,406</u>
Net increase in cash, cash equivalents and restricted cash	5,123	38,169
Cash, cash equivalents and restricted cash, beginning of year	102,319	64,150
Cash, cash equivalents and restricted cash, end of year	<u>\$ 107,442</u>	<u>\$ 102,319</u>

See Accompanying Notes to the Consolidated Financial Statements.

**SAINT LOUIS UNIVERSITY**  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30,  
(000's Omitted)

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Supplemental data:		
Interest paid	\$ 22,621	\$ 15,761
Capital assets acquired through accounts payable	\$ 10,265	\$ 9,071
Cash and cash equivalents balance per Statement of Financial Position	\$ 103,056	\$ 98,641
Restricted cash included in Investments	<u>4,386</u>	<u>3,678</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 107,442</u>	<u>\$ 102,319</u>

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See Accompanying Notes to the Consolidated Financial Statements.



**(1) Summary of Significant Accounting Policies****(a) Organization**

Saint Louis University (the University) was founded in 1818. The University is a coeducational institution offering undergraduate and graduate programs in a variety of curricula. Professional degree programs include medicine, law, business, social work, allied health, nursing, and advanced dentistry.

In addition to its higher education mission, the University devotes substantial resources, facilities, and personnel to providing health care services in conjunction with the academic programs offered by the University at the Medical Center. The University operates medical practices staffed by the faculty of the University's School of Medicine. The members of the faculty of the School of Medicine who provide medical services are referred to as SLUCare.

**(b) Presentation of Consolidated Financial Statements**

The University's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (U.S. GAAP). The consolidated financial statements include, after elimination of all significant intercompany transactions, the accounts of Saint Louis University, SLUCare, Saint Louis University in Spain, and SLU Blocker.

**(c) Tax Exempt Status**

The University is generally exempt from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code).

The University recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The University has no uncertain tax positions that result in material unrecognized tax benefits as of June 30, 2020 and 2019.

H.R. 1, originally known as the Tax Cuts and Jobs Act (the Act), was signed into law on December 22, 2017. The Act contains various provisions affecting both for-profit and not-for-profit entities. Tax-exempt entities are impacted in part by the inclusion of a new excise tax on excess compensation for covered employees, changes to unrelated business income, as well as their ability to advance refund bonds. In addition, tax-exempt entities may be impacted through certain for-profit subsidiaries and/or joint ventures based on the Act's provisions for tax rates, measurement of deferred taxes as well as other limitations on deductions. The Act's provisions may also impact donor incentives for charitable giving. The Act for the year ended June 30, 2020 had an immaterial impact on the consolidated financial statements.

**(d) Measure of Operations**

Net operating results (change in net assets without donor restrictions from operating activity) in the Consolidated Statements of Activities reflect all transactions that change net assets without donor restrictions, except for activity associated with consolidated endowment investments, gain or loss on swap agreements and certain other nonrecurring items. In accordance with the University's endowment spending policy, as described in note 4, only the portion of total investment return distributed under this policy to meet operating needs is included in operating revenue. Operating investment return consists of dividends, interest, and realized/unrealized gains and losses on nonendowed investments.

**(e) Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(f) Tuition and Fee Revenue**

The University recognizes revenue from student tuition and fees within the fiscal year in which the academic term is predominantly conducted. Tuition and fees are reported net of scholarship allowances as these are considered a reduction of the tuition transaction price. A scholarship allowance represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Scholarship allowances were \$197.0 million and \$171.5 million for the years ended June 30, 2020 and 2019, respectively.

Students who withdraw from a course or from the University within the first two weeks receive a full refund which is deducted from tuition revenue. Deposits and deferred revenues include advance tuition deposits and amounts billed to students for future years.

Net tuition and fees revenue consisted of the following at June 30:

	<u>2020</u>		<u>2019</u>
	(000's omitted)		
Undergraduate	\$ 167,569	\$	167,342
Graduate	96,349		99,231
Other	3,342		3,202
Total	<u>\$ 267,260</u>	<u>\$</u>	<u>269,775</u>

**(g) Contributions**

Contributions, including unconditional promises to give, are reported at fair value at the date the promise or gift is received. A promise to give is conditional based on whether the agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets must be determinable. A conditional promise to give becomes an unconditional promise to give when the barriers in the agreement are overcome and is then reported at fair value. The gifts are reported as increases in net assets without donor restrictions, unless there are donor-imposed purposes, time restrictions, or are subject to board-determined spending policy on the gifted assets. When a donor restriction expires, net assets are released to net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying consolidated financial statements. The University reports expirations of donor restrictions on donated, acquired, or constructed long lived assets when the assets are placed in service.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts, as well as changes in the allowance for doubtful accounts for the gifts are included in contributions and private grants revenue.

**(h) Sponsored Awards**

The University receives sponsored program awards from various governmental and other sponsors. These agreements generally are considered non exchange transactions restricted by sponsors for certain purposes and are recognized as revenue when qualifying expenses are incurred and conditions under the agreements are met. Such revenues are recorded as either government grants and contracts or contributions and private grants. Conditional awards from governmental and other sponsors outstanding was \$27.4 million for 2020.

**(i) Auxiliary Enterprises Revenue**

Auxiliary enterprises consist of revenues of the University's residence halls, meal services, parking services, arena events and miscellaneous. Revenue is recognized when the service is provided or the event occurs. Discounts given to target upper classmen to live on campus of \$1.3 million and \$1.9 million for 2020 and 2019, respectively, are included as a reduction to the transaction price for auxiliary enterprises. Net room and board revenue included in this category was \$33.3 million and \$39.7 million for 2020 and 2019, respectively. As a result of the COVID-19 pandemic the University refunded approximately \$10 million in room and board and parking charges in 2020.

**(j) Net Patient Care Revenue**

Net patient care revenue includes clinical as well as contract revenue for patient services related to clinical, administrative and graduate medical education with various partners. SLUCare represents the primary source of this revenue.

Net patient care revenue is reported at the amount that reflects the consideration to which SLUCare expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (managed care and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. Performance obligations satisfied over time relate to inpatient acute care services. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and SLUCare does not believe it is required to provide additional goods or services to the patient.

SLUCare determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with SLUCare's policy, and/or implicit price concessions provided to uninsured patients. Estimates of contractual adjustments and discounts are based on contractual agreements, its discount policy (or policies), and historical experience. Estimate of implicit price concessions are based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. Physician services are paid based upon established fee schedules.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge SLUCare's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon SLUCare. In addition, contracts with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available) or as years are settled and are no longer subject to such audits, reviews, and investigations. During 2020 and 2019, changes to prior year variable consideration resulted in an immaterial change in net patient service revenue from successful appeals, cost report settlements, and other adjustments to prior year.

Generally patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. SLUCare estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

SLUCare provides care to patients regardless of their ability to pay. Therefore, SLUCare has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts SLUCare expects to collect based on its collection history with those patients.

Patients who meet SLUCare criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Net patient service revenue net of explicit allowances and discounts (but before implicit price concessions) recognized in the period by major payor is as follows as of June 30:

	<u>2020</u>		<u>2019</u>	
Medicare and Medicaid	51	%	50	%
Managed care	40		40	
Commercial and other	4		3	
Self-pay	5		7	
Total	<u>100</u>	<u>%</u>	<u>100</u>	<u>%</u>

Net patient service revenue recognized in the period by type of service and source is as follows as of June 30:

	<u>2020</u>		<u>2019</u>
	(000's omitted)		
Inpatient	\$ 109,855	\$	107,776
Outpatient/ambulatory	219,163		222,575
Contractual	<u>(171,860)</u>		<u>(166,189)</u>
Net patient service revenue	157,158		164,162
Contract Revenue	161,854		151,956
Graduate Medical Education	44,707		45,111
Total patient care (net of contractual allowance and discounts)	<u>\$ 363,719</u>	\$	<u>361,229</u>

The current reimbursement model for physician practice is not impacted by service location for the majority of payors. SLUCare grants credit without collateral to its patients, most of whom are residents in the communities that it serves and are insured under third-party payor agreements. The mix of net patient accounts receivable by major payor consists of the following as of June 30:

	<u>2020</u>		<u>2019</u>
Medicare and Medicaid	46	%	50
Managed care	28		28
Self-pay	15		16
Commerical and other	<u>11</u>		<u>6</u>
Total	<u>100</u>	%	<u>100</u>

Two managed care payors accounted for approximately 25.0% of net patient service revenue in 2020 and 2019. Amounts due from these two managed care payors accounted for approximately 16.0% and 15.0% of net patient accounts receivable at June 30, 2020 and 2019, respectively.

**(k) COVID-19 Relief-CARES Act**

In response to the COVID-19 pandemic, the United States congress passed the Coronavirus Aid, Relief, and Economic Security or CARES act on March 27, 2020. As a result the University received or accrued \$7.9 million in revenue: \$2.7 million related to losses at our SLUCare practice due to cancellation of surgeries or patient visits, \$2.6 million to offset the refunds to students for room and board and parking, and \$2.6 million treated as a government grant that passed on directly to students and their families in need, offset in operating expense.

**(l) Nonoperating Activities**

Nonoperating activities consisted of the following:

	<b>Year ended June 30</b>	
	<b>2020</b>	<b>2019</b>
	(000's omitted)	
Without donor restrictions:		
Investment return net of amounts designated for operations in accordance with the University's spending policy		
Net return / (loss) on endowment funds	\$ (47,538)	\$ 3,470
Net (loss) on designated funds	(2,689)	(673)
Investment return / (loss) on annuity/life income funds	(46)	231
Unrealized (losses) on interest rate swap agreements, net	(11,927)	(8,331)
Foreign currency translation adjustment	(332)	(601)
Reclassification to endowment restricted net assets	(1,801)	(2,805)
Other, net	1,762	(146)
With donor restrictions:		
Investment return	(24,439)	4,700
Donor restricted contributions and private grants	13,231	14,032
Reclassification from net assets with restrictions	1,801	2,805
Other, net	(559)	(652)
Total Nonoperating, net	<u>\$ (72,537)</u>	<u>\$ 12,030</u>

**(m) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and temporary investments purchased with an initial maturity of three months or less. Cash and cash equivalents representing assets of endowment and similar funds are included in investments in the Consolidated Statements of Financial Position. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these financial instruments.

The University has \$4.4 million and \$3.7 million of restricted cash as of June 30, 2020 and 2019, respectively. This cash is from donations to the University and is awaiting investment at the Bank of New York. It is recorded as investments on the Consolidated Statements of Financial Position.

**(n) Accounts Receivable, Net**

Accounts receivable are stated at estimated net realizable amounts. Accounts receivable were composed of the following:

	Accounts receivable, gross	Allowance for doubtful accounts	Accounts receivable, net
<b>June 30, 2020</b>			
(000's omitted)			
Patient care	\$ 76,531	\$ 32,992	\$ 43,539
Pledges, discounted (see table below)	29,784	2,906	26,878
Government/private grants	13,712	279	13,433
Student accounts	12,134	2,748	9,386
Anticipated insurance recoveries	2,531	—	2,531
Other	17,605	5,745	11,860
Total	<u>\$ 152,297</u>	<u>\$ 44,670</u>	<u>\$ 107,627</u>
<b>June 30, 2019</b>			
(000's omitted)			
Patient care	\$ 71,415	\$ 27,691	\$ 43,724
Pledges, discounted (see table below)	21,771	1,564	20,207
Government/private grants	11,170	164	11,006
Student accounts	22,265	2,322	19,943
Anticipated insurance recoveries	10,107	—	10,107
Other	12,775	5,096	7,679
Total	<u>\$ 149,503</u>	<u>\$ 36,837</u>	<u>\$ 112,666</u>

As of June 30, the maturities of pledges were distributed as follows:

	<b>2020</b>	<b>2019</b>
(000's omitted)		
Pledges scheduled to be collected in		
Less than one year	\$ 9,205	\$ 5,481
Between one year and five years	17,652	12,019
More than five years	5,815	7,338
Less: discount (rates range from 2.7% - 8.0%)	(2,888)	(3,067)
Pledges, discounted	<u>\$ 29,784</u>	<u>\$ 21,771</u>

**(o) Allowance for Doubtful Accounts – Patient Care and Student Receivables**

Patient care and student receivables are reduced by an allowance for doubtful accounts. The University evaluates the collectability of accounts receivable through historical trend analysis by major payor source. The University has not changed its charity care or uninsured discount policies during fiscal years 2020 or 2019. Bad debt expense was as follows June 30:

	<u>2020</u>	<u>2019</u>
	(000's omitted)	
Patient Care	\$ 8,550	\$ 7,486
Student	1,337	1,051
Total	<u>\$ 9,887</u>	<u>\$ 8,537</u>

**(p) Investments**

Investments in equity securities, investments in debt securities, unexpended bond proceeds, and funds held by trustees, are reported at fair value. Absent a readily determinable fair value (RDFV), alternative investments are valued using per share net asset value (NAV) provided by external investment managers as a practical expedient in determining fair value. Because alternative investments may not be readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for the investments existed. Alternative investments include certain amounts recorded as part of fixed maturity securities, equity securities, real estate investments/commodities, private equity/venture capital, and hedge funds.

**(q) Fair Value of Financial Instruments**

As described in note 5 and within other notes to the consolidated financial statements, the University accounts for certain financial instruments at fair value only at origination (nonrecurring measurements) and certain financial instruments as of the Consolidated Statements of Financial Position date (recurring measurements).

**(r) Derivative Financial Instruments**

The derivative instruments held by the University (as discussed in notes 5 and 7) are recorded at fair value and included within other accrued liabilities. Gains and losses from changes in derivative fair values are recognized in the nonoperating investment return component of the Consolidated Statements of Activities.

**(s) Notes Receivable**

Notes receivable consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
	(000's omitted)	
Federal government programs	\$ 11,847	\$ 14,447
Institutional programs	3,197	4,278
Student notes receivable, net	15,044	18,725
City Foundry	15,000	19,835
Other	172	363
Notes receivable	<u>\$ 30,216</u>	<u>\$ 38,923</u>

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Such notes receivable include federally-mandated repayment terms and interest rates ranging from 3% to 9%. Student loans represented 1% of total assets at June 30, 2020 and 2019.

The University participates in the Perkins Federal Revolving Loan Program, Federal Primary Care Loan program, and Federal Nursing Student Loan program. The availability of funds for loans under the programs is dependent on

reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government are ultimately refundable to the government and are classified as liabilities in the Consolidated Statements of Financial Position. Funds advanced were \$18.5 million and \$22.3 million as of June 30, 2020 and 2019, respectively. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government. The following amounts were past due under student loan programs as of June 30, 2020 and 2019:

June 30,	1-60 Days past due	60-90 Days past due	90+ Days past due	Total past due
	(000's omitted)			
2020	\$ 2	5	2,600	\$ 2,607
2019	\$ 6	10	2,600	\$ 2,616

As of June 30, 2020 and 2019, no reserves were recorded for the institutional program student loans. The federal government guarantees Perkins loans. Therefore, no reserves are taken on any past due balances under the program.

**(t) Unexpended Bond Proceeds**

Unexpended bond proceeds represent the amount of unspent revenue bond proceeds that remain available for their specific purpose and are reported at fair value based upon market quotes. These amounts are maintained in a trust and invested by the trustee in money market funds that invest in short-term U.S. Treasury securities. Under the terms of the trust, proceeds are not released to the University until expenditures related to the specific purpose of the bond indenture are incurred.

**(u) Right to Use Assets**

Effective July 1, 2019 the University adopted ASU 2016-02 Leases which required the University to establish Right to Use Assets as well as offsetting Lease Liabilities for the assets associated with both operating and financing leases with a life of more than one year. At June 30, 2020 operating right of use assets were \$9.9 million primarily for various office leases and financing right to use assets were \$31.2 million. The financing lease is a 30 year agreement with SSM to lease a portion of their new ambulatory care center. See note 8 and 16 for further information on leases.

**(v) Other Assets, Net**

Other assets were composed of the following as of June 30:

	2020	2019
	(000's omitted)	
Investment in SSM Healthcare, St. Louis	\$ 65,440	\$ 65,440
Collections of art	13,793	13,626
Cortex investment	4,873	4,873
Insurance policies	1,092	995
Inventories	1,089	571
Real estate	21	729
All other	25	207
Other assets	\$ 86,333	\$ 86,441

See note 16 for information on the investment in SSM Healthcare, St. Louis. Collections of art are capitalized at cost if purchased, or at the fair market value at the date of the gift if contributed. None of the above assets are depreciated, but are subject to impairment review.

**(w) Deposits and Deferred Revenue**

Deposits and deferred revenue were composed of the following as of June 30:



	<u>2020</u>	<u>2019</u>
	(000's omitted)	
Student charges	\$ 12,820	\$ 24,388
Grants	8,810	8,382
Arena	1,230	2,063
Other	3,781	3,610
Deposits and deferred revenue	<u>\$ 26,641</u>	<u>\$ 38,443</u>

Student charges primarily represent fall medical school tuition and fees, and a portion of the summer session. Student charges and grants revenue is recognized as the performance obligation is satisfied. The Arena deposits on ticket revenue are recognized when the event takes place. Other includes various vendor agreements where revenue is recognized over the contract as obligations are fulfilled.

**(x) Other Accrued Liabilities**

Other accrued liabilities were composed of the following as of June 30:

	<u>2020</u>	<u>2019</u>
	(000's omitted)	
Fair value of derivative instruments (see note 5)	\$ 43,591	\$ 31,664
Actuarial estimated medical malpractice liability	31,910	37,007
Split-interest obligations (see note 9)	8,777	9,442
Asset retirement obligations (see note 6)	6,482	6,232
Other	1,084	1,125
Other accrued liabilities	<u>\$ 91,844</u>	<u>\$ 85,470</u>

**(y) Lease Liabilities**

As noted in (u), with adoption of ASU 2016-02 Leases, the University began recording lease liabilities for all leases over one year effective July 1, 2019. At June 30, 2020 Lease Liabilities were \$10.3 million and \$31.2 million for operating and financing leases respectively. See note 8 and 16 for further information on leases.

**(z) U.S. Government Refundable Grants**

U.S. Government refundable grants consist of funds advanced by the federal government on the condition that the University administer various campus based student loan programs in compliance with federal regulations. Under certain conditions, the funds must be returned to the federal government. Accordingly, they are classified as liabilities in the Consolidated Statements of Financial Position.

**(aa) Net Assets**

**(i) Net Assets Without Donor Restrictions**

Net assets without donor restrictions are available for use in general operations and are either not subject to donor-imposed restrictions, or have satisfied the donor-imposed restriction.

**(ii) Net Assets With Donor Restrictions**

Net assets with donor restrictions are those subject to donor-imposed restrictions. Donor-imposed restrictions may be temporary in nature, such as those that are limited for a specific period of time or a specific purpose. This category also includes donor-imposed restrictions that are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The income earned on such assets may be used to support the operations of a specific program or may be added back to the corpus, dependent upon the donor restrictions.

**(bb) Foreign Currency Translation**

The process of translating the University's Spanish campus financial statements from euros to U.S. dollars results in currency translation adjustments due to fluctuations in the exchange rate. The cumulative change in assets without donor restrictions related to foreign currency translation adjustments was \$(4.9) million and \$(4.6) million as of June 30, 2020 and 2019, respectively.

**(cc) New Accounting Pronouncements**

Effective July 1, 2019 the University adopted ASU 2016-02, *Leases (Topic 842)*. Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its Statement of Financial Position and disclose key information about leasing arrangements. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing, and uncertainty of cash flows from leases. This guidance requires a modified retrospective adoption. The initial set-up resulted in a cumulative effect of accounting change of \$0.3 million; reducing Net Assets Without Donor Restrictions. Additional information is available in note 8.

During 2020, the University adopted ASU 2016-18, *Statement of Cash Flows Presentation of Restricted Cash*. The University had \$4.4 million and \$3.7 million of restricted cash at June 30, 2020 and 2019 respectively classified as Investments on the Consolidated Statement of Financial Position that is now included in the Consolidated Statement of Cash Flow.

During 2020, the University also adopted ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. This statement had very little impact on the Consolidated Statement of Cash Flows of the University.

Finally, during 2020, the University adopted ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This statement addresses certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. There was no financial impact to the University.

**(dd) Reclassifications**

Certain 2019 amounts have been reclassified to conform to current year presentation.

**(2) Third Party Reimbursed Health Programs****SLUCare**

Medicare reimburses physician services according to the "Physicians' Medicare Fee Schedule", a national fee schedule utilizing a Resource Based Relative Value System. Reimbursement under both the MO HealthNet program and the Illinois Medicaid program is based on state-published fee schedules. Reimbursement under the Medicaid Managed Care plans is based on plan-specific fee schedules for specialized services. Payment for patient services covered by certain commercial insurance carriers, health maintenance organizations and preferred provider organizations is based upon reimbursement agreements which include negotiated rates and/or discounted fees for specific services.

Contractual agreements exist with third-party payors which provide for patient care reimbursement at rates which differ from the established billing rates for such care. Revenues received by SLUCare are subject to certain compliance requirements and audits by third-party payor groups which could result in retroactive adjustments. Management is of the opinion that the ultimate disposition of any retroactive adjustments as a result of such third-party audits would not have a material adverse effect on the University's financial position or changes in net assets.

**(3) Financial Assets and Liquidity Resources**

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	<u>2020</u>	<u>2019</u>
	(000's omitted)	
Cash and cash equivalents	\$ 103,056	\$ 98,641
Investments	1,208,564	1,249,813
Accounts receivable, net	107,627	112,666
Total	<u>1,419,247</u>	<u>1,461,120</u>
Less those unavailable for general expenditures within one year:		
Receivables scheduled to be collected in more than one year	(20,579)	(16,290)
Contractual or donor-imposed restrictions:		
Endowment funds	(1,150,017)	(1,207,370)
Other donor restrictions with time or purpose restrictions	(1,180)	(1,082)
Investments held in charitable remainder trusts	(11,141)	(12,101)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 236,330</u>	<u>\$ 224,277</u>

In addition to the University's cash and cash equivalents, short-term investments are used to cover season fluctuations in cash flow due to the timing of the student billing cycle. At June 30, 2020, the University also has lines of credit of \$100.0 million available if needed (see note 7).

**(4) Investments**

Investments were composed of the following:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
	(000's omitted)	
Cash and cash equivalents	\$ 24,180	\$ 26,591
Fixed maturity securities	203,521	209,004
Equity securities	554,939	562,531
Real estate securities	130,165	101,186
Real assets – commodities	89,664	130,847
Private equity/venture capital	202,890	193,350
Hedge funds	3,205	26,304
Total investments	<u>\$ 1,208,564</u>	<u>\$ 1,249,813</u>

The University designates only a portion of its cumulative investment return for support of current operations; the remainder is reinvested to support operations of future years. The amount computed under the spending policy for pooled long-term investments and certain investment income earned by investing cash in excess of daily requirements are used to support current operations. These amounts are recorded within Education and Related Activities operating revenue in the Consolidated Statement of Activities. Earnings on investments for which related purpose restrictions are met in the year earned are recorded as net assets without donor restrictions. Earnings on endowment net assets appropriated for current year expenditure are also recorded as net assets without donor restrictions.

Under the terms of certain limited partnership agreements, the University is obligated to periodically advance additional funding for private equity/venture capital and real estate investments. The University had commitments of approximately:

	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
	(000's omitted)	
Private equity/venture capital	\$ 112.6	\$ 122.1
Real asset/real estate	93.0	96.9
Total uncalled capital calls	<u>\$ 205.6</u>	<u>\$ 219.0</u>

Such commitments generally have fixed expiration dates or other termination clauses. The University maintains sufficient liquidity in its investment portfolio to cover such calls.

The following schedules summarize the investment return/(loss) net of amounts designated for current operations, and its classification in the Consolidated Statements of Activities excluding investments in irrevocable trusts that are included in funds held by trustees:

	<b>Year ended June 30, 2020</b>		
	Without Donor Restrictions	With Donor Restrictions	Total
	(000's omitted)		
Dividends and interest	\$ 16,372	\$ 464	\$ 16,836
Net realized and unrealized gains (losses)	(4,785)	(24,903)	(29,688)
Total return on investments	11,587	(24,439)	(12,852)
Unrealized losses on interest rate swap agreements, net	(11,927)	—	(11,927)
Cumulative investment return designated for current operations	<u>(61,860)</u>	<u>—</u>	<u>(61,860)</u>
Investment return / (loss) net of amounts designated for current operations	<u>\$ (62,200)</u>	<u>\$ (24,439)</u>	<u>\$ (86,639)</u>

	<b>Year ended June 30, 2019</b>		
	Without Donor Restrictions	With Donor Restrictions	Total
	(000's omitted)		
Dividends and interest	\$ 19,830	\$ 706	\$ 20,536
Net realized and unrealized gains (losses)	42,067	3,994	46,061
Total return on investments	61,897	4,700	66,597
Unrealized losses on interest rate swap agreements, net	(8,331)	—	(8,331)
Cumulative investment return designated for current operations	<u>(58,869)</u>	<u>—</u>	<u>(58,869)</u>
Investment return / (loss) net of amounts designated for current operations	<u>\$ (5,303)</u>	<u>\$ 4,700</u>	<u>\$ (603)</u>

The total return/(loss) on investments includes custodial and management fees of \$16.2 and \$18.7 million for the years ended June 30, 2020 and 2019, respectively.

The University invests in various securities. These securities are exposed to various risks including interest rate, market, and credit risks. Due to these risks, it is reasonably possible that changes in value could occur in the near term. Such changes could materially affect amounts reported in the Consolidated Statements of Financial Position.

**(5) Fair Value Measurements**

The FASB has established accounting principles related to “Fair Value Measurements and Disclosures” (ASC Topic 820). This defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The University follows this guidance in establishing 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 measurements involving significant unobservable inputs (Level 3 measurements). Three levels of inputs that may be used to measure fair value are as follows:

Level 1 includes observable inputs such as quoted prices in active markets that the University has the ability to access at the measurement date.

Level 2 includes inputs such as quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. These financial instruments include split-interest agreements, pledges receivable, notes receivable, swap agreements, notes and bonds payable.

Level 3 includes unobservable inputs in cases where there is little or no market data. This requires the reporting entity to develop its own assumptions. Such financial instruments include estimated medical malpractice liability, funds held by trustees, and patient care accounts receivable.

Management determines the University’s valuation policies by utilizing information provided by investment advisors, third party pricing sources, and custodians. Management substantiates the reasonableness of third party pricing data through review of methods, assumptions, recently executed transactions, existing contracts, economic conditions, industry and market developments, and overall credit ratings.

The following discussion describes the valuation methodologies used for financial instruments measured at fair value. Additional information regarding valuation methodologies is included within other notes to the consolidated financial statements. The techniques utilized in estimating the fair values are affected by the assumptions used. Care should be exercised in deriving conclusions about the University’s value or financial position based on the fair value information of financial instruments presented below. There have been no changes in the valuation methodologies used as of June 30, 2020 and 2019.

Fair market values of cash and cash equivalents are based on a share value price provided by the financial institution.

Fair values of fixed maturity securities and debt, excluding alternative investments, are based on prices provided by the University’s investment managers and custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. These sources may include yields currently available on comparable securities of issuers with similar credit ratings, dealer-supplied prices or by discounting future principal and interest payments at prevailing interest rates. The fair value of holdings of mutual funds, common collective trusts and commingled funds are determined by reference to the funds’ underlying assets, which are principally marketable fixed income securities with quotes on national exchanges.

Fair values of equity securities, excluding alternative investments and funds held by trustees are based on quoted market prices on national exchanges. To the extent that quoted market prices are not readily available, fair value may be determined based on broker or dealer quotations or alternate pricing sources with reasonable levels of price transparency.

Alternative investments include certain amounts recorded as part of fixed maturity securities, equity securities, private equity/venture capital, hedge funds, and real estate investments/commodities. The strategy of such alternative investments is as follows:

- Alternative investments in fixed maturity securities maintain a strategy to invest in a diversified portfolio of marketable bonds, and other bond-like securities designed to add value and diversify risk.
- Alternative investments in equity securities maintain a strategy to invest in both domestic and international marketable securities that offer the potential for investment return and diversify risk.
- Alternative investments in private equity/venture capital funds are longer-lived, and include an overall investment strategy designed to enhance return and diversify risk through investing in limited partnership interests and nonmarketable operating companies. Investment in such entities cannot be redeemed, yet the University receives distributions through the liquidation of the underlying assets of the fund.
- Alternative investments in hedge funds include allocations to diversify investment strategies, which include both marketable and nonmarketable securities, and include an overall investment strategy designed to enhance return, diversify risk and

dampen volatility by management of the hedge funds having the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

- Alternative investments in real estate include an overall investment strategy designed to enhance return and to diversify risk within the investment portfolio by investing in the form of limited partnerships in operating companies that invest in global real estate. This category also includes investments in commodities, which provide a hedge against inflation.
- Alternative investments in real assets – commodities have an overall investment strategy designed to enhance return and diversify risk within the investment portfolio by investing in liquid instruments of a wide array of commodity investments, which provide a hedge against inflation.

Absent a RDFV, alternative investments are valued using NAVs provided by external investment managers as a practical expedient in determining fair value. NAVs provided by external investment managers include estimates, appraisals, assumptions, and methods that are reviewed by management. It is possible that the redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the NAV of the funds and, consequently, the fair value of the University's interests in the funds.

Unexpended bond proceeds are invested in various securities based on expected risk, returns and maturities that mirror the anticipated timing of construction project payment needs. Fair values of unexpended bond proceeds securities are based on prices provided by the trustee bank. Unexpended bond proceeds include cash equivalents and fixed income securities where their fair values are based on observable market quotation prices. The trustee bank uses a variety of pricing sources to determine market valuations of fixed maturity securities. The specific pricing services or indexes for each sector of the market are based upon the provider's expertise. The fixed maturity securities are highly liquid, allowing the portfolio to be priced through pricing services.

The University's swap agreements are valued using observable market data, swap rates, and basis rates. These inputs are placed into proprietary models to calculate the Mark-to-Market value of the interest rate swaps. The Mark-to-Market pricing is validated by management of the University.

The following tables summarize the University's fair value hierarchy, investments valued using NAV, and redemption/ liquidity information:

<b>Recurring financial assets:</b>	<b>June 30, 2020</b>		<b>June 30, 2019</b>	<b>Redemption/ liquidation</b>	<b>Days' notice</b>
Level 1 Assets:	(000's omitted)				
Cash and cash equivalents	\$ 103,056		\$ 98,641		
Investments:					
Cash and cash equivalents	24,180		26,591		
Fixed maturity securities	203,521		209,003		
Domestic equity	279,074		286,359		
International equity	172,292		166,421		
Real asset commodities equity	—		21,769		
Real estate securities	17,540		2,080		
Total Level 1 Investments	<u>696,607</u>		<u>712,223</u>		
Investments valued using NAV (1):					
Alternative investments-equity securities	103,573	(2)	109,752	(2) Monthly/Illiquid	
Alternative investments-real asset commodities	22,811		35,124	Monthly	
Alternative investments-private equity/venture capital	202,890		193,350	Illiquid	
Alternative investments-hedge funds	3,205		26,304	Daily to > 1-year	1 to 90
Alternative investments-real asset commodities	66,853		73,954	Illiquid	
Alternative investments-real estate investments	112,625	(3)	99,106	(3) Quarterly/Illiquid	90
Total NAV Investments	<u>511,957</u>		<u>537,590</u>		
Total investments	<u>1,208,564</u>		<u>1,249,813</u>		
Unexpended bond proceeds (Level 1)	36,197		112,920		
Funds held by trustees (Level 3)	69,296		69,228	Illiquid	
Total recurring assets	<u>\$ 1,417,113</u>		<u>\$ 1,530,602</u>		
<b>Recurring financial liabilities (Level 2):</b>					
Swap agreements	<u>\$ 43,591</u>		<u>\$ 31,664</u>		

#### **NOTES**

- (1) Certain investments that are measured at fair value using NAV as a practical expedient have not been categorized in the fair value hierarchy.  
(2) Alternative investments-equity securities include \$0.05 million which are illiquid as of June 30, 2019.  
(3) Alternative investments-real estate include \$60.6 million and \$55.5 million which are illiquid as of June 30, 2020 and 2019, respectively.

Certain alternative investments include gates or other redemption restrictions. Such restrictions were immaterial as of June 30, 2020 and 2019. Certain private equity/venture capital and real estate investments cannot be redeemed with the investee, but the University receives distributions through the liquidation of underlying assets.

The following table rolls forward the balance of Funds Held by Trustee measured at fair value on a recurring basis:

Financial assets:	<b>Level 3 assets</b>	
	<b>June 30, 2020</b>	<b>June 30, 2019</b>
	(000's omitted)	
Beginning balance	\$ 69,228	\$ 66,301
Investment income including realized gains	680	608
Unrealized gains / (losses)	(830)	190
Purchases	2,600	2,479
Sales	(2,382)	(350)
Ending balance	<u>\$ 69,296</u>	<u>\$ 69,228</u>

**(6) Land, Buildings and Equipment, net**

Physical properties consisted of the following:

	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
	(000's omitted)	
Land	\$ 75,030	\$ 72,251
Buildings and building improvements	1,039,641	1,000,738
Equipment	166,408	154,174
Construction in progress	99,343	30,288
Land, buildings, and equipment	<u>1,380,422</u>	<u>1,257,451</u>
Less accumulated depreciation	(569,733)	(533,952)
Land, buildings, and equipment, net	<u>\$ 810,689</u>	<u>\$ 723,499</u>

Buildings and equipment are stated at cost, less accumulated depreciation. Land is stated at cost at the date of acquisition or estimated fair value at date of contribution. Maintenance, repairs, and minor renewals are expensed as incurred. Depreciation is calculated on the straight-line basis. Depreciable lives are estimated as 40-50 years for buildings, 10-35 years for building improvements, and 3-15 years for equipment.

Construction in progress consists of construction expenditures for physical properties that have not yet been placed in service. The University has entered into construction contracts with unrelated parties in the amount of \$118.3 million (including change orders), for the construction or rehabilitation of various real properties. At June 30, 2020, \$9.7 million of such contract commitments had not yet been incurred.

***Asset Retirement Obligation***

U.S. GAAP defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation, does not defer recognition of a liability. The obligation to perform the asset retirement activity is unconditional, and accordingly, a liability should be recognized. These rules also provide guidance with respect to the criteria to be used to determine whether sufficient information exists to reasonably estimate the fair value of an asset retirement obligation. Based on these rules, management of the University determined that sufficient information was available to reasonably estimate the fair value of known retirement obligations. Therefore, the University recognized interest and depreciation expenses of \$0.3 million in operating expenses within the Consolidated Statements of Activities for years ended June 30, 2020 and 2019. Asset retirement costs of \$0.4 million and \$0.5 million, net of accumulated depreciation, were included in land, buildings and equipment, net as of June 30, 2020 and 2019, respectively. Conditional asset retirement obligations of \$6.5 million and \$6.2 million were included within other accrued liabilities in the Consolidated Statements of Financial Position as of June 30, 2020 and 2019, respectively.



**(7) Debt Agreements**

Outstanding balances of notes and bonds payable are summarized below:

<b>Description</b>	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
	(000's omitted)	
Twenty-five year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series B 1999. Interest rate is variable (0.13% at June 30, 2020), with a maximum of 12%.	\$ 37,795	\$ 44,445
Thirty year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series 2002. Interest rate is variable (0.13% at June 30, 2020), with a maximum of 12%.	4,130	4,825
Twenty-seven year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series 2008 B1 and B2. Interest rates are variable (0.11% at June 30, 2020) with a maximum of 12%.	76,245	78,630
Twenty-seven year Health and Educational Facilities Revenue Bonds – Series 2015A. Interest rates range from 4.0 to 5.0%.	57,435	57,435
Thirty year Taxable Health and Educational Facilities Revenue Bonds – Series 2015B. Interest rate 4.76%.	40,360	40,360
Nineteen year Health and Education Facilities Revenue Bonds - Series 2016 A1 and A2. Interest rates are variable (0.72% at June 30, 2020) with a maximum of 12%.	64,600	64,600
Thirty year Health and Education Facilities Revenue Bonds - Series 2017 A. Interest rates range from 3.75% to 5.0%.	76,455	76,455
Thirty year Health and Education Facilities Revenue Bonds - Series 2019 A. Interest rates range from 4.0% to 5.0%.	93,705	93,705
Thirty-one year taxable Health and Education Facilities Revenue Bonds - Series 2019 B. Interest rate 4.2%.	50,660	50,660
SLH Vista, Inc., unsecured promissory note Interest free, maturing 08/31/2025	7,000	7,000
Notes and bonds payable, par	508,385	518,115
Net unamortized original bond issue premium/discount	11,410	11,663
Unamortized debt issuance cost	(2,759)	(2,910)
	<u>\$ 517,036</u>	<u>\$ 526,868</u>

The University's Health and Educational Facilities Series 1999, Series 2002, Series 2008 B1 and B2, Series 2015A and B, Series 2016 A1 and A2, Series 2017A, Series 2019A and B bonds are parity obligations that are not secured by a pledge or security interest in any specific property of the University other than the security interest in any funds deposited and held by either the applicable bond trustee or the Master Trustee under the University's Master Trust Indenture. The University is required to comply with certain restrictive covenants under these bond agreements. The University is in compliance with these covenants as of June 30, 2020. Certain bonds are subject to early redemptions at the option of the University.

Note and bond principal payments amount to \$10.1 million, \$13.6 million, \$11.0 million \$11.4 million and \$11.9 million for fiscal years 2021 through 2025, respectively. Certain debt obligations require the maintenance of bond and interest sinking funds. Interest paid was \$22.6 million and \$15.8 million during fiscal years 2020 and 2019, respectively.

The University has entered into various interest rate swap agreements which are recorded at fair value within other accrued liabilities in the amount of \$43.6 million and \$31.7 million, as of June 30, 2020 and 2019, respectively. These swap agreements represent the University's only derivative instruments and are accounted for as cash flow hedges. As a cash flow hedge, the gain or loss on the swap agreements are recognized within the Consolidated Statements of Activities as part of nonoperating investment return. (Losses)

in the amount of \$(11.9) million and \$(8.3) million were recognized related to the swap agreements for the years ended June 30, 2020 and 2019, respectively. Additionally, the impact within operating activities of the Consolidated Statements of Cash Flows was \$(4.1) and \$(3.4) million for the years ended June 30, 2020 and 2019, respectively.

The University holds these derivative instruments for the fixed interest rate certainty they provide. Therefore, the University entered into interest rate swap agreements to fix the rate of interest on the Health and Education Facilities Variable Rate Demand Revenue Bonds as follows, as of June 30, 2020:

Revenue bonds	Notional amount	Maturity date	Weighted average interest rate (%)
	(\$ in millions)		
Series 1999	\$ 37.8	2024	3.80
Series 2002	4.1	2026	3.10
Series 2008 B1	19.4	2026	3.04
Series 2008 B2	56.6	2035	3.61
Series 2016 A1 & A2	64.3	2035	3.25

The University has a standby bond purchase agreement with a maximum principal amount of \$4.1 million to provide liquidity for the outstanding balance related to the Series 2002 Health and Educational Facilities Variable Rate Demand Revenue Bonds. This standby bond purchase agreement expires on September 27, 2023. In the event the remarketing agent is unable to remarket the bonds, the bank would draw on the standby bond purchase agreement to purchase the bonds. Any liquidity advances would require repayment over 90 days. The University has irrevocable letters of credit with a maximum principal amount of \$114.0 million to provide liquidity for the outstanding balances related to the Series 1999 and 2008B Health and Educational Facilities Variable Rate Demand Revenue Bonds. The letter of credit for the Series 1999 has an expiration date of June 2, 2022. The letters of credit for Series 2008 B1 and 2008 B2 have expiration dates of October 28, 2022 and September 27, 2023, respectively. Series 2008A was refunded by Series 2016 on October 21, 2016.

The University has available lines of credit totaling \$180.0 million as of June 30, 2020 and had \$79.3 million in outstanding borrowings under the lines of credit as of June 30, 2020. The University has established letters of credit in the amount of \$0.7 million as of June 30, 2020. As of June 30, 2020, the remaining amount available to borrow was \$100.0 million.

#### (8) Lease Liabilities

On July 1, 2019, the University adopted Topic 842 by applying the guidance at adoption date. As a result, the comparative information as of June 30, 2019, has not been adjusted. The University elected the package of practical expedients permitted under the transition guidance within Topic 842, which allowed the University to carry forward its identification of contracts that are or contain leases, its historical classification of existing leases and its accounting for initial direct costs for existing leases.

Beginning July 1, 2019, the University has recognized operating right of use assets and lease liabilities for the University's leases on its Consolidated Statements of Financial Position. Upon adoption of Topic 842, the balances at adoption date of prepaid and accrued rent, lease incentives and unamortized assets and liabilities were reclassified and are now presented within the operating lease right of use assets on the University's Consolidated Statement of Financial Position.

The University has operating leases primarily for campus facilities, student housing and office space. Variable lease payments based on an index or rate, such as consumer price index, are initially measured using the index or rate in effect at lease commencement. The University has elected the short-term lease exception under Topic 842 for all leases and as such, leases with an initial term of 12 months or less are not recorded on the Consolidated Statement of Financial Position. The University recognizes lease expense for short-term leases on a straight-line basis over the lease term.

The following table displays the undiscounted cash flows due related to operating leases as of June 30, 2020, along with a reconciliation to the discounted amount recorded on the June 30, 2020, Consolidated Statement of Financial Position. Undiscounted cash flows due within the fiscal years ended June 30 were as follows:

(000's omitted)	
2021	\$3,490
2022	\$2,135
2023	\$1,667
2024	\$1,325
2025	\$1,181
Thereafter	<u>\$2,171</u>
Total undiscounted cash flows (weighted average term 4.42 years)	\$11,969
<hr/>	
Impact of present value discount (weighted average discount rate 4%)	(1,700)
Present value of undiscounted cash flows	\$10,269

On March 17, 2020 the University entered into a lease with SSM Health Care Corporation to utilize a portion of their new Ambulatory Care Center. Due to the length of the lease (30 years) and the fact that the present value is approximately equal to the net present value of the future lease payments, the lease is considered a financing lease. As a result, the right to use asset and lease liability of \$31.2 million was recorded. The first payment on the lease is due August 31, 2020 and the University will begin recognizing expense in fiscal year 2021. Payments on the lease are as follows as of June 30, 2020:

(000's omitted)	
2021	\$1,426
2022	\$1,734
2023	\$1,760
2024	\$1,787
2025	\$1,814
Thereafter	<u>\$55,904</u>
Total	<u>\$64,425</u>

**(9) Split-Interest Agreements**

The University has certain split-interest agreements with donors which consist primarily of charitable gift annuities, charitable remainder annuity trusts, and charitable remainder unitrusts for which the University serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with respective agreements. Contribution revenues for charitable gift annuities and charitable remainder trusts are recognized after recording liabilities for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. The University reported split-interest obligations of \$8.8 million and \$9.4 million as of June 30, 2020 and 2019, respectively. These amounts are included within other accrued liabilities in the Consolidated Statements of Financial Position. The fair value of split-interest agreement related assets total \$12.4 million and \$13.3 million as of June 30, 2020 and 2019, respectively, and are included within Investments and Funds held by trustees in the Consolidated Statements of Financial Position. The discount rate used to value split-interest agreements ranged from 2.7% to 8.0% for June 30, 2020 and 2019, respectively.

**(10) Analysis of Expense**

The University's classifications of expenses in the Consolidated Statements of Activities are combined by functional category as follows:

<b>Year Ended June 30, 2020</b>					
(000's omitted)					
	Salaries & Benefits	Supplies & Services	Depreciation	Interest	Total
Patient Care	\$ 279,714	\$ 79,354	\$ 1,832		\$ 360,900
Instruction	155,835	28,338	13,326		197,499
Institutional Support	43,370	31,554	6,251	\$ 17,983	99,158
Auxiliaries	13,968	33,209	6,748		53,925
Academic Support	25,942	10,478	6,297		42,717
Research	18,590	13,287	4,758		36,635
Student Services	13,985	11,531	2,512		28,028
Operation & Maint of Plant	14,781	9,691	1,528		26,000
Public Service	7,505	1,323	864		9,692
	<u>\$ 573,690</u>	<u>\$ 218,765</u>	<u>\$ 44,116</u>	<u>\$ 17,983</u>	<u>\$ 854,554</u>

<b>Year Ended June 30, 2019</b>					
(000's omitted)					
	Salaries & Benefits	Supplies & Services	Depreciation	Interest	Total
Patient Care	\$ 284,948	\$ 75,927	\$ 2,150		\$ 363,025
Instruction	154,247	30,353	12,522		197,122
Institutional Support	50,938	29,756	5,873	\$ 16,159	102,726
Auxiliaries	14,097	29,127	6,784		50,008
Academic Support	25,901	13,107	5,917		44,925
Research	16,581	12,299	4,471		33,351
Student Services	13,623	9,060	2,361		25,044
Operation & Maint of Plant	14,587	14,431	1,436		30,454
Public Service	7,776	2,121	811		10,708
	<u>\$ 582,698</u>	<u>\$ 216,181</u>	<u>\$ 42,325</u>	<u>\$ 16,159</u>	<u>\$ 857,363</u>

The University's primary activities programs are instruction, patient care, research, and public service. Academic support, student services, institutional support, operation and maintenance of plant and auxiliary services are considered integral to the delivery of these programs. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocations such as time and effort spent or space utilized.

(11) Net Assets

The Universities net assets are available for the following purposes:

	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
	(000's omitted)	
Net assets:		
Without donor restrictions:		
Net investment in plant	\$ 319,589	\$ 300,483
Designated by the board	724,590	769,574
Undesignated	83,637	136,210
Net assets without donor restrictions:	<u>1,127,816</u>	<u>1,206,267</u>
With donor restrictions:		
Donor restricted endowments	431,901	441,539
Perpetual trusts	40,930	41,564
Purpose restricted	18,444	18,030
Time restricted	20,686	17,412
Net assets with donor restrictions	<u>511,961</u>	<u>518,545</u>
Total net assets	<u>\$ 1,639,777</u>	<u>\$ 1,724,812</u>

	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
	(000's omitted)	
Designated by the board:		
Scholarships and fellowships	\$ 36,863	\$ 38,857
Other institutional activities	687,727	730,717
Total designated by the board	<u>\$ 724,590</u>	<u>\$ 769,574</u>

	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
	(000's omitted)	
Net assets with donor restrictions:		
Donor restricted endowments subject to spending policy, and appropriation, to support the following purposes (including net accumulated earnings of \$115,482 and \$140,042 as of June 30, 2020 and 2019, respectively):		
Scholarships and fellowships	\$ 179,657	\$ 183,108
Other institutional activities	255,564	258,920
Underwater endowments	(3,320)	(489)
Perpetual trusts, distributions available to support the following purposes:		
Scholarships and fellowships	23,133	23,690
Other institutional activities	17,797	17,874
Subject to expenditures for specific purposes:		
Capital projects	900	801
Other institutional activities	17,544	17,229
Subject to the passage of time	20,686	17,412
Total net assets with donor restrictions	<u>\$ 511,961</u>	<u>\$ 518,545</u>

**(12) Endowment Funds****(a) Interpretation of Relevant Law**

The University follows accounting rules outlined in “Endowments of Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds” which provides guidance on the net asset classification of donor restricted endowment funds for not-for-profit organizations. The State of Missouri enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on August 28, 2009. The University’s governing board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Missouri 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 net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions 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
7. The investment policies of the University

**(b) Endowment Spending Policy**

The University’s spending policy annually allocates the amount of the total returns which can be spent and reinvested for future earnings. The spending rate, which is annually approved by the Board of Trustees, is 5.0% of the average market value per unit for a twelve quarter period for the Pooled Endowment for June 30, 2020 and 2019.

The Annual Spending Rate per Unit (ASRU) is calculated as of each December 31 by multiplying the current spending rate by the average market value per unit for the previous twelve quarters. The ASRU is then multiplied by the number of units owned by each endowment fund to determine the spending budget for each fund for the following fiscal year. The spending is credited to the appropriate operating fund at the beginning of the next fiscal year.

The difference between the actual total return and return designated for current operations is classified as nonoperating income or expense in the Consolidated Statements of Activities.

**(c) Endowment Investment Policy**

The University has adopted investment and spending policies for endowment assets that will preserve and enhance the real (inflation-adjusted) purchasing power of the pooled endowment while providing an increasing stream of real funding for the annual University budget in the future. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-restricted period(s) as well as quasi endowment funds. Under this policy, the University’s return objectives and risk parameters attempt to achieve the highest long-term total investment return on investment assets that is compatible with the University’s risk tolerance and time horizons consistent with prudent investment practices. The primary investment objective is to provide a net annual return equal to the spending rate, plus the rate of inflation, plus 1% – 2%. To achieve its investment objective, the Pooled Endowment fund is allocated among investments that are further characterized as “Equity”, “Alternative”, and “Fixed Income”. The primary objective of the allocation between these three major asset classes is to provide a strategic mix that produces the highest risk adjusted return through a responsible and disciplined investment approach.

**(d) Endowment Funds with Deficiencies and Other Matters**

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that is required to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions were \$(3.3) million and \$(0.5) million as of June 30, 2020 and 2019, respectively. These deficiencies resulted from unfavorable market fluctuations. The following table presents endowment net asset composition by fund type:

	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift & Additions	Accumulated Gains (Losses)	Market Value	
(000's omitted)					
<b>June 30, 2020</b>					
Quasi / Board-designated endowment funds	\$ 724,590				\$ 724,590
Underwater endowments		\$ 73,018	\$ (3,320)	\$ 69,698	69,698
Other funds		258,215	144,918	403,133	403,133
Total funds	<u>\$ 724,590</u>	<u>\$ 331,233</u>	<u>\$ 141,598</u>	<u>\$ 472,831</u>	<u>\$ 1,197,421</u>
<b>June 30, 2019</b>					
Quasi / Board-designated endowment funds	\$ 769,574				\$ 769,574
Underwater endowments		\$ 20,665	\$ (489)	\$ 20,176	20,176
Other funds		296,130	166,797	462,927	462,927
Total funds	<u>\$ 769,574</u>	<u>\$ 316,795</u>	<u>\$ 166,308</u>	<u>\$ 483,103</u>	<u>\$ 1,252,677</u>

Endowment income, including endowment investment return, appropriated for expenditure within the same fiscal year in accordance with the University's annual spending rate are reported within endowment net assets without donor restrictions. There are no additional restrictions on the spending of underwater endowments. The following table rolls forward the balance of endowment net assets:

	Without Donor Restrictions		With Donor Restrictions		Total
	(000's omitted)				
Endowment net assets, June 30, 2018	\$ 764,297	\$ 461,797	\$	\$	1,226,094
Investment return:					
Investment income	16,364	509			16,873
Investment / other income - non pooled	1,983	—			1,983
Net realized / unrealized gains / (losses)	41,906	3,665			45,571
Contributions	—	14,532			14,532
Endowment assets appropriated for expenditure	(56,783)	—			(56,783)
Reclassification based on donor intent	—	2,807			2,807
Gain (loss) on other assets	—	(207)			(207)
Transfers to create board-designated funds	1,807	—			1,807
Endowment net assets, June 30, 2019	<u>\$ 769,574</u>	<u>\$ 483,103</u>	<u>\$</u>	<u>\$</u>	<u>1,252,677</u>
Investment return:					
Investment income	14,179	29			14,208
Investment / other income - non pooled	2,057	—			2,057
Net realized / unrealized gains / (losses)	(4,441)	(25,020)			(29,461)
Contributions	—	12,980			12,980
Endowment assets appropriated for expenditure	(59,334)	—			(59,334)
Reclassification based on donor intent	—	1,804			1,804
Gain (loss) on other assets	1,752	(65)			1,687
Transfers to create board-designated funds	803	—			803
Endowment net assets, June 30, 2020	<u>\$ 724,590</u>	<u>\$ 472,831</u>	<u>\$</u>	<u>\$</u>	<u>1,197,421</u>

**(13) Insurance Programs**

The University has insurance coverage for medical malpractice and health insurance claims which is subject to certain aggregate, per claim, and self-insurance retention limits. The University participates with other universities in self-insurance risk pools which provide some of the University's workers' compensation, general liability, and property coverage. Whenever the pools' actual losses exceed estimates, the University can be required to contribute additional funds. Management believes that any such additional contributions would not have a material effect on the University's financial position or changes in net assets.

**(14) Retirement Benefits**

Retirement benefits for University employees are provided through the Teachers Insurance and Annuity Association (TIAA) and Fidelity Investments. Contributions are made to provide individually owned retirement contracts and accounts for participating employees. Employees are eligible for the University's retirement plan after one year of continuous service. The University provides a two to one matching contribution up to a maximum of 10% as the University's contribution. Contributions made by the University are vested immediately. The University's share of the cost of these benefits was \$30.1 million and \$30.5 million for the fiscal years ended June 30, 2020 and 2019, respectively.

**(15) Governmental Grants and Contracts**

The University has recovered indirect costs under certain grants and contracts with federal agencies for both the 2020 and 2019 fiscal years. These recoveries are reported as revenue without donor restrictions. Indirect cost rates vary according to the terms of the grant award or the contract. Most rates are based on modified total direct costs. Certain research grants and contracts allow indirect costs based on an indirect cost research rate that is negotiated with the Department of Health and Human Services.

**(16) Hospital Affiliations**

On September 1, 2015, the University entered into a fifty-year Academic Affiliation and Services Agreement with SSM Health Care Corporation, SSM Health Care St. Louis, SSM Cardinal Glennon Children's Hospital, and SSM-SLUH, Inc. (SSM). Under this agreement, the University receives funding for: the supervision of residents, education/academic services, professional clinical services, administrative and other purchased services, faculty recruitment and research support. The University and SSM also have master lease agreements through which either entity may lease space to or from the other. On March 17, 2020 the University entered into a 30 year finance lease with SSM to utilize a portion of their new Ambulatory Care Center (for additional information, see note 8). In accordance with a Member's Agreement of SSM Health Care St. Louis, the University repurchased Saint Louis University Hospital from Tenet and contributed the Hospital to SSM-SLUH, Inc., a wholly owned subsidiary of SSM Health Care St. Louis, in exchange for a 15% financial interest and governance rights in SSM Health Care St. Louis. The University does not exercise significant influence over operating and financial policies, nor does the University have a controlling financial interest in SSM Health Care St. Louis.

Revenues associated with the above described hospital affiliation transactions for the fiscal years ended June 30, 2020 and 2019 are \$190.2 million and \$188.4 million, respectively. Expenses associated with the above described hospital affiliation transactions for the fiscal years ended June 30, 2020 and 2019 are \$9.6 million and \$9.7 million, respectively. Hospital affiliation revenues and expenses are included as components of patient care and supplies, repairs, utilities, and other expenses within the Consolidated Statements of Activities. Amounts due from SSM as of June 30, 2020 and 2019, were \$20.7 million and \$20.9 million, respectively, and are included as components of accounts receivable, net within the Consolidated Statements of Financial Position.

**(17) Legal Matters – Contingencies, Commitments and Other**

There are various lawsuits and legal proceedings against the University which are in varying states of review and may proceed for protracted periods of time. Management is of the opinion that the ultimate disposition of such litigation will not have a material adverse effect on the University's financial position or changes in net assets.

**(18) Subsequent Events**

In connection with the preparation of the consolidated financial statements, the University evaluated subsequent events through October 30, 2020, which was the date the consolidated financial statements were issued. In March, 2020 the World Health Organization declared COVID-19 a pandemic. Although the University opened its campus in the fall of 2020, the extent to which COVID-19 could impact financial and operating results is dependent on the severity and the duration of the pandemic and other factors that management is not able to predict.