

SAINT LOUIS UNIVERSITY

Consolidated Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)



**SAINT LOUIS
UNIVERSITY™**

— EST. 1818 —



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Independent Auditors' Report

The Board of Trustees
Saint Louis University:

Opinion

We have audited the consolidated financial statements of Saint Louis University (the University), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

KPMG LLP

Omaha, Nebraska
October 30, 2024

SAINT LOUIS UNIVERSITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30,
(000's omitted)

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 69,743 | \$ 111,804 |
| Accounts receivable, net | 74,022 | 115,303 |
| Prepaid expenses | 10,557 | 9,096 |
| Assets held for sale | — | 2,453 |
| Investments | 1,922,811 | 1,761,469 |
| Notes receivable | 43,442 | 69,443 |
| Funds held by trustees | 76,725 | 63,359 |
| Land, buildings, and equipment, net | 732,101 | 728,833 |
| Right of use assets - operating leases | 5,671 | 2,183 |
| Other assets, net | 21,338 | 21,461 |
| Total assets | <u>\$ 2,956,410</u> | <u>\$ 2,885,404</u> |
| Liabilities and Net Assets: | | |
| Liabilities: | | |
| Accounts payable | \$ 29,246 | \$ 32,317 |
| Accrued payroll and benefits | 29,254 | 25,791 |
| Deposits and deferred revenues | 32,833 | 47,862 |
| Other accrued liabilities | 73,848 | 51,656 |
| Lease liabilities - operating | 4,200 | 403 |
| Notes and bonds payable | 460,626 | 472,223 |
| U.S. government refundable grants | 5,486 | 10,331 |
| Total liabilities | <u>635,493</u> | <u>640,583</u> |
| Net assets: | | |
| Without donor restrictions | 1,605,294 | 1,556,755 |
| With donor restrictions | 715,623 | 688,066 |
| Total net assets | <u>2,320,917</u> | <u>2,244,821</u> |
| Total liabilities and net assets | <u>\$ 2,956,410</u> | <u>\$ 2,885,404</u> |

SAINT LOUIS UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
(000's omitted)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2024 Total</u> |
|--|---------------------------------------|------------------------------------|-----------------------|
| Operating revenues and other support: | | | |
| Education and related activities: | | | |
| Tuition and fees | \$ 306,708 | \$ — | \$ 306,708 |
| Government grants and contracts | 49,578 | — | 49,578 |
| Contributions and private grants | 53,260 | 3,927 | 57,187 |
| Investment return designated for operations | 88,018 | — | 88,018 |
| Auxiliary enterprises | 64,647 | — | 64,647 |
| Other | 30,130 | — | 30,130 |
| Total education and related activities | <u>592,341</u> | <u>3,927</u> | <u>596,268</u> |
| Net assets released from restrictions | <u>25,814</u> | <u>(25,814)</u> | <u>—</u> |
| Total operating revenues and other support | <u>618,155</u> | <u>(21,887)</u> | <u>596,268</u> |
| Operating expenses: | | | |
| Salaries and benefits | 370,181 | — | 370,181 |
| Supplies, repairs, utilities, and other expenses | 217,611 | — | 217,611 |
| Depreciation and amortization | 45,517 | — | 45,517 |
| Interest expense | 19,245 | — | 19,245 |
| Total operating expenses | <u>652,554</u> | <u>—</u> | <u>652,554</u> |
| Net operating results | <u>(34,399)</u> | <u>(21,887)</u> | <u>(56,286)</u> |
| Nonoperating activities: | | | |
| Investment return net of amounts designated for operations | 85,746 | 39,994 | 125,740 |
| Nonoperating contributions and private grants | — | 7,408 | 7,408 |
| Other, net | (2,808) | 2,042 | (766) |
| Total nonoperating activities, net | <u>82,938</u> | <u>49,444</u> | <u>132,382</u> |
| Change in net assets | <u>48,539</u> | <u>27,557</u> | <u>76,096</u> |
| Net assets at beginning of year | <u>1,556,755</u> | <u>688,066</u> | <u>2,244,821</u> |
| Net assets at end of year | <u>\$ 1,605,294</u> | <u>\$ 715,623</u> | <u>\$ 2,320,917</u> |

See Accompanying Notes to the Consolidated Financial Statements.

SAINT LOUIS UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(000's omitted)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2023 Total</u> |
|--|---------------------------------------|------------------------------------|-----------------------|
| Operating revenues and other support: | | | |
| Education and related activities: | | | |
| Tuition and fees | \$ 280,402 | \$ — | \$ 280,402 |
| Government grants and contracts | 48,758 | — | 48,758 |
| Contributions and private grants | 51,174 | 5,513 | 56,687 |
| Investment return designated for operations | 83,366 | — | 83,366 |
| Auxiliary enterprises | 61,633 | — | 61,633 |
| Other | 50,464 | — | 50,464 |
| Total education and related activities | <u>575,797</u> | <u>5,513</u> | <u>581,310</u> |
| Healthcare services revenue | 53,775 | — | 53,775 |
| Gain on Sale of SLUCare | 249,258 | — | 249,258 |
| Net assets released from restrictions | 15,364 | (15,364) | — |
| Total operating revenues and other support | <u>894,194</u> | <u>(9,851)</u> | <u>884,343</u> |
| Operating expenses: | | | |
| Salaries and benefits | 376,296 | — | 376,296 |
| Supplies, repairs, utilities, and other expenses | 200,521 | — | 200,521 |
| Depreciation and amortization | 43,837 | — | 43,837 |
| Interest expense | 19,618 | — | 19,618 |
| Total operating expenses | <u>640,272</u> | <u>—</u> | <u>640,272</u> |
| Net operating results | <u>253,922</u> | <u>(9,851)</u> | <u>244,071</u> |
| Nonoperating activities: | | | |
| Investment return net of amounts designated for operations | 58,621 | 22,743 | 81,364 |
| Nonoperating contributions and private grants | — | 4,350 | 4,350 |
| Other, net | (690) | 2,786 | 2,096 |
| Total nonoperating activities, net | <u>57,931</u> | <u>29,879</u> | <u>87,810</u> |
| Change in net assets | 311,853 | 20,028 | 331,881 |
| Net assets at beginning of year | 1,244,902 | 668,038 | 1,912,940 |
| Net assets at end of year | <u>\$ 1,556,755</u> | <u>\$ 688,066</u> | <u>\$ 2,244,821</u> |

See Accompanying Notes to the Consolidated Financial Statements.

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

| | 2024 | 2023 |
|--|------------------|-------------------|
| Net cash flows from operating activities: | | |
| Increase in net assets | \$ 76,096 | \$ 331,881 |
| Adjustments to reconcile change in net assets: | | |
| Net loss (gains) on disposition of property and equipment | 124 | (4,675) |
| Net (gains) on disposition of SLUCare | - | (249,258) |
| Depreciation and amortization | 45,517 | 43,837 |
| Decrease in accounts receivable, net | 36,708 | 37,375 |
| Decrease in accounts payable | (2,111) | (6,493) |
| Increase / (decrease) in accrued payroll and benefits | 4,202 | (18,343) |
| (Decrease) / increase in deposits and deferred revenues | (15,029) | 10,870 |
| Increase / (decrease) in other accrued liabilities | 28,420 | (12,000) |
| Decrease / (increase) in other assets | 277 | (376) |
| Other changes in assets and liabilities | (11,073) | (8,223) |
| Contributions restricted for permanent endowment | (5,158) | (9,252) |
| Contributions restricted for acquisitions of property and equipment | (1,971) | (8,592) |
| Investment income restricted for long-term investment | (4,332) | (2,040) |
| Net (gains) on long-term investments | (177,743) | (133,426) |
| Net (gains) on assets held by trustees | (2,235) | (216) |
| Net cash (used in) operating activities | <u>(28,308)</u> | <u>(28,931)</u> |
| Net cash flows from investing activities: | | |
| Issuance of notes receivable | (243) | (284) |
| Payments on notes receivable | 27,121 | 1,607 |
| Proceeds from sales and maturities of investments | 475,222 | 1,101,007 |
| Purchase of investments | (460,935) | (1,385,632) |
| Proceeds from disposition of property and equipment | 773 | 10,518 |
| Proceeds from disposition of SLUCare | - | 316,156 |
| Decrease in unexpended bond proceeds | - | 18,575 |
| Decrease / (increase) in assets held by trustees, excluding net gains and losses | (11,870) | 4,696 |
| Purchase of property and equipment | (48,839) | (55,727) |
| Net cash (used in) / provided by investing activities | <u>(18,771)</u> | <u>10,916</u> |
| Net cash flows from financing activities: | | |
| Payments on notes and bonds payable | (11,431) | (20,689) |
| (Increase) / decrease in cash overdrafts | 732 | (1,025) |
| Contributions restricted for permanent endowment | 6,342 | 10,219 |
| Contributions restricted for acquisitions of property and equipment | 5,360 | 7,800 |
| Investment income restricted for long-term investment | 4,332 | 2,040 |
| Net cash provided by / used in financing activities | <u>5,335</u> | <u>(1,655)</u> |
| Net (decrease) in cash, cash equivalents and restricted cash | (41,744) | (19,670) |
| Cash, cash equivalents and restricted cash, beginning of year | 113,146 | 132,816 |
| Cash, cash equivalents and restricted cash, end of year | <u>\$ 71,402</u> | <u>\$ 113,146</u> |

See Accompanying Notes to the Consolidated Financial Statements.

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

| Supplemental data: | <u>2024</u> | <u>2023</u> |
|---|------------------|-------------------|
| Interest paid | \$ 19,437 | \$ 19,538 |
| Capital assets acquired through accounts payable | 1,692 | 3,460 |
| Operating cash flows from operating leases | (454) | (262) |
| Gifts received in the form of stock | 2,142 | 1,084 |
| | | |
| Cash and cash equivalents balance per Statement of Financial Position | 69,743 | 111,804 |
| Restricted cash included in Investments | <u>1,659</u> | <u>1,342</u> |
| Cash, cash equivalents and restricted cash, end of year | <u>\$ 71,402</u> | <u>\$ 113,146</u> |

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.

(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, 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, 2024 and 2023.

(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 9, only the portion of total investment return distributed under this policy to meet operating needs is included in operating revenue.

(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 and disclosure of contingent 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 \$278.3 million and \$253.9 million for the years ended June 30, 2024 and 2023, 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>2024</u> | | <u>2023</u> |
|---------------|-------------------|-----------|----------------|
| | (000's omitted) | | |
| Undergraduate | \$ 159,507 | \$ | 156,695 |
| Graduate | 140,040 | | 116,282 |
| Other | 7,161 | | 7,425 |
| Total | <u>\$ 306,708</u> | <u>\$</u> | <u>280,402</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, or time restrictions. 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. The University does not recognize conditional promises with right of return until the condition is met.

For the years ended 2024 and 2023, the University received non-financial contributions of \$0.1 million and \$3.1 million, respectively. These 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 not yet recognized was \$72.7 million and \$86.1 million as of June 30, 2024, and 2023, respectively.

(i) Auxiliary Enterprises Revenue

Auxiliary enterprises consist of revenues of the University's residence halls, meal services, parking services, arena events, and miscellaneous. Room and board revenue included in this category was \$47.9 million and \$44.5 million for the years ended 2024 and 2023, respectively, and is recognized when performance obligations are met. The remaining revenue is recognized when the service is provided or when the event occurs. Discounts given to target upper classmen to live on campus were \$0.7 million for the year ended 2023 and are included as a reduction to the transaction price for auxiliary enterprises. No discounts were given in 2024.

(j) Healthcare services revenue

Healthcare services revenue includes graduate medical education with various partners. Healthcare service revenue recognized in the period by type of service and source was \$0.0 million and \$54.0 million as of June 30, 2024 and 2023, respectively.

(k) 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 accounted for as investments in the Consolidated Statements of Financial Position.

The University has \$1.7 million and \$1.3 million of restricted cash as of June 30, 2024 and 2023, 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.

(l) Accounts Receivable, Net

Accounts receivable, net are stated at estimated net realizable amounts. Accounts receivable, net were composed of the following as of June 30:

| | <u>2024</u> | <u>2023</u> |
|---------------------------------------|------------------|-------------------|
| | (000's omitted) | |
| Healthcare services | \$ — | \$ 14,465 |
| Pledges, discounted (see table below) | 20,498 | 27,048 |
| Government/private grants | 20,295 | 30,423 |
| Student accounts | 19,343 | 22,132 |
| Anticipated insurance recoveries | 1,617 | 2,313 |
| Other | 12,269 | 18,922 |
| Total | <u>\$ 74,022</u> | <u>\$ 115,303</u> |

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

| | <u>2024</u> | <u>2023</u> |
|---|------------------|------------------|
| | (000's omitted) | |
| Pledges scheduled to be collected in | | |
| Less than one year | \$ 11,964 | \$ 13,562 |
| Between one year and five years | 11,758 | 16,904 |
| More than five years | 923 | 1,846 |
| Less: discount (rates range from 2.7% - 8.0%) | <u>(1,123)</u> | <u>(1,727)</u> |
| Pledges, discounted | 23,522 | 30,585 |
| Less: allowance for doubtful accounts | <u>(3,024)</u> | <u>(3,537)</u> |
| Total pledges | <u>\$ 20,498</u> | <u>\$ 27,048</u> |

(m) Allowance for Credit Losses

Student receivables and government grants are reduced by an allowance for doubtful accounts. The University evaluates the collectability of accounts receivable through historical trend analysis. The University has not changed discount policies during the years ended 2024 or 2023.

(n) Investments

Investments in equity securities, investments in debt securities, 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/private credit, and hedge funds.

(o) Derivative Financial Instruments

The derivative instruments held by the University (as discussed in notes 4 and 6) 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.

(p) Notes Receivable

Notes receivable consisted of the following as of June 30:

| | <u>2024</u> | | <u>2023</u> |
|-------------------------------|------------------|----|---------------|
| | (000's omitted) | | |
| Federal government programs | \$ 4,034 | \$ | 6,130 |
| Institutional programs | <u>242</u> | | <u>674</u> |
| Student notes receivable, net | 4,276 | | 6,804 |
| Construction loan | 15,000 | | 15,000 |
| SSM promissory note | <u>24,166</u> | | <u>47,639</u> |
| Notes receivable | <u>\$ 43,442</u> | \$ | <u>69,443</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%.

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.

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 \$5.5 million and \$10.3 million as of June 30, 2024 and 2023, respectively.

Note receivable reserves recorded for institutional program student loans were \$0.3 million and \$0.0 million as of June 30, 2024 and 2023, respectively. Note receivable reserves recorded for various federal student loans were \$1.2 million and \$0.0 million as of June 30, 2024 and 2023 respectively.

In 2019, the University entered into a construction loan agreement to aid in the construction of a 15-acre complex that offers food, retail, and entertainment. The loan has a maturity date of June 2030 or earlier based on certain events as stipulated in the agreement.

In 2022, the University sold certain real estate to SSM Health Care Group (SSM) for \$72.5 million and non-monetary consideration of real estate fair valued at \$4.3 million. The non-monetary consideration and \$24.2 million was transferred by SSM to the University upon closing. A promissory note for the remaining \$48.3 million of the purchase price was entered into by the University and SSM to be paid by SSM in calendar year 2023 and 2024.

(q) 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.

(r) Lease Assets and Liabilities

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 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.

Right of use assets - operating, for various office spaces, copiers, vehicles and equipment were \$5.7 million and \$2.2 million as of June 30, 2024 and 2023, respectively. Lease liabilities - operating, for various office spaces, copiers, vehicles and equipment, were \$4.2 million and \$0.4 million as of June 30, 2024 and 2023, respectively.

(s) Other Assets, Net

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

| | <u>2024</u> | | <u>2023</u> |
|--------------------|------------------|-----------|---------------|
| | (000's omitted) | | |
| Collections of art | \$ 14,122 | \$ | 14,122 |
| All other | 7,216 | | 7,339 |
| Other assets | <u>\$ 21,338</u> | <u>\$</u> | <u>21,461</u> |

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. The University generally displays artwork received. There have been no disposals from the collection in 2024 or 2023.

(t) Deposits and Deferred Revenue

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

| | <u>2024</u> | | <u>2023</u> |
|-------------------------------|------------------|-----------|---------------|
| | (000's omitted) | | |
| Student charges | \$ 10,712 | \$ | 22,853 |
| Conditional grants | 6,798 | | 12,371 |
| Arena | 2,784 | | 1,505 |
| Insurance | 4,188 | | 5,344 |
| Other | 8,351 | | 5,789 |
| Deposits and deferred revenue | <u>\$ 32,833</u> | <u>\$</u> | <u>47,862</u> |

Student charges represent fall physician assistant 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.

(u) Other Accrued Liabilities

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

| | <u>2024</u> | | <u>2023</u> |
|---|------------------|-----------|---------------|
| | (000's omitted) | | |
| Fair value of derivative instruments (see note 4) | \$ 3,720 | \$ | 6,151 |
| Actuarial estimated medical malpractice liability and other legal settlements | 41,887 | | 29,946 |
| Split-interest obligations | 15,851 | | 7,395 |
| Other | 12,390 | | 8,164 |
| Other accrued liabilities | <u>\$ 73,848</u> | <u>\$</u> | <u>51,656</u> |

(v) 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.

(w) 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 \$(6.0) million and \$(5.4) million as of June 30, 2024, and 2023, respectively.

(x) New Accounting Pronouncements

During 2024, The University adopted ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which had little to no impact to financial disclosures.

(y) Reclassification

Certain amounts in the 2023 consolidated financial statements have been reclassified to conform to the 2024 presentation.

(2) Financial Assets and Liquidity Resources

As of June 30, 2024 and 2023, 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>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| | (000's omitted) | |
| Cash and cash equivalents | \$ 69,743 | \$ 111,804 |
| Investments | 1,922,811 | 1,761,469 |
| Notes Receivable | 43,442 | 69,443 |
| Accounts receivable, net | 74,022 | 115,303 |
| Total | <u>2,110,018</u> | <u>2,058,019</u> |
| Less those unavailable for general expenditures within one year: | | |
| Receivables scheduled to be collected in more than one year | (11,558) | (17,023) |
| Notes Receivable scheduled to be collected in more than one year | — | (45,276) |
| Contractual or donor-imposed restrictions: | | |
| Endowment funds | (1,720,445) | (1,605,716) |
| Other donor restrictions with time or purpose restrictions | (71,368) | (75,745) |
| Investments held in charitable remainder trusts | (10,404) | (10,162) |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 296,243</u> | <u>\$ 304,097</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, 2024, the University also has lines of credit of \$79.3 million available if needed (see note 6).

(3) Investments

Investments were composed of the following:

| | <u>June 30</u> | |
|-------------------------------|---------------------|---------------------|
| | <u>2024</u> | <u>2023</u> |
| | (000's omitted) | |
| Cash and cash equivalents | \$ 28,890 | \$ 29,662 |
| Fixed maturity securities | 264,585 | 232,012 |
| Equity securities | 1,134,822 | 1,041,928 |
| Real estate securities | 104,330 | 97,810 |
| Real assets – commodities | 66,388 | 73,994 |
| Private equity/private credit | 323,342 | 285,606 |
| Hedge funds | 454 | 457 |
| Total investments | <u>\$ 1,922,811</u> | <u>\$ 1,761,469</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 in investment return designated for operations within the operating revenue of 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/private credit and real estate investments. The University had commitments of approximately:

| | June 30 | |
|-------------------------------|-------------------|-------------------|
| | 2024 | 2023 |
| | (000's omitted) | |
| Private equity/private credit | \$ 227,746 | \$ 202,652 |
| Real asset/real estate | 75,406 | 89,413 |
| Total uncalled capital calls | <u>\$ 303,152</u> | <u>\$ 292,065</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:

| | Year ended June 30, 2024 | | |
|--|---------------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| | (000's omitted) | | |
| Dividends and interest | \$ 29,800 | \$ 4,332 | \$ 34,132 |
| Net realized and unrealized gains | 139,650 | 35,662 | 175,312 |
| Total return on investments | 169,450 | 39,994 | 209,444 |
| Unrealized gains on interest rate swap agreements, net | 2,431 | — | 2,431 |
| Cumulative investment return designated for current operations | <u>(86,135)</u> | <u>—</u> | <u>(86,135)</u> |
| Investment return net of amounts designated for current operations | <u>\$ 85,746</u> | <u>\$ 39,994</u> | <u>\$ 125,740</u> |

| | Year ended June 30, 2023 | | |
|--|---------------------------------|----------------------------|------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| | (000's omitted) | | |
| Dividends and interest | \$ 26,980 | \$ 2,041 | \$ 29,021 |
| Net realized and unrealized gains | 105,092 | 20,702 | 125,794 |
| Total return on investments | 132,072 | 22,743 | 154,815 |
| Unrealized gains on interest rate swap agreements, net | 7,632 | — | 7,632 |
| Cumulative investment return designated for current operations | <u>(81,083)</u> | <u>—</u> | <u>(81,083)</u> |
| Investment return net of amounts designated for current operations | <u>\$ 58,621</u> | <u>\$ 22,743</u> | <u>\$ 81,364</u> |

The total (loss)/return on investments includes custodial and management fees of \$20.0 and \$15.9 million for the years ended June 30, 2024 and 2023, 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.

(4) Fair Value Measurements

Fair value is defined 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.

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.

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, 2024 and 2023.

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/private credit, 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/private credit 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:

| Recurring financial assets: | June 30, 2024 | | June 30, 2023 | | Redemption/ liquidation |
|---|-----------------|-----------|---------------|-----------|----------------------------|
| | (000's omitted) | | | | |
| Level 1 Assets: | | | | | |
| Cash and cash equivalents | \$ | 69,743 | \$ | 111,804 | |
| Investments: | | | | | |
| Cash and cash equivalents | | 28,890 | | 29,662 | |
| Fixed maturity securities | | 264,586 | | 232,012 | |
| Domestic equity | | 575,728 | | 556,597 | |
| International equity | | 94,799 | | 134,716 | |
| Real estate securities | | 19,918 | | 19,066 | |
| Total Level 1 Investments | | 983,921 | | 972,053 | |
| Investments valued using NAV (1): | | | | | |
| Alternative investments-equity securities | | 464,295 | | 350,616 | Monthly |
| Alternative investments-private equity/private credit | | 323,342 | | 285,606 | Illiquid |
| Alternative investments-hedge funds | | 453 | | 457 | Daily to > 1-year |
| Alternative investments-real asset commodities | | 66,388 | | 73,993 | Illiquid |
| Alternative investments-real estate investments | | 84,412 | | 78,744 | Illiquid |
| Total NAV Investments | | 938,890 | | 789,416 | |
| Total investments | | 1,922,811 | | 1,761,469 | |
| Unexpended bond proceeds (Level 1) | | — | | — | |
| Funds held by trustees (Level 3) | | 76,725 | | 63,359 | Illiquid |
| Total recurring assets | \$ | 2,069,279 | \$ | 1,936,632 | |
| Recurring financial liabilities (Level 2): | | | | | |
| Swap agreements | \$ | 3,720 | \$ | 6,151 | |

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.

Certain alternative investments include gates or other redemption restrictions. Such restrictions were immaterial as of June 30, 2024 and 2023. Certain private equity/private credit and real estate investments cannot be redeemed with the investee, but the University receives distributions through the liquidation of underlying assets.

(5) Land, Buildings and Equipment, net

Physical properties consisted of the following:

| | June 30 | |
|-------------------------------------|-------------------|-------------------|
| | 2024 | 2023 |
| | (000's omitted) | |
| Land | \$ 71,608 | \$ 67,825 |
| Buildings and building improvements | 1,164,205 | 1,110,321 |
| Equipment | 142,398 | 151,761 |
| Construction in progress | 22,705 | 42,835 |
| Land, buildings, and equipment | <u>1,400,916</u> | <u>1,372,742</u> |
| Less accumulated depreciation | (668,815) | (643,909) |
| Land, buildings, and equipment, net | <u>\$ 732,101</u> | <u>\$ 728,833</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 \$57.5 million (including change orders), for the construction or rehabilitation of various real properties. At June 30, 2024, \$14.4 million of such contract commitments had not yet been incurred.

(6) Debt Agreements

Outstanding balances of notes and bonds payable are summarized below:

| Description | June 30 | |
|---|-------------------|-------------------|
| | 2024 | 2023 |
| | (000's omitted) | |
| Twenty-five year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series B 1999. Interest rate is variable (4.9% at June 30, 2024), with a maximum of 12.0%. | \$ 8,205 | \$ 16,085 |
| Thirty year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series 2002. Interest rate is variable (4.8% at June 30, 2024), with a maximum of 12.0%. | 1,120 | 1,910 |
| Twenty-seven year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series 2008 B1 and B2. Interest rates are variable (4.6% and 4.8% at June 30, 2024) with a maximum of 12.0%. | 64,415 | 67,175 |
| 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 (4.85% at June 30, 2024) with a maximum of 12.0%. | 63,905 | 63,905 |
| Thirty year Health and Education Facilities Revenue Bonds - Series 2017 A. Interest rates range from 3.75% to 5.0%. | 68,765 | 68,765 |
| Thirty year Health and Education Facilities Revenue Bonds - Series 2019 A. Interest rates range from 3.375% 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 August 31, 2025 | 4,000 | 4,000 |
| Notes and bonds payable, par | 452,570 | 464,000 |
| Net unamortized original bond issue premium/discount | 10,210 | 10,528 |
| Unamortized debt issuance cost | (2,154) | (2,305) |
| | <u>\$ 460,626</u> | <u>\$ 472,223</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, 2024. Certain bonds are subject to early redemptions at the option of the University.

Note and bond principal payments amount to \$11.9 million, \$13.5 million, \$10.9 million, \$11.3 million and \$11.8 million for fiscal years 2025 through 2029, respectively. Certain debt obligations require the maintenance of bond and interest sinking funds. Interest paid was \$19.4 million and \$19.6 million during fiscal years 2024 and 2023, 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 \$3.7 million and \$6.2 million, as of June 30, 2024 and 2023, respectively. Gains in the amount of \$2.4 million and \$7.6 million were recognized related to the swap agreements for the years ended June 30, 2024 and 2023, respectively. Additionally, the impact within operating activities of the Consolidated Statements of Cash Flows was \$.5 and \$(0.8) million for the years ended June 30, 2024 and 2023, 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, 2024:

| Revenue bonds | Notional amount | Maturity date | Weighted average interest rate (%) |
|---------------------|--------------------|------------------|--|
| | (\$ in millions) | | |
| Series 1999 | \$ 8.2 | 2024 | 3.80 |
| Series 2002 | 1.1 | 2026 | 3.10 |
| Series 2008 B1 | 8.9 | 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 \$1.1 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 February 5, 2026. 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 \$72.6 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 April 18, 2025. The letters of credit for Series 2008 B1 and 2008 B2 have expiration dates of October 28, 2025 and August 28, 2026, respectively.

The University has lines of credit totaling \$80.0 million and had no outstanding borrowings as of June 30, 2024 (\$40 million expires on March 31, 2025 and \$40 million expires on August 30, 2024, which post June 30, 2024 has been renewed through August 28, 2027). The University has established letters of credit in the amount of \$0.7 million which reduces the line of credit borrowing capacity to \$79.3 million as of June 30, 2024.

(7) Analysis of Expense

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

| Year Ended June 30, 2024 | | | | | |
|---------------------------------|------------------------------------|------------------------------------|---------------------|------------------|-------------------|
| (000's omitted) | | | | | |
| | <u>Salaries & Benefits</u> | <u>Supplies & Services</u> | <u>Depreciation</u> | <u>Interest</u> | <u>Total</u> |
| Instruction | \$ 174,796 | \$ 35,014 | \$ 14,802 | | \$ 224,612 |
| Institutional Support | 66,307 | 78,376 | 7,945 | \$ 19,245 | 171,873 |
| Auxiliaries | 18,167 | 29,588 | 6,174 | | 53,929 |
| Academic Support | 40,836 | 17,778 | 6,094 | | 64,708 |
| Research | 27,765 | 18,798 | 5,190 | | 51,753 |
| Student Services | 19,088 | 13,790 | 2,502 | | 35,380 |
| Operation & Maint of Plant | 15,949 | 23,599 | 1,627 | | 41,175 |
| Public Service | 7,273 | 668 | 1,183 | | 9,124 |
| | <u>\$ 370,181</u> | <u>\$ 217,611</u> | <u>\$ 45,517</u> | <u>\$ 19,245</u> | <u>\$ 652,554</u> |

| Year Ended June 30, 2023 | | | | | |
|---------------------------------|------------------------------------|------------------------------------|---------------------|------------------|-------------------|
| (000's omitted) | | | | | |
| | <u>Salaries & Benefits</u> | <u>Supplies & Services</u> | <u>Depreciation</u> | <u>Interest</u> | <u>Total</u> |
| Healthcare Service | \$ 49,759 | \$ 679 | \$ 98 | | \$ 50,536 |
| Instruction | 158,110 | 33,780 | 13,763 | | 205,653 |
| Institutional Support | 51,332 | 61,621 | 7,807 | \$ 19,618 | 140,378 |
| Auxiliaries | 16,095 | 31,901 | 6,129 | | 54,125 |
| Academic Support | 37,287 | 16,456 | 6,045 | | 59,788 |
| Research | 26,638 | 21,264 | 4,741 | | 52,643 |
| Student Services | 16,700 | 13,637 | 2,490 | | 32,827 |
| Operation & Maint of Plant | 14,196 | 20,180 | 1,631 | | 36,007 |
| Public Service | 6,179 | 1,003 | 1,133 | | 8,315 |
| | <u>\$ 376,296</u> | <u>\$ 200,521</u> | <u>\$ 43,837</u> | <u>\$ 19,618</u> | <u>\$ 640,272</u> |

The University's primary activities programs are instruction, 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. Healthcare service not applicable in 2024 due to the sale of SLUCare as noted in note 13. 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 square footage utilized. Fundraising expenses included within institutional support were \$10.2 million and \$8.8 million as of June 30, 2024 and 2023, respectively.

(8) Net Assets

The Universities net assets are available for the following purposes:

| | June 30 | |
|--|---------------------|---------------------|
| | 2024 | 2023 |
| | (000's omitted) | |
| Net assets: | | |
| Without donor restrictions: | | |
| Net investment in plant | \$ 265,726 | \$ 254,679 |
| Designated by the board | 1,264,111 | 1,159,302 |
| Undesignated | <u>75,457</u> | <u>142,774</u> |
| Net assets without donor restrictions: | 1,605,294 | 1,556,755 |
| With donor restrictions: | | |
| Donor restricted endowments | 570,908 | 529,704 |
| Perpetual trusts | 44,411 | 42,275 |
| Purpose restricted | 81,888 | 92,305 |
| Time restricted | <u>18,416</u> | <u>23,782</u> |
| Net assets with donor restrictions | <u>715,623</u> | <u>688,066</u> |
| Total net assets | <u>\$ 2,320,917</u> | <u>\$ 2,244,821</u> |

| | June 30 | |
|--------------------------------|---------------------|---------------------|
| | 2024 | 2023 |
| | (000's omitted) | |
| Designated by the board: | | |
| Scholarships and fellowships | \$ 45,557 | \$ 42,522 |
| Other institutional activities | 1,218,554 | 1,116,780 |
| Total designated by the board | <u>\$ 1,264,111</u> | <u>\$ 1,159,302</u> |

| | June 30 | |
|---|-------------------|-------------------|
| | 2024 | 2023 |
| | (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 \$205,392 and \$172,060 as of June 30, 2024 and 2023, respectively): | | |
| Scholarships and fellowships | \$ 243,577 | \$ 218,739 |
| Other institutional activities | 316,920 | 295,440 |
| Underwater endowments | 10,412 | 15,525 |
| Perpetual trusts, distributions available to support the following purposes: | | |
| Scholarships and fellowships | 23,048 | 22,491 |
| Other institutional activities | 21,362 | 19,784 |
| Subject to expenditures for specific purposes: | | |
| Capital projects | 1,473 | 10,628 |
| Other institutional activities | 80,415 | 81,677 |
| Subject to the passage of time | <u>18,416</u> | <u>23,782</u> |
| Total net assets with donor restrictions | <u>\$ 715,623</u> | <u>\$ 688,066</u> |

(9) 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 University’s governing board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Missouri as allowing the University to appropriate for expenditure or accumulate as much of an endowment fund as the University determines is prudent for the uses, benefits, purposes and direction for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the University classifies net assets with donor restrictions as (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 purpose of the University and the donor-restricted endowment
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and 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 4.9% and 5% of the average market value per unit for a twelve quarter period for the Pooled Endowment for the year June 30, 2024 and 2023, respectively.

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 recorded in net assets with donor restrictions were \$(0.1) million and \$(0.9) million as of June 30, 2024 and 2023, 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) | | | | | |
| June 30, 2024 | | | | | |
| Quasi / Board-designated endowment funds | \$ 1,264,111 | \$ - | \$ - | \$ - | \$ 1,264,111 |
| Underwater endowments | - | 10,509 | (97) | 10,412 | 10,412 |
| Other funds | - | 369,120 | 235,787 | 604,907 | 604,907 |
| Total funds | <u>\$ 1,264,111</u> | <u>\$ 379,629</u> | <u>\$ 235,690</u> | <u>\$ 615,319</u> | <u>\$ 1,879,430</u> |
| June 30, 2023 | | | | | |
| Quasi / Board-designated endowment funds | \$ 1,159,302 | \$ - | \$ - | \$ - | \$ 1,159,302 |
| Underwater endowments | - | 16,461 | (936) | 15,525 | 15,525 |
| Other funds | - | 355,262 | 201,193 | 556,455 | 556,455 |
| Total funds | <u>\$ 1,159,302</u> | <u>\$ 371,723</u> | <u>\$ 200,257</u> | <u>\$ 571,980</u> | <u>\$ 1,731,282</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, 2022 | \$ 803,427 | \$ 540,382 | \$ 1,343,809 |
| Investment return: | | | |
| Investment income | 20,262 | 186 | 20,448 |
| Investment / other income - non pooled | 2,113 | — | 2,113 |
| Net realized / unrealized (losses) | 104,778 | 20,179 | 124,957 |
| Contributions | — | 9,252 | 9,252 |
| Endowment assets appropriated for expenditure | (77,872) | — | (77,872) |
| Reclassification based on donor intent | — | 1,162 | 1,162 |
| Gain (loss) on other assets | — | 819 | 819 |
| Transfers to create board-designated funds | 306,594 | — | 306,594 |
| Endowment net assets, June 30, 2023 | <u>\$ 1,159,302</u> | <u>\$ 571,980</u> | <u>\$ 1,731,282</u> |
| Investment return: | | | |
| Investment income | 23,496 | 188 | 23,684 |
| Investment / other income - non pooled | 1,882 | — | 1,882 |
| Net realized / unrealized gains | 139,157 | 35,014 | 174,171 |
| Contributions | — | 5,183 | 5,183 |
| Endowment assets appropriated for expenditure | (84,120) | — | (84,120) |
| Reclassification based on donor intent | — | 488 | 488 |
| Gain on other assets | — | 2,466 | 2,466 |
| Transfers to create board-designated funds | 24,394 | — | 24,394 |
| Endowment net assets, June 30, 2024 | <u>\$ 1,264,111</u> | <u>\$ 615,319</u> | <u>\$ 1,879,430</u> |

(10) 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.

(11) Retirement Benefits

Retirement benefits for University employees are provided through the Teachers Insurance and Annuity Association (TIAA) and Fidelity Investments. As of January 1, 2023, for eligible employees hired before January 1, 2024, the University has a matching contribution of two to one, up to 10% as the University's contribution. For eligible employees hired on or after January 1, 2024, the matching contribution is one to one up to 5% as the University's contributions for the first seven years. On the eligible employees seventh anniversary, the match escalates to a two to one match up to 10% as the University's contribution. The University's share of the cost of these benefits were \$19.3 million and \$15.9 million for the fiscal year ended June 30, 2024 and 2023, respectively.

(12) Governmental Grants and Contracts

The University has recovered indirect costs under certain grants and contracts with federal agencies for both the 2024 and 2023 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.

(13) Sale of SLUCare

On May 6, 2022, the University and SSM signed an agreement for SSM to assume ownership of the medical services provided by the faculty of the School of Medicine known as SLUCare, and the 15% financial interest and governance rights in SSM Health Care St. Louis for a purchase price of \$292.0 million effective July 1, 2022. Cash of \$292.0 million was received on July 1, 2022 and a gain of \$249.3 million was reported within the Consolidated Statements of Activities.

In addition, as further described in note 1(p) above, on July 1, 2022, the University sold certain real estate to SSM for \$72.5 million and non-monetary consideration of real estate fair valued at \$4.3 million.

(14) 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.

(15) Related Parties

The University recognized contribution revenue, a component of contributions and private grants in the accompanying Consolidated Statements of Activities, totaling approximately \$2.8 million and \$0.8 million from members of its Board of Trustees and their related entities during the years ended June 30, 2024 and 2023, respectively. Approximately \$9.2 million and \$11.7 million of related party contribution receivables were included in pledges, discounted within accounts receivables, net at June 30, 2024 and 2023, respectively, in the accompanying Consolidated Statements of Financial Position.

Members of the University's Board of Trustees, committee members and management, from time to time, are associated, either directly or indirectly, with companies doing business with the University. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the University, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable. The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. The Consolidated Statements of Activities include \$0.7 million and \$0.4 million of legal expense, included as a component of supplies, repairs, utilities and other expenses, from legal firms affiliated with certain members of the Board of Trustees for the years ended June 30, 2024 and 2023. The Consolidated Statements of Activities also include \$0.1 million and \$0.7 million of other goods and services expense, included as a component of supplies, repairs, utilities and other expenses, from companies affiliated with members of the Board of Trustees for the years ended June 30, 2024 and 2023. The Consolidated Statement of Financial Position includes \$1.3 million and \$0.3 million of technology improvements, included as a component of land, buildings and equipment, from companies affiliated with members of the Board of Trustees for the years ended June 30, 2024 and 2023.

(16) Subsequent Events

In connection with the preparation of the consolidated financial statements, the University evaluated subsequent events through October 30, 2024, which was the date the consolidated financial statements were issued.