Park University

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2020 and 2019

BKD LLP
CPAs & Advisors

Park University
June 30, 2020 and 2019

Contents

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CPAs & Advisors

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Independent Auditor's Report

Board of Trustees and Audit Committee
Park University
Parkville, Missouri

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, 2020 and 2019, 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. 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Kansas City, Missouri
September 30, 2020

Park University

Consolidated Statements of Financial Position

June 30, 2020 and 2019

Assets

	2020	2019
Cash and cash equivalents	$ 17,263,856	$ 11,923,045
Restricted cash	14,903,415	6,283,615
Accounts and notes receivable, net of allowance; 2020 - $1,728,185; 2019 - $1,297,632	5,898,831	9,010,192
Pledges receivable	2,449,291	605,250
Investments	39,696,535	40,841,209
Investment in real estate	18,125,000	18,125,000
Funds held in trusts by others	18,615,095	19,318,310
Property, plant, equipment and library books, net	65,746,597	66,392,656
Other assets	1,608,122	1,874,199
Total assets	$ 184,306,742	$ 174,373,476

Liabilities and Net Assets

	2020	2019
Liabilities		
Accounts payable and accrued expenses	$ 9,230,294	$ 7,481,034
Deferred income and deposits	7,834,999	8,039,959
Notes and bonds payable	27,307,832	20,845,410
Refundable federal student loans	-	510,780
Total liabilities	44,373,125	36,877,183
Net Assets		
Without donor restrictions	85,378,261	84,083,155
With donor restrictions	54,555,356	53,413,138
Total net assets	139,933,617	137,496,293
Total liabilities and net assets	$ 184,306,742	$ 174,373,476

Park University
Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Student tuition and fees	$ 75,187,857	$ -	$ 75,187,857
Net investment return (loss)	217,023	(696,051)	(479,028)
Net rental income	1,154,435	-	1,154,435
Contributions, gifts and grants	2,305,528	4,358,202	6,663,730
Auxiliary enterprises	2,407,828	-	2,407,828
Other income	1,809,099	-	1,809,099
Net assets released from restrictions	2,519,933	(2,519,933)	-
Total revenues, gains and other support	85,601,703	1,142,218	86,743,921
Expenses			
Program services			
Instruction	36,163,116	-	36,163,116
Academic support	5,690,785	-	5,690,785
Student services	11,759,476	-	11,759,476
Auxiliary enterprises	4,564,994	-	4,564,994
Libraries	742,698	-	742,698
Institutional support	25,385,528	-	25,385,528
Total expenses	84,306,597	-	84,306,597
Increase in Net Assets	1,295,106	1,142,218	2,437,324
Net Assets, Beginning of Year	84,083,155	53,413,138	137,496,293
Net Assets, End of Year	$ 85,378,261	$ 54,555,356	$ 139,933,617

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	$ 72,715,881	$ -	$ 72,715,881
Net investment return	2,655,760	891,190	3,546,950
Net rental income	1,242,549	-	1,242,549
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	87,497,313	789,264	88,286,577
Expenses			
Program services			
Instruction	35,149,549	-	35,149,549
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	795,097	-	795,097
Institutional support	25,625,126	-	25,625,126
Total expenses	82,902,931	-	82,902,931
Increase in Net Assets	4,594,382	789,264	5,383,646
Net Assets, Beginning of Year, as Previously Reported	74,109,375	58,003,272	132,112,647
Revision to Beginning Net Assets (see Note 2)	5,379,398	(5,379,398)	-
Net Assets, Beginning of Year, as Revised	79,488,773	52,623,874	132,112,647
Net Assets, End of Year	$ 84,083,155	$ 53,413,138	$ 137,496,293

Park University

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services						
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Libraries	Institutional Support	Total
Salaries and wages	$ 25,154,362	$ 3,204,696	$ 5,199,095	$ 584,573	$ 296,398	$ 9,968,628	$ 44,407,752
Payroll tax and employee benefits	3,551,609	710,675	1,227,115	132,655	47,122	2,427,718	8,096,894
Advertising and marketing	21,656	2,869	1,350,506	-	-	772,127	2,147,158
Rent and occupancy	2,479,512	282,989	16,377	23,120	-	853,413	3,655,411
Dues, memberships and subscriptions	64,047	10,964	187,420	-	-	233,367	495,798
Utilities and insurance	346,512	92,209	507,546	474,037	-	1,914,269	3,334,573
Supplies and office expenses	2,412,617	637,020	2,291,481	1,461,902	399,178	8,697,217	15,899,415
Depreciation and amortization	1,987,045	698,151	912,967	1,288,894	-	483,335	5,370,392
Interest expense	145,756	51,212	66,969	599,813	-	35,454	899,204
Total expenses	$ 36,163,116	$ 5,690,785	$ 11,759,476	$ 4,564,994	$ 742,698	$ 25,385,528	$ 84,306,597

See Notes to Consolidated Financial Statements

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	$ 24,558,427	$ 3,328,748	$ 5,277,318	$ 507,774	$ 311,777	$ 11,098,685	$ 45,082,729
Payroll tax and employee benefits	3,275,460	831,330	1,262,023	128,181	63,018	2,626,758	8,186,770
Advertising and marketing	23,335	4,239	1,414,747	256	-	837,515	2,280,092
Rent and occupancy	1,965,760	310,472	3,616	189,463	-	891,460	3,360,771
Dues, memberships and subscriptions	50,212	8,404	13,986	-	-	202,691	275,293
Utilities and insurance	394,852	103,920	460,909	530,482	-	1,790,956	3,281,119
Supplies and office expenses	2,713,784	823,363	1,120,107	1,229,238	420,302	7,697,569	14,004,363
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	$ 35,149,549	$ 6,172,108	$ 10,548,679	$ 4,612,372	$ 795,097	$ 25,625,126	$ 82,902,931

See Notes to Consolidated Financial Statements

Park University

Consolidated Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	$ 2,437,324	$ 5,383,646
Items not requiring (providing) cash		
Depreciation and amortization	5,378,170	5,561,434
Net realized and unrealized (gains) losses on investments and funds held in trust by other	2,135,493	(220,608)
Contributions restricted for long-term purposes	(4,358,202)	(2,830,187)
Allowance for bad debts	430,553	131,438
Changes in		
Accounting and notes receivable, net	2,680,808	(3,169,688)
Pledges receivable	-	380,113
Accounts payable and accrued expenses	1,779,908	255,923
Deferred income and deposits	(204,960)	1,759,200
Other assets	266,077	(478,443)
Net cash provided by operating activities	10,545,171	6,772,828
Investing Activities		
Proceeds from sales and maturities of investments	10,459,816	17,875,273
Purchase of investment	(10,776,025)	(17,422,964)
Purchase of property, plant, equipment and library books	(4,754,981)	(3,326,476)
Net cash used in investing activities	(5,071,190)	(2,874,167)
Financing Activities		
Payments on bond payables	(910,000)	(860,000)
Principal payments on notes payable	(890,000)	(855,000)
Decrease in refundable federal student loans	(510,780)	(453,178)
Proceeds from issuance of bonds payable	8,500,000	-
Bond issuance cost	(245,356)	-
Proceeds from contributions restricted for long-term purposes	2,514,161	2,830,187
Net cash provided by financing activities	8,458,025	662,009
Increase in Cash, Cash Equivalents, Restricted Cash and Cash Equivalents Held in Investments	13,932,006	4,560,670
Total Cash, Cash Equivalents, Restricted Cash and Cash Equivalents Held in Investments, Beginning of Year	19,064,625	14,503,955
Total Cash, Cash Equivalents, Restricted Cash and Cash Equivalents Held in Investments, End of Year	$ 32,996,631	$ 19,064,625

Park University

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of Cash, Cash Equivalents, Restricted Cash and Cash Equivalents Held in Investments to the Statements of Financial Position		
Cash and cash equivalents	$ 17,263,856	$ 11,923,045
Restricted cash	14,903,415	6,283,615
Investments	829,360	857,965
Total cash, cash equivalents, restricted cash and cash equivalents held in investments shown in the statements of cash flows	$ 32,996,631	$ 19,064,625
Supplementary Cash Flows Information		
Cash paid for interest	$ 829,031	$ 888,756
Property, plant and equipment purchases in accounts payable	156,182	186,830

Park University
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

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

Nature of Operations

Park University (the "University") was established in 1875 as a liberal arts institution of higher learning. The University located in Parkville, MO, has approximately 39 campus locations throughout the country including Gilbert, AZ. The University offers a number of degrees including 54 Bachelor's, 8 Associates, 14 Masters and 1 Specialist as well as 31 certificate programs serving approximately 16,000 individual students per year.

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

Park University also operates the Parkville Commercial Underground (PCU) which is mainly used for warehousing, light manufacturing and some offices. The PCU is 529,450 gross square feet and 303,296 usable square feet comprised of 24 spaces. Occupancy rates are extremely high due to the niche market the property caters to.

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. 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, 2020 and 2019, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At June 30, 2020, the University's bank balances exceeded federally insured limits by approximately $30,971,000. 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, cash restricted for long-term purposes, and federal student financial aid funds. These amounts are restricted for debt service, sinking fund deposits and student aid and are not available for current operations.

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 consisted of amounts due under the Federal Perkins Loan (FPL) and institutional loan programs and were stated at their outstanding principal amount, net of an allowance for doubtful notes. During the year ended June 30, 2020, the University elected to liquidate and close-out the FPL program. Loans were 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 did not commence until after the borrower graduates or otherwise ceases enrollment. The University provided an allowance for doubtful notes which was based upon a review of outstanding loans, historical collection information and other existing conditions. Interest income was recorded as received which was not materially different from the amount that would have been recognized on the accrual basis. Loans that were delinquent continued to accrue interest. Loans that were past due for at least one payment were considered delinquent. Delinquent loans were 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, Investment in Real Estate 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 $586,000 and $650,000 of investment income for the years ended June 30, 2020 and 2019, respectively.

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, 2020 and 2019.

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 $14,616,156 and $14,928,419 at June 30, 2020 and 2019, 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. 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 $567,000 and $635,000 for the years ended June 30, 2020 and 2019, 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 2019 consolidated financial statements to conform to the 2020 financial statement presentation. These reclassifications had no effect on increase in net assets.

Note 2: Revision

In prior years, the University did not properly report the restrictions on the underground land causing the net assets with donor restrictions at July 1, 2018, to be overstated by $5,379,398 and the donor-restricted endowment balance to be understated by $3,389,498. A revision has been made to net assets and donor-restricted endowment balances as of July 1, 2018, in the consolidated statement of activities and the net assets and endowment footnotes (see *Notes 10 and 11*) to adjust beginning balances. This revision did not have an impact on the previously reported total net assets or increase in net assets.

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, 2020 and 2019, the University's revenue was reduced by approximately $7,758,000 and $6,267,000, 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 includes 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, 2020 and 2019, the University recorded a liability for student deposits of $521,286 and $361,321, 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.

Disaggregation of Revenue

The composition of revenue by graduate category for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Student Tuition and Fees		
Tuition		
Undergraduate Parkville Campus	$ 4,964,433	$ 4,942,575
Undergraduate Campus Centers and Online	54,169,654	53,560,691
Graduate	13,513,117	11,651,434
Fees		
Undergraduate	1,696,380	1,672,048
Graduate	844,273	889,133
Total	$ 75,187,857	$ 72,715,881
Auxiliary Enterprises		
Housing	$ 1,138,017	$ 1,651,741
Meal service	1,269,811	1,169,904
Total	$ 2,407,828	$ 2,821,645
Timing of revenue and recognition		
Services transferred over time	$ 73,785,221	$ 71,806,441
Sales at point in time	3,810,464	3,731,085
Total	$ 77,595,685	$ 75,537,526

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, 2020 and 2019:

	2020	2019
Accounts and notes receivable, net		
Tuition	$ 7,043,887	$ 7,734,785
Corporate, grants and others	583,129	2,253,968
Student notes	-	319,071
	7,627,016	10,307,824
Allowance for bad debts	1,728,185	1,297,632
	$ 5,898,831	$ 9,010,192

Note 5: Notes Receivable

The University made uncollateralized loans to students through its participation in the Federal Perkins Loan (FPL) program. The availability of funds under the FPL program was dependent on reimbursement to the loan fund from repayments on outstanding loans. During the year ended June 30, 2020, the University elected to liquidate and close-out the FPL program. Funds advanced by the federal government to fund the FPL program totaled approximately $0 and $2,862,000 as of June 30, 2020 and 2019, respectively. 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, 2020 and 2019.

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

Allowances for doubtful accounts were 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 performed required collection due diligence procedures. The University did not stop the accrual of interest until a loan is written off; therefore, the University had no loans on nonaccrual status.

	2020	2019
Student notes receivable		
FPL program	$ -	$ 111,789
Institutional loan programs	-	207,282
Total student notes receivable	-	319,071
Less allowance for doubtful accounts		
Balance, beginning of year	172,639	172,639
Adjustment to allowance	(172,639)	-
Balance, end of year	-	172,639
Net notes receivable	$ -	$ 146,432

The following tables represent the amounts past due under the University's student loan programs as of June 30, 2020 and 2019:

2020

	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	$ -	$ -	$ -	$ -	$ -	$ -
Institutional loan programs	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -

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

Note 6: Contributions Receivable

Promises to give are estimated to be collected as follows at June 30, 2020 and 2019:

	2020	2019
Within one year	$ 794,541	$ 312,500
In one to five years	1,711,750	325,750
Over five years	50,000	-
	2,556,291	638,250
Less unamortized discount of 3.25 percent in 2020 and 5.0 percent in 2019	(107,000)	(33,000)
	$ 2,449,291	$ 605,250

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

Park University
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

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, 2020 and 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)
June 30, 2020				
Investments				
Money market funds	$ 829,360	$ 829,360	$ -	$ -
Mutual funds	19,745,041	19,745,041	-	-
Common stocks	10,210,549	10,210,549	-	-
U.S. Treasury securities	2,269,176	-	2,269,176	-
Corporate bonds	3,138,825	-	3,138,825	-
U.S. Government and agency securities	31,513	-	31,513	-
Limited partnerships measured at net asset value (A)	3,472,071	-	-	-
Total investments	39,696,535	30,784,950	5,439,514	-
Investment in Real Estate	18,125,000	-	-	18,125,000
Funds held in trust by others	18,615,095	-	-	18,615,095
Total	$ 76,436,630	$ 30,784,950	$ 5,439,514	$ 36,740,095
June 30, 2019				
Investments				
Money market funds	$ 857,965	$ 857,965	$ -	$ -
Mutual funds	20,204,771	20,204,771	-	-
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	-
Limited partnerships measured at net asset value (A)	4,654,586	-	-	-
Total investments	40,841,209	31,018,699	5,167,924	-
Investment in Real Estate	18,125,000	-	-	18,125,000
Funds held in trust by others	19,318,310	-	-	19,318,310
Total	$ 78,284,519	$ 31,018,699	$ 5,167,924	$ 37,443,310

(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.

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, 2020. 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.

Investment in Real Estate

Fair value is estimated using appraisals performed by independent third parties every three years. Due to the University not actively marketing the real estate, the investment is classified within Level 3 of the valuation 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 fair value of the trust assets determined using appraisals performed by independent third parties and calculated using the University’s pro-rata share 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. See the table below for inputs and valuation techniques used for Level 3 securities.

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, 2020			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Salient MLP Total Return TE Fund, L.P. (A)	$ 1,991,507	Not Applicable	Weekly	None
Golub Capital Partners International 10, L.P. (B)	$ 1,480,564	$ 525,000	Upon Approval	None

	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

(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 including the unfunded commitment.

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, 2020				
Investment in real estate	$ 18,125,000	Appraisals	Adjustments for comparable properties	N/A
Funds held in trust by others	$ 18,615,095	Fair value of trust assets	Estimated future cash flows	N/A
June 30, 2019				
Investment in real estate	$ 18,125,000	Appraisals	Adjustments for comparable properties	N/A
Funds held in trust by others	$ 19,318,310	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:

	Investment in Real Estate	Funds Held In Trust By Others
Balance, June 30, 2018	$ 18,125,000	$ 19,315,509
Total unrealized gains included in change in net assets	-	2,801
Balance, June 30, 2019	18,125,000	19,318,310
Total unrealized losses included in change in net assets	-	(703,215)
Balance, June 30, 2020	$ 18,125,000	$ 18,615,095

Note 8: Property, Plant, Equipment and Library Books

	2020	2019
Land and land improvements	$ 539,717	$ 539,717
Building and improvements	91,050,851	86,877,728
Equipment owned	41,352,412	41,555,983
Library books	1,522,241	1,673,763
Construction in progress	2,278,676	1,374,174
	136,743,897	132,021,365
Less accumulated depreciation	70,997,300	65,628,709
Total property, plant, equipment and library books	$ 65,746,597	$ 66,392,656

Depreciation expense for the years ended June 30, 2020 and 2019 was $5,370,392 and $5,560,816, respectively.

Note 9: Notes and Bonds Payable

Obligations under notes and bonds payable consisted of the following as of June 30, 2020 and 2019:

	2020	2019
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 $28,763 and $39,756 at June 30, 2020 and 2019, respectively.	$ 2,160,000	$ 2,830,000
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 $66,543 and $92,693 at June 30, 2020 and 2019, respectively.	3,885,000	4,795,000
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 $41,612 and $46,991 at June 30, 2020 and 2019, respectively.	3,125,000	3,345,000
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 $146,152 and $152,280 at June 30, 2020 and 2019, respectively.	9,995,000	9,995,000

	2020	2019
Bonds payable (The Industrial Development Authority of Parkville, Missouri Bonds, Series 2019) principal due annually in installmenets increasing $470,000 to $630,000, bearing interest at 2.05% to 3.3% due semi-annually, maturing in 2036, collateralized by real estate at the Parkville Campus. Unamortized bond issuance costs based on an imputed interest rate at 4% was $238,199 at June 30, 2020.	$ 8,500,000	$ -
	27,665,000	20,965,000
Unamortized issuance costs	(521,269)	(331,720)
Unamortized premium on bonds	164,101	212,130
	$ 27,307,832	$ 20,845,410

At June 30, 2020 and 2019, the University had one line of credit with available borrowings totaling $7,000,000, which expires in September 2020. At June 30, 2020 and 2019, there were no borrowings against this line. The line is collateralized by accounts receivable and board restricted endowments of the University. The interest rate was 3.25 percent on June 30, 2020.

Total interest expense incurred by the University for the years ended June 30, 2020 and 2019 was $899,204 and $870,978, 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, 2020.

The maturities on notes and bonds are as follows:

Year Ending June 30	Notes Payable	Bonds Payable	Total
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	1,080,000	1,340,000
2025	270,000	1,580,000	1,850,000
Thereafter	1,885,000	16,745,000	18,630,000
	$ 5,285,000	$ 22,380,000	$ 27,665,000

Note 10: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 are restricted for the following purposes or periods:

	2020	2019 (As Revised)
Subject to expenditure for specific purpose		
Building projects	$ 4,641,589	$ 3,298,012
Educational programs	1,003,286	2,336,819
Financial aid	4,115,084	2,876,092
Available for general use	645,004	1,252,898
Contributions receivable, the proceeds which have been restricted by donors for building projects	2,313,250	572,205
	12,718,213	10,336,026
Endowments, subject to spending policy		
Term endowment	534,555	529,486
Pooled endowments		
Educational programs	3,818,324	3,998,601
Financial aid	17,541,307	17,844,394
Available for general use	1,327,862	1,386,321
Total endowments	23,222,048	23,758,802
Not subject to spending policy or appropriations		
Funds held in trust by others	18,615,095	19,318,310
	$ 54,555,356	$ 53,413,138

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, 2020 and 2019 were as follows:

	2020	2019
Satisfaction of purpose restrictions		
Educational programs	$ 507,427	$ 776,010
Financial aid	1,006,146	1,085,889
General use	382,025	-
	1,895,598	1,861,899
Appropriations in accordance with spending policy		
Financial aid	624,335	1,070,214
Net assets released from restrictions	$ 2,519,933	$ 2,932,113

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, 2020 and 2019 was:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 14,616,156	$ -	$ 14,616,156
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	12,323,301	12,323,301
Accumulated investment gains	-	10,364,192	10,364,192
Term endowment	-	534,555	534,555
Total endowment funds (SPMIFA)	14,616,156	23,222,048	37,838,204
Endowment funds - investment in real estate	18,125,000	-	18,125,000
Total endowment funds	$ 32,741,156	$ 23,222,048	$ 55,963,204

	2019 (*As Revised*)		
	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	-	11,996,897	11,996,897
Accumulated investment gains	-	11,232,419	11,232,419
Term endowment	-	529,486	529,486
Total endowment funds (SPMIFA)	14,928,419	23,758,802	38,687,221
Endowment funds - investment in real estate	18,125,000	-	18,125,000
Total endowment funds	$ 33,053,419	$ 23,758,802	$ 56,812,221

Included in the total endowment funds presented above is the University's investment in real estate. Those assets are not subject to the University's investment or spending policies.

Changes in endowment net assets for the years ended June 30, 2020 and 2019 is as follows:

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment investment net assets, July 1, 2019	$ 14,928,419	$ 23,758,802	$ 38,687,221
Investment return, net	(186,185)	(238,823)	(425,008)
Contributions and additions	210,500	326,404	536,904
Appropriation of endowment assets for expenditure	(336,578)	(624,335)	(960,913)
Endowment investment net assets, June 30, 2020	$ 14,616,156	$ 23,222,048	$ 37,838,204

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investment net assets, July 1, 2018 as revised - *Note 2*	$ 14,659,594	$ 23,617,838	$ 38,277,432
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	$ 23,758,802	$ 38,687,221

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, 2020 and 2019, 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 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, the 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). The 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.

The University has a spending policy that allows the appropriations to be up to 5 percent of the 36-month rolling average market value as of the prior fiscal year-end. 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 0.5 to 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: 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, 2020:

2021	$ 1,446,340
2022	1,210,359
2023	1,092,742
2024	558,733
2025	249,195
	$ 4,557,369

Total rental expense for all operating leases for the years ended June 30, 2020 and 2019 was approximately $1,500,000 and $1,315,000, respectively.

Note 13: 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 $1,313,000 and $1,280,000 for the years ended June 30, 2020 and 2019, respectively.

Note 14: Asset Retirement Obligation

Accounting for Conditional Asset Retirement Obligations require 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 the University owns. Environmental regulations exist in many of the states the University operates in 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, 2020 and 2019, the University has a liability of $677,804 recorded on the consolidated statements of financial position.

Note 15: 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, 2020 and 2019, the following financial assets could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures:

	2020	2019
Cash and cash equivalents	$ 17,263,856	$ 17,540,851
Accounts, receivable, net	5,898,831	8,503,091
Contributions for general expenditures due in one year or less	794,541	312,500
	$ 23,957,228	$ 26,356,442

The board-designated endowment of $14,616,156 and $14,928,419 as of June 30, 2020 and 2019, respectively, is subject to an annual spending rate to be approved by the board of trustees annually. Although the University does not intend to spend from the 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 2020 and 2019.

Note 16: Coronavirus Aid, Relief, and Economic Security Act and Other Events

As a result of the spread of the SARS-CoV-2 virus and the incident of COVID-19, the state of Missouri issued shelter-in-place orders and other measures around public gathering and business operations to slow the spread of the virus. Furthermore, colleges and universities across the county took unprecedented action to protect the health and safety of students. In March 2020, the University announced that campus operations were being suspended and all students were transitioned to a distance education framework through the end of the academic term. Given the uncertainty in the epidemiological and economical outlook, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the University. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, the President signed into law the *Coronavirus Aid, Relief, and Economic Security Act* (CARES). The CARES Act created a Higher Education Emergency Relief Fund (HEERF) specifically for emergency aid grants to students for expenses related to the disruption of campus operations due to COVID-19 and also direct aid to institutions to cover costs associated with the significant changes to the delivery of instruction due to COVID-19. The University was awarded a student share of $1,402,922 and an institutional share of $1,402,921 that totaled $2,805,843 under this program. As of June 30, 2020, the University distributed all of the student share to eligible students through emergency grants and expended $523,164 of the institutional share.

Note 17: 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 2 donors in 2020 and approximately 53 percent of all contributions were received from three donors in 2019.

Insurance Proceeds

During 2020 and 2019, the University received $207,278 and $3,779,000, 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, 2020. The estimate could change in future periods due to unforeseen events and circumstances. Approximately 16 percent and 15 percent of accounts receivable were from one customer in 2020 and 2019, respectively. Approximately 90 percent of pledges receivable were from two donors in 2020.

Investments, Investment in Real Estate 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 18: U.S. Department of Education Financial Responsibility Ratio Information

The following information is required by the U.S. Department of Education for the year ended June 30, 2020:

	2020
Property, plant and equipment, net of accumulated depreciation - pre-implementation	$ 59,658,693
Property, plant and equipment, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	-
Property, plant and equipment, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	3,809,228
Construction in progress	2,278,676
	$ 65,746,597

Note 19: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2020, and any interim periods within annual reporting periods that begin after December 15, 2021. The University has evaluated the effect the standard will have on the consolidated financial statements and the estimated impact will increase assets by approximately $3,970,000 (unaudited) for an operating lease right-of-use asset and increase liabilities by approximately $4,310,000 (unaudited) for operating lease obligations for the year beginning July 1, 2020.

Note 20: Subsequent Events

Subsequent events have been evaluated through September 30, 2020, which is the date the consolidated financial statements were available to be issued.