Report to the Board of Trustees and Audit Committee

Park University

November 4, 2019

Results of the 2019 consolidated financial statement audit, internal control matters and other required communications.

BKD
CPAs & Advisors

BKD
CPAs & Advisors

1201 Walnut Street, Suite 1700 | Kansas City, MO 64106-2246
816.221.6300 | Fax 816.221.6380 | bkd.com

November 4, 2019

Board of Trustees and Audit Committee
Park University
Parkville, Missouri

Dear Board of Trustees and Audit Committee:

We have completed our audit of the consolidated financial statements of Park University (the University) as of and for the year ended June 30, 2019. This report includes communication required under auditing standards generally accepted in the United States of America as well as other matters.

Our audit plan represented an approach responsive to the assessment of risk of material misstatement in financial reporting for the University. Specifically, auditing standards require us to:

- Express an opinion on the June 30, 2019, consolidated financial statements and supplementary information of the University.
- Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Report on compliance with requirements that could have a direct and material effect on the major federal program and on internal control over compliance in accordance with OMB Uniform Guidance.
- Issue communications required under auditing standards generally accepted in the United States of America to assist the board in overseeing management's financial reporting and disclosure process.

This report also presents an overview of areas of audit emphasis, as well as future accounting standards and industry developments for the college and university environment.

This communication is intended solely for the information and use of management, the board of trustees, the audit committee and others within the University and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Dustin Haywood
Director

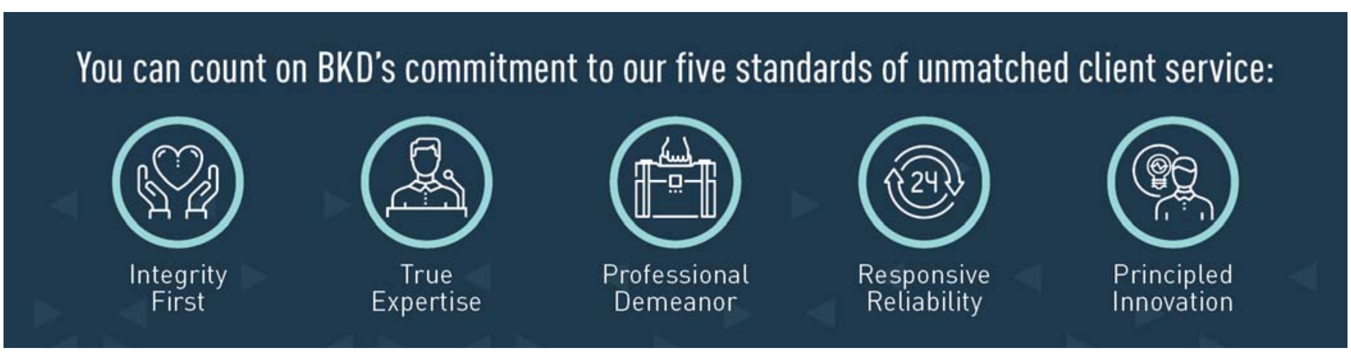
TABLE OF CONTENTS

Our Responsibilities

An audit performed in accordance with Auditing Standards Generally Accepted in the United States of America, Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) includes:

- We obtain reasonable, rather than absolute, assurance about the consolidated financial statements and about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on a major federal program occurred.
- We establish scopes of audit tests in relation to the consolidated financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction.
- We communicate significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this communication or have previously been communicated during other phases of the audit.
- The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.



Summary of Our Audit Approach & Results

Our Approach

BKD's audit approach focuses on areas of higher risk—the unique characteristics of Park University's

- Operating environment,
- The design effectiveness of your internal controls, and
- Financial statement amounts and disclosures.

The objective is to express an opinion on the conformity of your consolidated financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

Areas of Audit Emphasis

The principal areas of audit emphasis and results were as follows:

Risk Area	Results
Management override of controls – The risk that management may override existing and functioning accounting controls is an inherent risk to the University	No matters are reportable.
Revenue recognition – The risk that revenue is improperly categorized or recorded in the improper period	The University adopted ASC 2014-09, *Revenue from Contracts with Customers* (Topic 606) during 2019. See additional disclosures in *Note 3* to the consolidated financial statements.
Existence and valuation of investments and funds held in trusts – The assumptions and methods used by management to value difficult-to-value investments, such as alternative investments	No matters are reportable.
Existence and valuation of accounts and notes receivable – The assumptions used by management to value collectibility of accounts and notes receivable	No matters are reportable.
Long-term debt and financial covenant compliance	No matters are reportable.
Compliance with major federal award program regulations	No matters are reportable.

Unmodified, or "Clean," Opinion Issued on Consolidated Financial Statements

We have issued an unmodified opinion as to whether the consolidated financial statements of Park University, as of and for the year ended June 30, 2019, attached, are fairly presented, in all material respects.

Significant Estimates

The preparation of the consolidated financial statements requires considerable judgment because some assets, liabilities, revenues and expenses are "estimated" based on management's assumptions about future outcomes. Estimates may be dependent on assumptions related to economic or environmental conditions, regulatory reform or changes in industry trends.

Some estimates are inherently more difficult to evaluate and highly susceptible to variation because the assumptions relating to future outcomes have a higher degree of uncertainty. To the extent future outcomes are different than expected, management's estimates are adjusted in future periods, sometimes having a significant effect on subsequent period financial statements.

The following are considered to be significant estimates for Park University:

- **Accounts Receivable and Pledges Receivable Allowances –** Management believes that outstanding accounts receivable and pledges receivable allowances are reasonable as of June 30, 2019. The estimate could change in future period due to unforeseen events and circumstances.
- **Investments & Funds Held in Trusts by Others –** The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.
- **Depreciation –** Management's estimate of the useful life of each asset and depreciation method used to depreciate the assets.
- **Refundable Government Loan Programs –** Management's estimate of refund of federal capital contributions to Perkins program if discontinued.

Quality of Accounting Practices

Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Areas involving significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates are listed above.

- See significant estimates above

Financial Statement Disclosures

The areas listed below involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures.

- Changes in Accounting Principles (*Note 2*)
- Revenue from Contracts with Students (*Note 3*)
- Fair Value Measurements and Disclosures (*Note 7*)

- Endowments (*Note 11*)
- Liquidity and Availability (*Note 12*)

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the consolidated financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

See reconciliation of change in net assets for areas in which adjustments were proposed.

Auditor’s Judgments About the Quality of the University’s Accounting Policies

During the course of the audit, we made observations regarding the University’s application of accounting principles listed below.

- The University’s application of accounting principles was consistent with industry practice

Disagreements with Management

- No matters are reportable

Significant Issues Discussed with Management

- No matters are reportable

Difficulties Encountered in Performing the Audit

- No matters are reportable

Other Material Communications

Other material communications between management and us related to the audit include:

- Management representation letter (attached)

Requirements Under OMB Uniform Guidance

Our audit included reporting on major federal award programs and includes:

- Schedule of Federal Awards
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance
- Schedule of Findings and Questioned Costs
- Data Collection Form

Reconciliation of Change in Net Assets

As a result of our audit, we proposed adjustments that management determined were necessary to prevent the consolidated financial statements from being materially misstated. A summary of adjustments impacting the change in net assets is presented below:

Increase in net assets, as internally reported	$ 5,594,703
Adjustments	
Management proposed entries	
Record close out of SEOG and CWS	(184,807)
Record legal expense accrual	(26,250)
Increase in net assets, per audited consolidated financial statements	$ 5,383,646

We also proposed the following adjustments that were determined by management to be immaterial, both individually and in the aggregate, to the consolidated financial statements as a whole.

	Before Misstatements	**Misstatements**	**Subsequent to Misstatements**	**% Change**
Total Assets	174,373,476	-	174,373,476	0.00%
Total Liabilities	(36,877,183)	77,729	(36,799,454)	-0.21%
Net Assets	(137,496,293)	(77,729)	(137,574,022)	0.06%
Revenues	(88,266,781)	-	(88,266,781)	0.00%
Expenses	82,883,135	(77,729)	82,805,406	-0.09%
Increase in Net Assets	(5,383,646)	(77,729)	(5,461,375)	1.44%

Other Matters

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the consolidated financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the consolidated financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements if you require.

Cybersecurity and Privacy Challenges for Higher Education Institutions

Higher education institutions are currently experiencing elevated cyber threat levels never seen before. The rapid increase in the number of cyber-attacks, business email compromises and ransomware upon colleges and universities alarms trustees, administrators, faculty and students alike.

In response to these attacks, regulators are stepping up their efforts to protect the public by increasing enforcement of current compliance requirements. New regulations, *e.g.*, the *EU General Data Protection Regulation* (GDPR) and the *California Consumer Privacy Act* (CCPA), are aimed at limiting the amount of personal information that organizations can collect and providing students, faculty, alumni and others the ability to access and correct this data, or even to deny certain processing activities.

As a first step to improving their cyber-readiness, higher education institutions must identify the personal data that they have collected, assess the current state of their cybersecurity processes, controls and technology. Performing a cybersecurity risk assessment will help identify potential vulnerabilities and allow them to focus resources on areas of greatest risk.

In addition, institutions must monitor their IT systems to detect the occurrence of an attack and put in place a strong incident response plan so that management can move quickly to limit disruption and recover quickly.

This climate of increased cyber-threats is expected to continue into the future. Colleges and universities must take strong steps now to protect the personal data that they hold and the IT systems on which they rely.

Understanding Program Costs and Margins

Although the traditional residential undergraduate college experience has been proven to be very effective, the cost of providing live instruction, advising and related education continues to rise. Due to increased competition and declining demographics in many places, net tuition and other funding sources are flat or in decline.

As a result, many institutions are implementing key strategies designed to identify ways to improve financial sustainability. An essential step in this process is understanding the costs and revenues associated with existing academic programs at the course and program level. Identifying which programs provide the greatest contribution margin to the institution and which programs are lagging financially is critical in the information gathering process needed to make good decisions regarding academic offerings, enrollment strategies and resource allocation. Many institutions have done several rounds of cost reduction, but have not yet worked on academic programs. This is likely due to a lack of good information.

BKD has developed a sophisticated modeling tool to assist institutions with understanding program revenues, costs and financial contribution margins. Our interactive margin analysis tool provides a visual analysis of the financial contribution and margin at various levels of detail for the institution. If you are interested in learning more about this service, please contact your BKD Advisor.

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This communication is intended solely for the information and use of management, the audit committee, the board of trustees and others within the University and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Kansas City, Missouri
November 4, 2019

Future Accounting Pronoucements

New Lease Accounting Standard

FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), the long-awaited new standard on lease accounting. The FASB has issued various ASUs since that date related to Topic 842 as well seeking to clarify guidance and provide more transition relief in certain areas.

Under the new ASU, lessees will recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months. The new lessee accounting model retains two types of leases, and is consistent with the lessee accounting model under existing GAAP. One type of lease (finance leases) will be accounted for in substantially the same manner as capital leases are accounted for today. The other type of lease (operating leases) will be accounted for (both in the income statement and statement of cash flows) in a manner consistent with today's operating leases. Lessor accounting under the new standard is fundamentally consistent with existing GAAP.

Lessees and lessors are required to provide additional qualitative and quantitative disclosures to help financial statement users assess the amount, timing and uncertainty of cash flows arising from leases. These disclosures are intended to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an organization's leasing activities.

<u>Effective Dates</u>

- For public business entities, not-for-profit entities that have issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, and employee benefit plans that file financial statements within the U.S. Securities and Exchange Commission, the final leases standard will be effective for fiscal years beginning after December 15, 2018 including interim periods within those fiscal years.
- All other entities are currently* required to adopt Topic 842 for fiscal years beginning after December 15, 2019 – that is fiscal year 2020 for calendar year end entities and fiscal year 2021 for those entities with other fiscal years. Early application is permitted.

*A tentative board decision was reached by the FASB at its July 17, 2019 meeting to delay the effective date of Topic 842 by one year for these entities (*i.e.*, fiscal year beginning after December 15, 2020). Issuance of a final ASU related to this decision is expected later in 2019.

<u>Implementation</u>

The proposed delay by FASB of the effective date of the new leases standard (ASC 842) by one year for private companies and most non-profit organizations is welcome relief as many of these entities continue to work on their implementations of the new revenue standard (ASC 606).

However, there are certain lease implementation items to get moving on sooner rather than later:

1. Educate yourself and key stakeholders about ASC 842
    a. Check out <u>www.bkd.com</u> for BKD Thoughtware resources, including articles and webinars related to the new standard and the related implementation efforts

2. Early Decision Points:
    a. Transition method
    b. Practical expedients and accounting policy elections
3. Accumulate the population of potential leases
4. Communicate with lenders – expected impact of ASC 842 on existing debt covenants?
5. Systems analysis – Do you need lease software? If so, vendor selection takes time
6. Start developing the processes and controls necessary for effective implementation of the ASC 842 as well as the ongoing accounting requirements

Appendix

Condensed Consolidated Statements of Financial Position

	2019	2018
Assets		
Cash and cash equivalents	$ 17,540,851	$ 13,740,478
Restricted cash	665,809	447,986
Accounts, notes and pledges receivable, net	9,615,442	6,957,305
Investments and funds held in trusts by others	78,284,519	77,973,746
Property, plant, equipment and library books, net	66,392,656	69,047,480
Other assets	1,874,199	1,395,756
Total assets	$ 174,373,476	$ 169,562,751
Liabilities		
Accounts payable and accrued expenses	$ 7,481,034	$ 7,645,595
Deferred income and deposits	8,039,959	6,280,759
Notes and bonds payable	20,845,410	22,559,792
Refundable federal student loans	510,780	963,958
Total liabilities	36,877,183	37,450,104
Net Assets		
Without donor restrictions	78,703,757	74,109,375
With donor restrictions	58,792,536	58,003,272
Total liabilities and net assets	$ 174,373,476	$ 169,562,751

Condensed Consolidated Statements of Activities

	2019	2018
Revenues, Gains and Other Support		
Student tuition and fees	$ 72,321,256	$ 72,229,589
Net investment return	5,164,328	7,912,933
Contributions, gifts and grants	2,917,919	2,153,002
Auxiliary enterprises	2,821,645	2,625,549
Other income	5,041,633	2,059,766
Total revenues, gains and other support	88,266,781	86,980,839
Expenses and Losses		
Instruction	35,370,315	34,448,655
Academic support	6,172,108	5,872,363
Student services	10,548,679	10,439,029
Auxiliary enterprises	4,612,372	4,478,518
Libraries	821,505	808,533
Institutional support	25,358,156	24,790,937
Total expenses and losses	82,883,135	80,838,035
Changes in Net Assets	5,383,646	6,142,804
Net Assets, Beginning of Year	132,112,647	125,969,843
Net Assets, End of Year	$ 137,496,293	$ 132,112,647

Audited Financial Statements & Report Required by OMB Uniform Guidance

See attached.

Management Representation Letter & Schedule of Uncorrected Misstatements

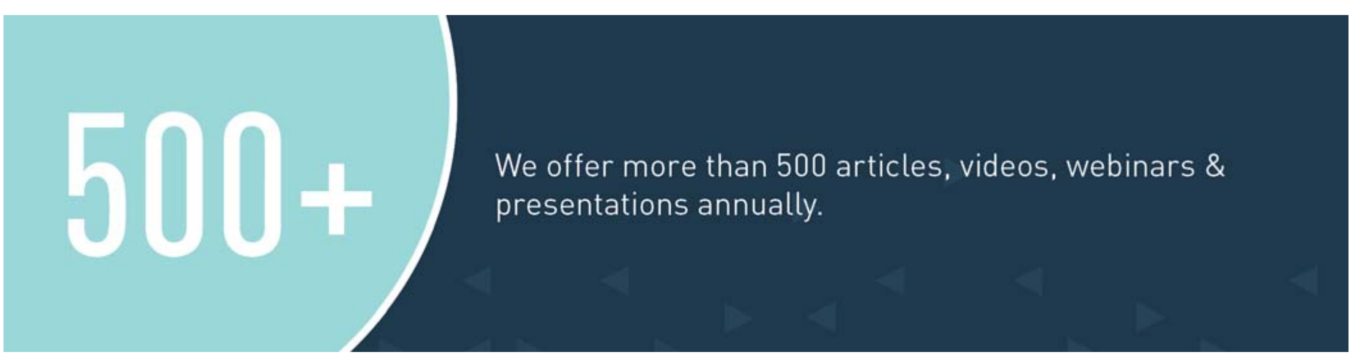
See attached.

Value-Added Learning

Networking and Learning Opportunities	
Roundtables	**Date**
Not-for-Profit Day Long Seminar	January 8, 2020

Value Added Articles, Trainings & Webinars*	
Webinars and Articles	**Date**
Grant Compliance – Avoiding Common Pitfalls	May 9, 2019
Four Soft Skills to Improve Board & Staff Relationships	April 9, 2019
Nonprofit Insights Part 1 – Why Donors Give: The Psychology of Fundraising	April 23, 2019

**All articles, trainings and webinars noted above are still available on www.bkd.com.*



Park University

Independent Auditor's Report and Consolidated Financial Statements
(Including Reports Required under Uniform Guidance)

June 30, 2019 and 2018

BKD LLP
CPAs & Advisors

Park University
June 30, 2019 and 2018

Contents

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1201 Walnut Street, Suite 1700 | Kansas City, MO 64106-2246
816.221.6300 | Fax 816.221.6380 | bkd.com

Independent Auditor's Report

Board of Trustees and Audit Committee
Park University
Parkville, Missouri

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Park University (the University), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 the University as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in *Note 2* to the consolidated financial statements, in 2019, the University adopted the Accounting Standards Update (ASU) 2014-09 (Topic 606), *Revenue from Contracts with Customers* and ASU 2016-18 (Topic 230), *Statement of Cash Flows: Restricted Cash*. Our opinion is not modified with respect to these matters.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, including the schedule of expenditures of federal awards as required by Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Kansas City, Missouri
November 4, 2019

Park University

Consolidated Statements of Financial Position

June 30, 2019 and 2018

Assets

	2019	2018
Cash and cash equivalents	$ 17,540,851	$ 13,740,478
Restricted cash	665,809	447,986
Accounts and notes receivable, net of allowance; 2019 - $1,297,632; 2018 - $1,166,194	9,010,192	5,971,942
Pledges receivable	605,250	985,363
Investments	58,966,209	58,658,237
Funds held in trusts by others	19,318,310	19,315,509
Property, plant, equipment and library books, net	66,392,656	69,047,480
Other assets	1,874,199	1,395,756
Total assets	$ 174,373,476	$ 169,562,751

Liabilities and Net Assets

	2019	2018
Liabilities		
Accounts payable and accrued expenses	$ 7,481,034	$ 7,645,595
Deferred income and deposits	8,039,959	6,280,759
Notes and bonds payable	20,845,410	22,559,792
Refundable federal student loans	510,780	963,958
Total liabilities	36,877,183	37,450,104
Net Assets		
Without donor restrictions	78,703,757	74,109,375
With donor restrictions	58,792,536	58,003,272
Total net assets	137,496,293	132,112,647
Total liabilities and net assets	$ 174,373,476	$ 169,562,751

Park University

Consolidated Statement of Activities

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Student tuition and fees	$ 72,321,256	$ -	$ 72,321,256
Net investment return	4,273,138	891,190	5,164,328
Contributions, gifts and grants	87,732	2,830,187	2,917,919
Auxiliary enterprises	2,821,645	-	2,821,645
Other income	5,041,633	-	5,041,633
Net assets released from restrictions	2,932,113	(2,932,113)	-
Total revenues, gains and other support	87,477,517	789,264	88,266,781
Expenses			
Program services			
Instruction	35,370,315	-	35,370,315
Academic support	6,172,108	-	6,172,108
Student services	10,548,679	-	10,548,679
Auxiliary enterprises	4,612,372	-	4,612,372
Libraries	821,505	-	821,505
Institutional support	25,358,156	-	25,358,156
Total expenses	82,883,135	-	82,883,135
Increase in Net Assets	4,594,382	789,264	5,383,646
Net Assets, Beginning of Year	74,109,375	58,003,272	132,112,647
Net Assets, End of Year	$ 78,703,757	$ 58,792,536	$ 137,496,293

Park University
Consolidated Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Student tuition and fees	$ 72,229,589	$ -	$ 72,229,589
Net investment return	4,628,805	3,284,128	7,912,933
Contributions, gifts and grants	94,085	2,058,917	2,153,002
Auxiliary enterprises	2,625,549	-	2,625,549
Other income	2,059,766	-	2,059,766
Net assets released from restrictions	1,506,178	(1,506,178)	-
Total revenues, gains and other support	83,143,972	3,836,867	86,980,839
Expenses			
Program services			
Instruction	34,448,655	-	34,448,655
Academic support	5,872,363	-	5,872,363
Student services	10,439,029	-	10,439,029
Auxiliary enterprises	4,478,518	-	4,478,518
Libraries	808,533	-	808,533
Institutional support	24,790,937	-	24,790,937
Total expenses	80,838,035	-	80,838,035
Increase in Net Assets	2,305,937	3,836,867	6,142,804
Net Assets, Beginning of Year	71,803,438	54,166,405	125,969,843
Net Assets, End of Year	$ 74,109,375	$ 58,003,272	$ 132,112,647

Park University

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services						
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Libraries	Institutional Support	Total
Salaries and wages	$ 23,932,823	$ 3,108,941	$ 4,989,884	$ 101,982	$ 311,777	$ 10,551,888	$ 42,997,295
Payroll tax and employee benefits	3,106,538	771,978	1,184,410	18,609	63,018	2,585,669	7,730,222
Advertising and marketing	23,335	4,239	1,414,747	256	-	835,015	2,277,592
Rent and occupancy	2,178,655	307,707	-	184,358	26,408	338,630	3,035,758
Dues, memberships and subscriptions	50,212	8,404	13,986	-	-	202,691	275,293
Utilities and insurance	99,079	-	325,013	338,630	-	1,679,421	2,442,143
Supplies and office expenses	3,811,954	1,209,207	1,624,666	1,941,559	420,302	8,685,350	17,693,038
Depreciation and amortization	2,057,509	722,909	945,336	1,382,610	-	452,452	5,560,816
Interest expense	110,210	38,723	50,637	644,368	-	27,040	870,978
Total expenses	$ 35,370,315	$ 6,172,108	$ 10,548,679	$ 4,612,372	$ 821,505	$ 25,358,156	$ 82,883,135

See Notes to Consolidated Financial Statements

Park University

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services						
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Libraries	Institutional Support	Total
Salaries and wages	$ 23,375,151	$ 2,896,353	$ 4,694,579	$ 83,953	$ 344,477	$ 9,933,186	$ 41,327,699
Payroll tax and employee benefits	3,075,325	669,585	1,054,987	15,308	64,477	2,310,635	7,190,317
Advertising and marketing	4,450	1,596	1,804,000	114	-	918,427	2,728,587
Rent and occupancy	2,060,568	311,156	-	-	45,273	385,341	2,802,338
Dues, memberships and subscriptions	41,000	11,363	12,868	-	-	200,808	266,039
Utilities and insurance	104,695	8	255,833	336,591	-	1,538,260	2,235,387
Supplies and office expenses	3,750,550	1,266,629	1,680,882	2,090,524	354,306	9,008,813	18,151,704
Depreciation and amortization	1,914,667	672,721	879,712	1,242,565	-	465,730	5,175,395
Interest expense	122,249	42,952	56,168	709,463	-	29,737	960,569
Total expenses	$ 34,448,655	$ 5,872,363	$ 10,439,029	$ 4,478,518	$ 808,533	$ 24,790,937	$ 80,838,035

See Notes to Consolidated Financial Statements

Park University

Consolidated Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018 (as adjusted)
Operating Activities		
Change in net assets	$ 5,383,646	$ 6,142,804
Items not requiring (providing) cash		
Depreciation, amortization and accretion	5,561,434	5,175,395
Net realized and unrealized gains on investments and funds held in trust by other	(220,608)	(3,510,388)
Contributions restricted for long-term investment	(2,830,187)	(2,058,917)
Allowance for bad debts	131,438	267,693
Changes in		
Accounting and notes receivable, net	(3,169,688)	(1,015,281)
Pledges receivable	380,113	(462,066)
Accounts payable and accrued expenses	255,923	(761,414)
Deferred income and deposits	1,759,200	336,389
Other assets	(478,443)	(679,313)
Net cash provided by operating activities	6,772,828	3,434,902
Investing Activities		
Proceeds from sales and maturities of investments	17,875,273	25,515,763
Purchase of investment	(17,422,964)	(24,962,251)
Purchase of property, plant, equipment and library books	(3,326,476)	(9,376,479)
Net cash used in investing activities	(2,874,167)	(8,822,967)
Financing Activities		
Payments on bond payables	(860,000)	(845,000)
Principal payments on notes payable	(855,000)	(825,000)
Increase (decrease) in refundable federal student loans	(453,178)	2,892
Proceeds from contributions restricted for long-term investments	2,830,187	2,058,917
Net cash provided by financing activities	662,009	391,809
Change in Cash, Cash Equivalents, Restricted Cash and Cash Equivalents held in Investments	4,560,670	(4,996,256)
Total Cash, Cash Equivalents, Restricted Cash and Cash Equivalents held in Investments, Beginning of Year	14,503,955	19,500,211
Total Cash, Cash Equivalents, Restricted Cash and Cash Equivalents held in Investments, End of Year	$ 19,064,625	$ 14,503,955
Reconciliation of Cash, Cash Equivalents, Restricted Cash and Cash Equivalents held in Investments to the Statement of Financial Position		
Cash and cash equivalents	$ 17,540,851	$ 13,740,478
Restricted cash	665,809	447,986
Investments	857,965	315,491
Total cash, cash equivalents, restricted cash and cash equivalents held in investments shown in the statements of cash flows	$ 19,064,625	$ 14,503,955
Supplementary Cash Flows Information		
Cash paid for interest	$ 888,756	$ 1,028,462
Property, plant and equipment purchases in accounts payable	186,830	607,314

Park University

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Park University (the "University") was established in 1875 as an institution of higher learning committed to the pursuit of knowledge, to intellectual and social development and to work and serve within a non-sectarian Christian setting. The University was formerly known as Park College, but during fiscal year 2000, the University completed the process of changing from a college to a university that began a decade earlier. The process included implementation of long-range plans and followed approvals by the board of trustees, the state of Missouri and the North Central Association of Colleges and Schools. Students, staff, faculty and alumni all provided input into the process.

The University is accredited by national, regional and state agencies. The University's programs are housed under the Office of Academic Affairs under the management of the Provost and Vice President of Academic Affairs. There are three colleges administratively led by Deans. Each college houses both the respective undergraduate and graduate programs which reflect the program offerings, potential synergies and growth opportunities.

- College of Liberal Arts and Sciences which include the following:
  - School of Liberal Arts which include the following Departments:
    - English and Modern Languages; Communication, Journalism and Public Relations; Art, Design & Interdisciplinary Studies; History and Political Sciences
    - Master of Arts in Communication and Leadership

- College of Education and Health Professions which include the following:
  - School of Education: Undergraduate Programs, Graduate Programs; and Athletic Training/Fitness and Wellness
    - Master of Education
  - School of Behavioral and Health Sciences which include the following Departments:
    - Nursing; Social Work; and Psychology and Sociology
    - Master of Social Work

- College of Management which include the following:
  - School of Business
    - Undergraduate Programs: Accounting, Economics and Finance; Management, Human Resource Management and Decision Sciences; and International Business, Logistics, Marketing and Healthcare Management
    - Graduate Programs: Masters of Business Administration and Masters of Healthcare Administration
  - Hauptmann School of Public Affairs
    - Master of Public Affairs

- Online Operations which supports the University's accelerated learning programs at the home campus as well as various off-campus centers including the Military Resident Center System and Corporate Education Systems.

Basis of Presentation

The accompanying consolidated financial statements include the account of Park University and its wholly-owned subsidiary Park Ventures, LLC. Park Ventures, LLC was formed in 2016 for the purpose of acquiring a plot of land and has no revenue or expenses. The University's consolidated financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The University considers all liquid investments with original maturities of three months or less (except those held in endowment funds) to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At June 30, 2019, the University's bank balances exceeded federally insured limits by approximately $16,968,000. However, management monitors the financial stability of these financial institutions and believes the risk of loss is minimal.

Restricted Cash

Restricted cash and cash equivalents represent proceeds from the issuance of bonds that are on deposit at a third party financial institution custodian and federal student financial aid funds. These amounts are restricted for debt service, sinking fund deposits and student aid.

Accounts and Notes Receivable

Accounts receivable are stated at the amount of consideration from students of which the University has an unconditional right to receive less applied scholarships, grants and loan proceeds. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Tuition is due at the beginning of the semester. Charges that are past due and have had no response to the due diligence process are assigned to third-party collection agencies. Delinquent receivables are written off based on individual credit evaluation and other specific circumstances.

Notes receivable consists of amounts due under the Federal Perkins and institutional loan programs and are stated at their outstanding principal amount, net of an allowance for doubtful notes. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful notes which is based upon a review of outstanding loans, historical collection information and other existing conditions. Interest income is recorded as received which is not materially different from the amount that would have been recognized on the accrual basis. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

Contributions

Contributions received, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the University reports the support as net assets without donor restrictions. Conditional promises are recorded when donor stipulations are substantially met.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Real estate estimated fair value is based on appraisals that are received every three years. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are recorded as net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities as net assets without donor restrictions or net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Funds Held in Trust by Others

Funds held in trust by others are resources not in the University's possession, nor under its control. These funds are held and administered by outside trustees. The University derives income or a residual interest from such funds. Funds held in trust by others are reported at the estimated fair value of the assets or at the present value of the future cash flows when the irrevocable trust is established or the University is notified of its existence. The funds held in trust generated approximately $650,000 of investment income for the years ended June 30, 2019 and 2018.

Property, Plant, Equipment and Library Books

Property, plant, equipment and library books are stated at cost, or if donated, at fair value at the date of donation, less accumulated depreciation. Maintenance and repairs are expensed as incurred. The cost and related accumulated depreciation of assets sold or disposed of are removed from the accounts and the resulting gain or loss is included in the consolidated statements of activities. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets as follows:

Land improvements	10 – 20 years
Buildings and improvements	10 – 50 years
Improvements other than buildings	5 – 20 years
Equipment	3 – 30 years
Library books	15 years

Long-lived Asset Impairment

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds fair value. No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Deferred Revenues

The University records tuition revenue and related expenses in the period in which the session is substantially completed. Accordingly, certain revenues have been deferred at June 30 and will be recognized as the courses are completed.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment which totaled $14,928,419 and $14,659,594 at June 30, 2019 and 2018, respectively.

Net Assets With Donor Restrictions – Net assets with donor restrictions are subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets with donor restrictions (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Tuition revenue is recognized over the term of the semester as the University provides services to students. Revenue is reported at the amount of consideration which the University expects to be entitled in exchange for providing tuition. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships and other price concessions provided to students.

Government Grants

Support funded by grants is recognized as the University performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Federal Income Tax Status

The Internal Revenue Service has ruled that the University qualifies under Section 501(c)(3) of the Internal Revenue Code as a tax exempt University, and is, therefore, not subject to tax under present income tax laws; however, certain income that is considered unrelated business income could be subject to taxation. The University files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

Depreciation expense is allocated based on a building and usage analysis. Interest expense on external debt is allocated to the functional categories, which have benefited from the proceeds of the external debt. Plant operations and maintenance represents space-related costs, which are allocated to the functional categories directly and/or based on the building and usage analysis.

Fundraising

The University participates in various fundraising activities such as direct mail campaigns and special events. The expenses related to these fundraising activities are recorded in institutional support and approximated $635,000 and $581,000 for the years ended June 30, 2019 and 2018, respectively.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements to conform to the 2019 financial statement presentation. These reclassifications had no effect on increase in net assets.

Note 2: Changes in Accounting Principles

On July 1, 2018, the University adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606), (ASU 2014-09) using a modified-retrospective method of adoption to all contracts with students at July 1, 2018. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to students in amounts that reflect the consideration to which the University expects to be entitled in exchange for those goods or services. The amount to which the University expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing educational services to its students. Adoption of ASU 2014-09 resulted in changes to disclosures in the notes to the consolidated financial statements and no significant changes in presentation of the consolidated financial statements.

The adoption has no impact on overall change in net assets or net cash provided by operating activities. There was no impact on the June 30, 2018 consolidated financial statements.

In 2019, the University also changed its method of accounting for cash equivalents held in investments by adopting the provisions of Accounting Standards Update No. 2016-18 (ASU 2016-18), *Statement of Cash Flows* (Topic 230): *Restricted Cash*. The new accounting guidance requires balances generally described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling beginning and end-of-period balances on the consolidated statements of cash flows.

This change was applied retrospectively to all periods presented, which resulted in the following changes within the consolidated statements of cash flows as follows:

	As Restated	As Previously Reported	Effect of Change
Consolidated Statement of Cash Flows			
Purchase of investments	$ (24,962,251)	$ (25,019,958)	$ 57,707
Change in restricted cash	-	(174,532)	174,532
Net cash used in investing activities	(8,822,967)	(9,055,206)	232,239
Change in Total Cash, Cash Equivalents, Restricted Cash and Cash Equivalents held in Investments	(4,996,256)	(5,228,495)	232,239
Total Cash, Cash Equivalents, Restricted Cash and Cash Equivalents held in Investments, Beginning of Year	19,500,211	18,968,973	531,238
Total Cash, Cash Equivalents, Restricted Cash and Cash Equivalents held in Investments, End of Year	14,503,955	13,740,478	763,477

Note 3: Revenue from Contracts with Students

Student Tuition and Fees Revenue – Net revenue from contracts with students for tuition is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction throughout various locations in the United States of America and online. These amounts are due from students, third-party payers and others and includes variable consideration for scholarships the University has offered to students. For the years ended June 30, 2019 and 2018, the University's revenue was reduced by approximately $6,662,000 and $6,773,000, respectively, as a result of scholarships. Revenue is recognized as performance obligations are satisfied, which is ratably over the academic term. Generally, the University bills students prior to the beginning of the semester, and student accounts receivable are due in full once the semester has begun. Students may be entitled to a refund if they withdrawal in accordance with University policy. The University determines the refund liability at year-end based on actual experience subsequent to year-end. Revenue from fees are recognized at a single point in time and the University does not believe it is required to provide additional goods or services related to the fees.

Auxiliary Enterprises Revenue – Performance obligations are determined based on the nature of the goods or services provided by the University in accordance with the contract. Auxiliary revenues included housing and meal plan revenues that are recognized as performance obligations are satisfied, which is generally over the period the services are provided to students. Housing and meal plan revenues are considered to be separate performance obligations. The University allocates the fees charged to students for housing and meal plans based on standalone charges to students for housing and meal plans. Auxiliary revenue also include revenues from sales of items such as books, merchandise, vending machines and other, which is recognized when goods are provided to students and customers at a single point in time.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Because all of its performance obligations relate to contracts with a duration of less than one year, the University has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing instruction to students in which the course term overlaps into the subsequent fiscal year. The performance obligations for these contracts are generally completed when the academic term is completed.

Significant Judgments

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

From time to time, the University will receive prepayments of student balances from third-party payers or students resulting in a contract liability. These amounts are excluded from revenues and are recorded as liabilities until the performance obligation is satisfied. As of June 30, 2019 and 2018, the University recorded a liability for student deposits of $361,321 and $419,157, respectively.

The University estimates the transaction price for students 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 and discounts. Subsequent changes that are determined to be the result of an adverse change in the student's ability to pay are recorded as bad debt expense.

Park University

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Disaggregation of Revenue

The composition of revenue by graduate category for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Student Tuition and Fees		
Tuition		
Undergraduate Parkville Campus	$ 4,547,950	$ 6,630,232
Undergraduate Campus Centers and Online	53,560,691	50,654,382
Graduate	11,651,434	12,308,151
Fees		
Undergraduate	1,672,048	1,698,836
Graduate	889,133	937,988
Total	$ 72,321,256	$ 72,229,589
Auxiliary Enterprises		
Housing	$ 1,651,741	$ 1,493,617
Book sales	1,154,655	1,123,910
Other	15,249	8,022
Total	$ 2,821,645	$ 2,625,549
Timing of revenue and recognition		
Services transferred over time	$ 71,411,816	$ 71,086,382
Sales at point in time	3,731,085	3,768,756
Total	$ 75,142,901	$ 74,855,138

Financing Component

The University has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from students and third parties for the effects of a significant financing component due to the University's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payer pays for that service will be one year or less. However, the University does, in certain instances, enter into payment agreements with students that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contract Costs

The University has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental student contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the University otherwise would have recognized is one year or less in duration.

Note 4: Accounts and Notes Receivable

Accounts and notes receivable consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Accounts and notes receivable, net		
Tuition	$ 7,734,785	$ 5,772,583
Corporate, grants and others	2,253,968	515,907
Student notes	319,071	849,646
	10,307,824	7,138,136
Allowance for bad debts	1,297,632	1,166,194
	$ 9,010,192	$ 5,971,942

Note 5: Notes Receivable

The University makes uncollateralized loans to students through its participation in the Federal Perkins Loan (FPL) program. The availability of funds under the FPL program is dependent on reimbursement to the loan fund from repayments on outstanding loans. Funds advanced by the federal government to fund the FPL program totaled approximately $2,862,000 as of June 30, 2019 and 2018. These advances along with allocated cumulative gains/losses are ultimately refundable to the federal government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans canceled under the program result in a reduction of funds available for future loans. These outstanding notes receivable balances represent less than 1 percent of total University assets as of June 30, 2019 and 2018.

The University also makes uncollateralized loans to students through institutional loan funds. These loans are generally based on financial need.

Allowances for doubtful accounts are established based on current economic factors and specific circumstances of the borrower which, in management's judgment, could influence the ability of the borrower to repay the amounts per the loan terms. For the FPL program, the federal government bears the risk of loss of uncollectible loans provided the University performs required collection due diligence procedures. The University does not stop the accrual of interest until a loan is written off; therefore, the University has no loans on nonaccrual status.

	2019	2018
Student notes receivable		
FPL program	$ 111,789	$ 641,686
Institutional loan programs	207,282	207,960
Total student notes receivable	319,071	849,646
Less allowance for doubtful accounts		
Balance, beginning of year	172,639	172,639
Adjustment to allowance	-	-
Balance, end of year	172,639	172,639
Net notes receivable	$ 146,432	$ 677,007

The following tables represent the amounts past due under the University's student loan programs as of June 30, 2019 and 2018:

2019

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable
Student notes receivable						
FPL program	$ 5,944	$ 8,494	$ 71,859	$ 86,297	$ 25,492	$ 111,789
Institutional loan programs	-	-	19,412	19,412	187,870	207,282
Total	$ 5,944	$ 8,494	$ 91,271	$ 105,709	$ 213,362	$ 319,071

2018

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable
Student notes receivable						
FPL program	$ 19,682	$ 7,937	$ 292,823	$ 320,442	$ 321,244	$ 641,686
Institutional loan programs	-	-	19,412	19,412	188,548	207,960
Total	$ 19,682	$ 7,937	$ 312,235	$ 339,854	$ 509,792	$ 849,646

Note 6: Contributions Receivable

Promises to give are estimated to be collected as follows at June 30, 2019 and 2018:

	2019	2018
Within one year	$ 312,500	$ 422,142
In one to five years	325,750	612,442
Over five years	-	8,779
	638,250	1,043,363
Less unamortized discount of 5 percent	(33,000)	(58,000)
	$ 605,250	$ 985,363

Note 7: Fair Value Measurements and Disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; 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

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

		2019		
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Money market funds	$ 857,965	$ 857,965	$ -	$ -
Mutual funds	20,037,463	20,037,463	-	-
Common stocks	9,955,963	9,955,963	-	-
U.S. Treasury securities	1,950,463	-	1,950,463	-
Corporate bonds	3,163,948	-	3,163,948	-
U.S. Government and agency securities	53,513	-	53,513	-
Real estate	18,131,052	-	-	18,131,052
Limited partnerships measured at net asset value (A)	4,654,586	-	-	-
Total investments	58,804,953	30,851,391	5,167,924	18,131,052
Funds held in trust by others	19,318,310	-	-	19,318,310
Total	$ 78,123,263	$ 30,851,391	$ 5,167,924	$ 37,449,362

		2018		
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Money market funds	$ 315,491	$ 315,491	$ -	$ -
Mutual funds	21,671,374	21,671,374	-	-
Common stocks	8,898,104	8,898,104	-	-
U.S. Treasury securities	1,632,480	-	1,632,480	-
Corporate bonds	3,098,660	-	3,098,660	-
U.S. Government and agency securities	95,826	-	95,826	-
Real estate	18,131,052	-	-	18,131,052
Limited partnerships measured at net asset value (A)	4,650,258	-	-	-
Total investments	58,493,245	30,884,969	4,826,966	18,131,052
Funds held in trust by others	19,315,509	-	-	19,315,509
Total	$ 77,808,754	$ 30,884,969	$ 4,826,966	$ 37,446,561

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

At June 30, 2019 and 2018, the University's investments included oil and gas properties located in Missouri with a carrying value of $6,667, and other investments with a carrying value of $154,589 and $158,325, respectively.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Funds Held in Trust by Others

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement, which is equivalent to the fair value of the trust assets. Due to the University's inability to redeem a majority of the trust assets, the interest is classified within Level 3 of the valuation hierarchy.

Alternative Investments

The fair value of alternative investments has been estimated using the net asset value (NAV) per share as a practical expedient to determine fair value of the investments. Alternative investments held at June 30 consist of the following:

	June 30,2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Salient MLP Total Return TE Fund, L.P. (A)	$ 3,074,247	Not Applicable	Weekly	None
Golub Capital Partners International 10, L.P. (B)	1,580,339	525,000	Upon Approval	None

	June 30,2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Salient MLP Total Return TE Fund, L.P. (A)	$ 3,130,388	Not Applicable	Weekly	None
Golub Capital Partners International 10, L.P. (B)	1,519,870	525,000	Upon Approval	None

(A) This category includes an investment in a master limited partnership total return fund. The fund invests in a diversified portfolio of total return swaps linked to the total return of master limited partnerships, and other high yield energy equity securities to produce both attractive current income and potential for capital appreciation. The fund's investment in certain limited partnerships and other investment funds, may have market quotations not readily available. Those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. The valuation of the fund's investments is determined as of the close of business at the end of each reporting period, generally weekly and are reported at the net asset value. The University's investment in the master limited partnership can be redeemed weekly with no redemption notice period. The University's risk of loss is limited to the value of its investment.

(B) This category includes an investment in a limited partnership fund. The fund holds investments in certain affiliated investment funds, which are measured at net asset value. These affiliated funds hold investments in a leveraged portfolio of senior secured, second lien and subordinated loans. The affiliated funds also invest in equity investments and other fixed income securities. These investments can be redeemed with the funds; however, redemption does require consent from the General Partner. Distributions from each fund will be made as the underlying investments of the funds are liquidated. The University has committed additional capital in the amount of $525,000 to be contributed to the fund. The University's risk of loss is limited to the value of its investment.

Level 3 Valuation Process

Fair value determinations for Level 3 measurements of securities are the responsibility of the Controller's office. The Controller's office has outsourced this to multiple third parties. The Controller's office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Level 3 Investments – Unobservable Inputs

Appraisals are used in the valuation of real estate measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position. These appraisals are performed by a third party.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
June 30, 2019				
Real estate	$ 18,131,052	Appraisals	Adjustments for comparable properties	N/A
Funds in trust by others	19,318,310	Fair value of trust assets	Estimated future cash flows	N/A

	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
June 30, 2018				
Real estate	$ 18,131,052	Appraisals	Adjustments for comparable properties	N/A
Funds in trust by others	19,315,509	Fair value of trust assets	Estimated future cash flows	N/A

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

	Real Estate	Funds Held In Trust By Others
Balance, June 30, 2017	$ 16,255,552	$ 18,960,685
Total unrealized gains included in change in net assets	1,875,500	354,824
Balance, June 30, 2018	18,131,052	19,315,509
Total unrealized gains included in change in net assets	-	2,801
Balance, June 30, 2019	$ 18,131,052	$ 19,318,310

Appraisals are used in the valuation of real estate measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position.

Note 8: Property, Plant, Equipment and Library Books

	2019	2018
Land and land improvements	$ 539,717	$ 539,717
Building and improvements	86,877,728	77,412,284
Equipment owned	41,555,983	47,665,606
Library books	1,673,763	1,522,241
Construction in progress	1,374,174	2,331,448
	132,021,365	129,471,296
Less accumulated depreciation	65,628,709	60,423,816
Total property, plant, equipment and library books	$ 66,392,656	$ 69,047,480

Depreciation expense for the years ended June 30, 2019 and 2018 was $5,560,816 and $5,174,776, respectively.

Note 9: Notes and Bonds Payable

Obligations under notes and bonds payable consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Bonds payable (The Industrial Development Authority of Parkville, Missouri Bonds, Series 2016) principal due annually in installments increasing $170,000 to $1,360,000, bearing interest from 2.4% to 3.4% due semi-annually, maturing in 2032, collateralized by Underground Property at the Parkville Campus. Unamortized bond issuance costs based on an imputed interest rate of 4% were $152,280 and $171,756 at June 30, 2019 and 2018, respectively.	$ 9,995,000	$ 9,995,000
Bonds payable (The Industrial Development Authority of the County of Platte County, Missouri Bonds, Series 2016) principal due annually in installments increasing $450,000 to $1,050,000, bearing interest at 2.5% to 6.5% due semi-annually, maturing in 2024, collateralized by Underground Property at the Parkville Campus. Unamortized bond issuance costs based on an imputed interest rate of 4% were $92,693 and $105,494 at June 30, 2019 and 2018, respectively.	4,795,000	5,655,000
Note payable, principal and interest due in annual installments of $288,563 through May 2031, bearing interest at 4.35%, collateralized by substantially all assets of the University. Unamortized debt issuance costs based on an imputed interest rate of 4% were $46,991 and $52,146 at June 30, 2019 and 2018, respectively.	3,345,000	3,555,000
Note payable, principal and interest due in annual installments of $550,945 through May 2023, bearing interest at 3.7%, collateralized by substantially all assets of the University. Unamortized debt issuance costs based on an imputed interest rate of 4% were $39,756 and $50,972 at June 30, 2019 and 2018, respectively.	2,830,000	3,475,000
	20,965,000	22,680,000
Unamortized issuance costs	(331,720)	(380,368)
Unamortized premium on bonds	212,130	260,160
	$ 20,845,410	$ 22,559,792

At June 30, 2019 and 2018, the University had one line of credit with available borrowings totaling $7,000,000, which expires in March 2020. At June 30, 2019 and 2018, there were no borrowings against this line. The line is collateralized by accounts receivable and other assets of the University. The interest rate was 3.75 percent on June 30, 2019.

Total interest expense incurred by the University for the years ended June 30, 2019 and 2018 was $870,978 and $960,569, respectively.

Certain borrowing agreements contain restrictive covenants which, among other things, require the University to maintain certain financial covenant ratios. Management believes the University was in compliance with these covenants at June 30, 2019.

The maturities on notes and bonds are as follows:

Year Ending June 30	Notes Payable	Bonds Payable	Total
2020	$ 890,000	$ 910,000	$ 1,800,000
2021	920,000	935,000	1,855,000
2022	955,000	990,000	1,945,000
2023	995,000	1,050,000	2,045,000
2024	260,000	910,000	1,170,000
Thereafter	2,155,000	9,995,000	12,150,000
	$ 6,175,000	$ 14,790,000	$ 20,965,000

Note 10: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specific purpose		
Building projects	$ 3,298,012	$ 1,143,649
Educational programs	2,336,819	1,995,151
Financial aid	2,876,092	4,718,546
Available for general use	1,252,898	953,730
Contributions receivable, the proceeds which have been restricted by donors for building projects	572,205	879,450
	10,336,026	9,690,526
Endowments		
Subject to the passage of time		
Term endowment	529,486	523,432
Pooled endowment, subject to spending policy		
Educational programs	3,261,371	3,628,806
Financial aid	15,449,910	14,874,173
Available for general use	1,128,537	1,201,929
Total endowments	20,369,304	20,228,340
Not subject to spending policy or appropriations		
Underground land	8,768,897	8,768,897
Funds held in trust by others	19,318,309	19,315,509
	28,087,206	28,084,406
	$ 58,792,536	$ 58,003,272

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The amounts released during the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Satisfaction of purpose restrictions		
Educational programs	$ 776,010	$ 659,105
Financial aid	1,085,889	269,202
	1,861,899	928,307
Appropriations in accordance with spending policy		
Financial aid	1,070,214	577,871
Net assets released from restrictions	$ 2,932,113	$ 1,506,178

Note 11: Endowments

The University's endowment consists of approximately 20 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's board of trustees is subject to the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the University has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the University considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The University has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with

SPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

The composition of net assets by type of endowment fund at June 30, 2019 and 2018 was:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 14,928,419	$ -	$ 14,928,419
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	10,695,557	10,695,557
Accumulated investment gains	-	9,144,261	9,144,261
Term endowment	-	529,486	529,486
Total endowment funds	$ 14,928,419	$ 20,369,304	$ 35,297,723

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 14,659,594	$ -	$ 14,659,594
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	10,537,601	10,537,601
Accumulated investment gains	-	9,167,307	9,167,307
Term endowment	-	523,432	523,432
Total endowment funds	$ 14,659,594	$ 20,228,340	$ 34,887,934

Changes in endowment net assets for the years ended June 30, 2019 and 2018 is as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investment net assets, July 1, 2018	$ 14,659,594	$ 20,228,340	$ 34,887,934
Investment return, net	729,758	473,613	1,203,371
Contributions and additions	-	276,632	276,632
Appropriation of endowment assets for expenditure	(460,933)	(609,281)	(1,070,214)
Endowment investment net assets, June 30, 2019	$ 14,928,419	$ 20,369,304	$ 35,297,723

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investment net assets, July 1, 2017	$ 14,475,762	$ 19,511,263	$ 33,987,025
Investment return, net	183,832	1,099,564	1,283,396
Contributions and additions	-	195,384	195,384
Appropriation of endowment assets for expenditure	-	(577,871)	(577,871)
Endowment investment net assets, June 30, 2018	$ 14,659,594	$ 20,228,340	$ 34,887,934

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. At June 30, 2019 and 2018, the University did not have any deficiencies of this nature. These deficiencies may result in unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Park University board of trustees has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include the assets of donor-restricted funds that the University must hold in perpetuity or for donor-specified purposes, as well as those of board-designated endowment funds. Under Park University's policies, endowment assets are invested in a manner that is intended to provide a fairly steady level of current return, which will trend in the direction of inflation over five-year periods and to provide returns, over three-year average, which will be at least as great as those from a comparably positioned "unmanaged" fund consisting of 60 percent MSCI ACWI index, 35 percent Barclay's Government/Composite Intermediate Index and 5 percent 90-day Treasury Bills. The University expects its endowment funds to provide an average rate of return of approximately 5.5 percent annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, Park University relies on a total return strategy in which invested returns are achieved through both current yield (invested income such as dividends and interest) and capital appreciation (both realized and unrealized). Park University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Park University has a spending policy that allows the investment yield (dividends and interest) to be appropriated annually. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 1.5 percent annually. This is consistent with the University's objectives to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns.

Note 12: Liquidity and Availability

The University regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and a line of credit. See *Note 9* for information about the University's line of credit facility.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of teaching, research and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Notes receivable are not included in the analysis as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

As of June 30, 2019 and 2018, the following financial assets could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures:

	2019	2018
Cash and cash equivalents	$ 17,540,851	$ 13,740,478
Accounts, receivable, net	8,503,091	5,122,296
Contributions for general expenditures due in one year or less	312,500	422,142
Investments not encumbered by donor or board restrictions	20,304,597	20,133,853
	$ 46,661,039	$ 39,418,769

The board-designated endowment of $14,928,419 is subject to annual spending rate to be approved by the board of trustees annually. Although the University does not intend to spend from this board-designated endowment (other than the amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows which identifies the sources and uses of the University's cash and shows positive cash generated by operations for fiscal years 2019 and 2018.

Note 13: Leasing Arrangements, Commitments and Contingencies

The University leases classroom facilities and various equipment under operating leases. The following are future minimum annual rental payments required under operating leases with non-cancellable terms in excess of one year as of June 30, 2019:

2020	$ 1,487,797
2021	1,281,934
2022	656,314
2023	538,696
2024	544,334
Thereafter	249,195
	$ 4,758,270

Total rental expense for all operating leases for the years ended June 30, 2019 and 2018 was approximately $2,120,000 and $2,790,000, respectively.

Note 14: Employee Benefits

The University participates in a defined contribution pension plan (the "Plan") covering substantially all faculty and administrative employees. The Plan provides retirement benefits to eligible participants. Total pension expense was approximately $1,280,000 and $1,180,000 for the years ended June 30, 2019 and 2018, respectively.

Note 15: Asset Retirement Obligation

Accounting for Conditional Asset Retirement Obligations requires that an Asset Retirement Obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The University's conditional AROs primarily relate to asbestos contained in buildings that the University owns. Environmental regulations exist in Missouri that require the University to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. As of June 30, 2019 and 2018, the University has a liability of $677,804 recorded on the consolidated statement of financial position.

Note 16: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 53 percent of all contributions were received from one donor in 2019 and approximately 48 percent of all contributions were received from three donors in 2018.

Insurance Proceeds

During 2019 and 2018, the University received $3,779,000 and $890,000, respectively, of insurance proceeds related to the loss of educational space in the University's underground property. These proceeds are included in other income on the consolidated statements of activities.

Litigation

The University is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the University.

Accounts Receivable and Pledges Receivable Allowances

Management believes that outstanding accounts receivable and pledges receivable allowances are reasonable as of June 30, 2019. The estimate could change in future periods due to unforeseen events and circumstances. Approximately 15 percent and 10 percent of accounts receivable were from one customer in 2019 and 2018, respectively.

Investments and Funds Held in Trusts by Others

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Depreciation

As discussed in *Note 1*, depreciation is charged to expense using the straight-line method over the estimated useful life of each asset, which ranges from three to fifty years.

Refundable Government Student Loan Program

Allowances for doubtful accounts are established based on current economic factors and specific circumstances of the borrower which, in management's judgment, could influence the ability of the borrower to repay the amounts per the loan terms. For the FPL program, the federal government bears the risk of loss of uncollectible loans provided the University perform required collection due diligence procedures.

Note 17: Subsequent Events

Subsequent events have been evaluated through November 4, 2019, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Park University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education/Federal Supplemental Educational Opportunity Grants	84.007	N/A	$ -	$ 444,122
U.S. Department of Education/Federal Direct Student Loans	84.268	N/A	-	41,456,931
U.S. Department of Education/Federal Work-Study Program	84.033	N/A	-	291,672
U.S. Department of Education/Federal Perkins Loan Program	84.038	N/A	-	641,686
U.S. Department of Education/Federal Pell Grant Program	84.063	N/A	-	15,573,209
U.S. Department of Education/Teacher Education Assistance for College and Higher Education Grants	84.379	N/A	-	250,201
Total Student Financial Assistance Cluster and federal expenditures			$ -	$ 58,657,821

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the University under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. The federal loan program listed subsequently is administered directly by the University and balances and transactions relating to these programs are included in the University's consolidated basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2019, consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2019
84.038	Federal Perkins Loan Program	$ 111,789

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees and Audit Committee
Park University
Parkville, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Park University (the "University"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 4, 2019, which included an "Emphasis of Matters" paragraph regarding changes in accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Kansas City, Missouri
November 4, 2019

BKD
CPAs & Advisors

1201 Walnut Street, Suite 1700 | Kansas City, MO 64106-2246
816.221.6300 | Fax 816.221.6380 | bkd.com

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees and Audit Committee
Park University
Parkville, Missouri

Report on Compliance for the Major Federal Program

We have audited Park University's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2019. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the University's compliance.

Opinion on the Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Kansas City, Missouri
November 4, 2019

Park University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Summary of Auditor's Results

Consolidated Financial Statements

1. The type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the consolidated financial statements was disclosed by the audit?

   ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal awards program disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. The University's major program was:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Student Loans	84.268
Federal Work Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Teacher Education Assistance for College and Higher Education Grants	84.379

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The University qualified as a low-risk auditee? ☐ Yes ☒ No

Park University

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
	No matters are reportable.

Park University

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

Findings Required to be Reported by Uniform Guidance

Reference Number	Summary of Finding	Status
2018-001 2017-001 2016-001	**Student Financial Assistance Cluster** **U.S. Department of Education CFDA Nos. 84.268, 84.063, 84.038** **Federal Direct Loan (FDL) Program - Award Year 2018** **Federal Pell Grant Program - Award Year 2018** **Federal Perkins Loan (FPL) Program - Award Year 2018**	Resolved

Criteria or Specific Requirement – Special Tests & Provisions: Enrollment Reporting (FPL, 34 CFR Section 674.19; Pell 34 CFR Section 690.83(b)(2); FDL, 34 CFR Section 685.309).

Federal regulations state that enrollment information must be reported to the NSLDS website within 30 days of whenever attendance changes for students, unless a complete roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations or approved leave of absence. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

Condition – Enrollment information was not submitted within the required timeframe by the University.

Questioned Costs – N/A

Context – Out of a population of 1,092 attendance level changes during the year, 40 changes were tested to ensure the University reported the change to NSLDS within the required timeframe. During testing, 24 instances were noted in which the enrollment report occurred past the 30 day requirement or 60 day requirement when a complete roster was submitted. The sample performed was not a statistically valid sample.

Effect – Enrollment changes were not reported timely.

Cause – Oversight by management.

Identification as a Repeat Finding – N/A

Reference Number	Summary of Finding	Status
2018-002	**Student Financial Assistance Cluster** **Federal Direct Loan (FDL) Program - Award Year 2018** **Criteria or Specific Requirement** – Special Tests & Provisions: Borrower Data Transmission and Reconciliation (34 CFR 685.301). Federal regulations state that a school participating in the Direct Loan Program must ensure that any information in connection with loan origination is accurate and complete. Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination Disbursement (COD). **Condition** – Federal Direct Loan disbursement dates and amounts per the University's billing statements did not agree with the reported dates and amounts per the COD records. **Questioned Costs** – N/A **Context** – Out of a population of 2,104 students receiving Direct Loans, a sample of 25 students was selected to ensure the University's records were consistent with the COD records. Seven of 25 students' information that was maintained by the University was not consistent with the information reported in the COD System. The sampling method was not intended to be a statistically valid sample. **Effect** – Incorrect information was reported to the COD. **Cause** – Oversight by management. **Identification as a Repeat Finding** – N/A	Resolved

Park University
8700 Northwest River Park Drive
Parkville, Missouri 64152

November 4, 2019

BKD, LLP
Certified Public Accountants
1201 Walnut Street, Suite 1700
Kansas City, Missouri 64106-2246

We are providing this letter in connection with your audits of our consolidated financial statements as of and for the years ended June 30, 2019 and 2018 and your audit of our compliance with requirements applicable to the major federal awards program as of and for the year ended June 30, 2019. We confirm that we are responsible for the fair presentation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated May 17, 2019, for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility 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.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. We acknowledge the University is a conduit debt obligor whose debt securities are listed, quoted or traded on an exchange or an over-the-counter market. As a result, we acknowledge the University meets the definition of a “public entity” under generally accepted accounting principles for certain accounting standards.

5. We have reviewed and approved a draft of the consolidated financial statements and related notes referred to above, which you prepared in connection with your audit of our consolidated financial statements. We acknowledge that we are responsible for the fair presentation of the consolidated financial statements and related notes.

6. We have provided you with:

   (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the consolidated financial statements such as records, documentation and other matters.

   (b) Additional information that you have requested from us for the purpose of the audit.

   (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

   (d) All minutes of trustees' meetings held through the date of this letter.

   (e) All significant contracts and grants.

7. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

8. We have informed you of all current risks of a material amount that are not adequately prevented or detected by University procedures with respect to:

   (a) Misappropriation of assets.

   (b) Misrepresented or misstated assets, liabilities or net assets.

9. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

10. We understand the potential penalties for failure to disclose reportable tax transactions to the taxing authorities and have fully disclosed to BKD any and all known reportable tax transactions.

11. We have no knowledge of any known or suspected:

    (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.

    (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the consolidated financial statements.

12. We have no knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, customers, regulators, suppliers or others.

13. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management and members of their immediate families, subsidiaries accounted for by the equity method; and any other party with which the University may deal if the University can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the University.

14. Except as reflected in the consolidated financial statements, there are no:

    (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

    (b) Material transactions omitted or improperly recorded in the financial records.

    (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    (d) Events occurring subsequent to the statement of financial position date through the date of this letter requiring adjustment or disclosure in the consolidated financial statements.

    (e) Agreements to purchase assets previously sold.

    (f) Restrictions on cash balances or compensating balance agreements.

    (g) Guarantees, whether written or oral, under which the University is contingently liable.

15. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing consolidated financial statements.

16. We have no reason to believe the University owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

17. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the consolidated financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

18. Adequate provisions and allowances have been accrued for any material losses from:

    (a) Uncollectible receivables, including pledges.

    (b) Reducing obsolete or excess inventories to estimated net realizable value.

    (c) Purchase commitments in excess of normal requirements or above prevailing market prices.

19. Except as disclosed in the consolidated financial statements, the University has:

    (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.

    (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the consolidated financial statements.

20. The consolidated financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of financial position date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply or markets for which events <u>could</u> occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

21. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the consolidated financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

22. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

23. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.

24. With respect to any nonattest services you have provided us during the year, including assistance with the 990 and assistance with preparation of the consolidated financial statements and related notes to the consolidated financial statements and drafting of the auditee portion of the form SF-SAC (Data Collection Form):

    (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

    (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.

    (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

    (d) We have evaluated the adequacy of the services performed and any findings that resulted.

25. We are a university exempt from income tax under Section 501(c) of the Internal Revenue Code and a similar provision of state law and, except as disclosed in the consolidated financial statements, there are no activities that would jeopardize our tax-exempt status or subject us to income tax on unrelated business income or excise tax on prohibited transactions and events.

26. We have identified to you any activities conducted having both fund raising and program or management and general components (joint activities) and have allocated the costs of any joint activities in accordance with the provisions of FASB ASC 958-720-45.

27. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.

28. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our consolidated financial statements or other financial data significant to the audit objectives.

29. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the consolidated financial statements or for your reporting on noncompliance.

30. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.

31. We have a process to track the status of audit findings and recommendations.

32. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.

33. With regard to federal awards programs:

    (a) We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.

    (b) We have identified the types of compliance requirements described in the *U.S. Office of Management and Budget* (OMB) *Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations.

    (c) We are responsible for complying, and have complied, with the requirements of Uniform Guidance.

    (d) We are responsible to understand and comply with the requirements of federal statutes, regulations and the terms and conditions of federal awards related to each of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the University has complied with all applicable compliance requirements.

    (e) We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards programs in compliance with federal statutes, regulations and the terms and conditions of the federal awards.

(f) We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.

(g) The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our consolidated financial statements have been prepared.

(h) The costs charged to federal awards are in accordance with applicable cost principles.

(i) The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency, the applicable payment system or pass-through entity in the case of a subrecipient.

(j) Amounts claimed or used for matching were determined in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) regarding cost principles.

(k) We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.

(l) We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.

(m) The summary schedule of prior audit findings correctly states the status of all audit findings of the prior audit's schedule of findings and questioned costs and any uncorrected open findings included in the prior audit's summary schedule of prior audit findings as of the date of this letter.

(n) The reporting package does not contain any protected personally identifiable information.

34. With regard to supplementary information:

(a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

(b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.

(c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.

(d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

(e) If the supplementary information is not presented with the audited consolidated financial statements, we acknowledge we will make the audited consolidated financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

35. In connection with the adoption of ASC Topic 606, *Revenue from Contracts with Customers*, we represent the following:

(a) We have adopted ASC Topic 606, *Revenue from Contracts with Customers*, using the modified retrospective approach and elected to apply guidance to all contracts at the date of initial application.

(b) We have identified portfolios to evaluate revenue recognition. Actual results under the portfolio approach are materially similar to evaluations on an individual contract basis.

(c) We have adequate controls in place to prevent and/or detect errors in revenue recognition measurement and disclosure on a recurring basis.

(d) The footnotes to the consolidated financial statements appropriately describe the adoption of ASC Topic 606, *Revenue from Contracts with Customers*, and include all additional disclosures required under the standard.

36. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does not exist.

Greg Gunderson, Ph.D
President

Rana Lacer
Chief Financial Officer

Brynn Bologna
Director of Student Financial Aid

Scott Fergerson
Controller

Park University

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets	174,373,476	0	174,373,476	0.00%
Total Liabilities	(36,877,183)	77,729	(36,799,454)	-0.21%
Total Net Assets	(137,496,293)	(77,729)	(137,574,022)	0.06%
Revenues & Income	(88,266,781)	0	(88,266,781)	0.00%
Costs & Expenses	82,883,135	(77,729)	82,805,406	-0.09%
Net Increase	(5,383,646)	(77,729)	(5,461,375)	1.44%

Client: Park University
Period Ending: June 30, 2019

Description	Location or Business Unit	Financial Line Item	Factual (F), Judgmental (J), or Projected (P)	Assets DR (CR)	Liabilities DR (CR)	(X) Non Tax	Revenues & Income DR (CR)	Costs & Expenses DR (CR)	Net Assets DR (CR)	Net Effect on Following Year: Increase in Net DR (CR)	Net Effect on Following Year: Net Assets DR (CR)
Correction of PY investment return misclassified as donor restricted	University		F	0	0	X	0	0	0	0	0
		Beginning Net Assets (w/ donor restrictions)							756,061		
		Beginning Net Assets (w/out donor restrictions)							(756,061)		
		Net assets release from restrictions (w/ donor restrictions)					756,061				
		Net assets release from restrictions (w/out donor					(756,061)				
Proposed adjustment to reduce the ARO liability, including PY turnaround impact	University		J	0	77,729	X	0	(77,729)	0	0	0
		Accrued expenses			77,729						
		Institutional support						(77,729)			
				0	0		0	0	0	0	0

	Assets DR (CR)	Liabilities DR (CR)	Revenues & Income DR (CR)	Costs & Expenses DR (CR)	Net Assets DR (CR)	Following Year: Increase in Net DR (CR)	Following Year: Net Assets DR (CR)
Taxable passed adjustments			0	0	0	0	0
Times (1 - effective tax rate of 00%)			100%	100%	100%		
Taxable passed adjustments net of tax impact			0	0	0		
Nontaxable passed adjustments	0	77,729	0	(77,729)	0		
Total passed adjustments, net of tax impact (if any	0	77,729	0	(77,729)	0		

Impact on Increase in Net Assets

Impact on Equity