Park University

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2022 and 2021

Park University
June 30, 2022 and 2021

Contents

FORVIS

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Independent Auditor's Report

Board of Trustees and Audit Committee
Park University
Parkville, Missouri

Opinion

We have audited the consolidated financial statements of Park University (the University), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

FORVIS, LLP

Kansas City, Missouri
September 30, 2022

Park University

Consolidated Statements of Financial Position

June 30, 2022 and 2021

Assets

	2022	2021
Cash and cash equivalents	$ 20,273,652	$ 22,987,399
Restricted cash and cash equivalents	5,323,980	7,839,488
Accounts receivable, net of allowance; 2022 and 2021 - $2,100,000	16,103,324	4,598,319
Pledges receivable	1,160,243	2,127,784
Investments	42,870,215	51,452,472
Investment in real estate	13,416,197	12,900,000
Funds held in trusts by others	18,678,956	20,640,088
Property, plant, equipment and library books, net	69,965,168	69,480,355
Right-of-use assets - operating leases	7,272,535	6,172,341
Other assets	1,574,510	1,516,886
Total assets	$ 196,638,780	$ 199,715,132

Liabilities and Net Assets

	2022	2021
Liabilities		
Accounts payable and accrued expenses	$ 8,593,870	$ 10,093,251
Deferred income and deposits	5,079,307	7,489,565
Notes and bonds payable	23,533,606	25,465,719
Operating lease liabilities	7,425,797	6,388,381
Total liabilities	44,632,580	49,436,916
Net Assets		
Without donor restrictions	102,903,792	86,840,824
With donor restrictions	49,102,408	63,437,392
Total net assets	152,006,200	150,278,216
Total liabilities and net assets	$ 196,638,780	$ 199,715,132

Park University
Consolidated Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Student tuition and fees	$ 60,201,285	$ -	$ 60,201,285
Net investment loss	(2,733,163)	(4,576,500)	(7,309,663)
Change in funds held in trusts by others	-	(1,961,132)	(1,961,132)
Net rental income	899,695	-	899,695
Contributions, gifts and grants	12,550,129	1,343,730	13,893,859
Auxiliary enterprises	3,241,302	-	3,241,302
Other income	16,670,332	-	16,670,332
Net assets released from restrictions	9,141,082	(9,141,082)	-
Total revenues, gains and other support	99,970,662	(14,334,984)	85,635,678
Expenses			
Program services			
Instruction	33,599,761	-	33,599,761
Academic support	5,210,734	-	5,210,734
Student services	16,567,348	-	16,567,348
Auxiliary enterprises	4,154,145	-	4,154,145
Libraries	800,141	-	800,141
Institutional support	23,575,565	-	23,575,565
Total expenses	83,907,694	-	83,907,694
Increase (Decrease) in Net Assets	16,062,968	(14,334,984)	1,727,984
Net Assets, Beginning of Year	86,840,824	63,437,392	150,278,216
Net Assets, End of Year	$ 102,903,792	$ 49,102,408	$ 152,006,200

Park University
Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Student tuition and fees	$ 68,259,096	$ -	$ 68,259,096
Net investment return (loss)	(3,240,670)	7,104,753	3,864,083
Change in funds held in trusts by others	-	2,024,993	2,024,993
Net rental income	1,124,433	-	1,124,433
Contributions, gifts and grants	8,862,874	1,339,576	10,202,450
Auxiliary enterprises	2,063,579	-	2,063,579
Other income	1,560,807	-	1,560,807
Net assets released from restrictions	1,587,286	(1,587,286)	-
Total revenues, gains and other support	80,217,405	8,882,036	89,099,441
Expenses			
Program services			
Instruction	33,222,502	-	33,222,502
Academic support	5,264,175	-	5,264,175
Student services	10,718,117	-	10,718,117
Auxiliary enterprises	3,981,925	-	3,981,925
Libraries	654,285	-	654,285
Institutional support	24,913,838	-	24,913,838
Total expenses	78,754,842	-	78,754,842
Increase in Net Assets	1,462,563	8,882,036	10,344,599
Net Assets, Beginning of Year	85,378,261	54,555,356	139,933,617
Net Assets, End of Year	$ 86,840,824	$ 63,437,392	$ 150,278,216

Park University

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services						
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Libraries	Institutional Support	Totals
Salaries and wages	$ 21,417,423	$ 2,963,885	$ 4,537,713	$ 499,832	$ 234,574	$ 8,914,238	$ 38,567,665
Payroll tax and employee benefits	3,498,989	599,702	1,256,534	135,311	39,957	2,495,504	8,025,997
Advertising, marketing and recruiting	18,314	2,466	1,006,098	6,824	-	1,056,041	2,089,743
Rent and occupancy expense	3,253,372	362,007	124,020	447,717	-	1,623,510	5,810,626
Accreditation, assessments and memberships	82,109	76,258	126,038	-	-	147,098	431,503
Insurance	113,026	-	493,449	-	-	1,268,391	1,874,866
Supplies and office expenses	1,107,057	110,944	737,832	125,671	503,890	1,290,710	3,876,104
Depreciation and amortization	2,054,335	721,793	943,884	1,332,542	-	499,703	5,552,257
Interest expense	158,541	55,703	72,843	500,785	-	38,564	826,436
Contract services	886,786	230,894	59,444	1,094,943	21,113	3,824,549	6,117,729
Travel	591,453	65,872	12,094	10,520	607	62,385	742,931
Strategic planning	21,353	16,905	-	-	-	746,870	785,128
Departmental projects	397,003	4,305	3,242	-	-	119,942	524,492
HEERF student expenditures	-	-	7,194,157	-	-	-	7,194,157
Other	-	-	-	-	-	1,488,060	1,488,060
Total expenses	$ 33,599,761	$ 5,210,734	$ 16,567,348	$ 4,154,145	$ 800,141	$ 23,575,565	$ 83,907,694

See Notes to Consolidated Financial Statements

Park University

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services						
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Libraries	Institutional Support	Totals
Salaries and wages	$ 22,041,790	$ 3,007,591	$ 4,785,201	$ 507,636	$ 191,776	$ 9,435,068	$ 39,969,062
Payroll tax and employee benefits	3,398,926	684,646	1,311,252	142,346	38,096	2,834,605	8,409,871
Advertising, marketing and recruiting	8,720	3,635	839,489	7,854	-	861,483	1,721,181
Rent and occupancy expense	3,288,164	389,653	150,714	448,528	-	1,727,470	6,004,529
Accreditation, assessments and memberships	81,128	49,296	128,196	-	-	143,725	402,345
Insurance	112,406	-	355,385	-	-	1,025,567	1,493,358
Supplies and office expenses	868,312	80,430	651,865	116,019	387,985	2,334,390	4,439,001
Depreciation and amortization	1,972,469	693,030	906,270	1,279,439	-	479,789	5,330,997
Interest expense	172,096	60,466	79,071	568,510	-	41,861	922,004
Contract services	701,504	255,608	92,313	910,959	36,361	4,256,769	6,253,514
Travel	293,359	26,310	5,347	634	67	21,006	346,723
Strategic planning	10,650	13,510	-	-	-	4,117	28,277
Departmental projects	272,978	-	5,380	-	-	462,350	740,708
HEERF student expenditures	-	-	1,407,634	-	-	-	1,407,634
Other	-	-	-	-	-	1,285,638	1,285,638
Total expenses	$ 33,222,502	$ 5,264,175	$ 10,718,117	$ 3,981,925	$ 654,285	$ 24,913,838	$ 78,754,842

See Notes to Consolidated Financial Statements

Park University

Consolidated Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	$ 1,727,984	$ 10,344,599
Items not requiring (providing) cash		
Depreciation, amortization and accretion	5,565,144	5,343,884
Net realized and unrealized (gains) losses on investments	9,586,426	(2,543,612)
Change in funds held in trusts by others	1,961,132	(2,024,993)
Contributions restricted for long-term investment or acquisition of long-lived assets	(1,343,730)	(1,339,576)
Allowance for bad debts	9,191	371,815
Gain on disposal of PPE	(137,352)	-
Noncash operating lease expense	1,364,336	1,402,710
Changes in		
Accounts receivable	(11,514,196)	928,697
Pledges receivable	356,541	-
Accounts payable and accrued expenses	(551,099)	(417,182)
Operating lease liabilities	(1,427,114)	(1,491,017)
Deferred income and deposits	(2,410,258)	(345,434)
Other assets	(57,624)	91,236
Net cash provided by operating activities	3,129,381	10,321,127
Investing Activities		
Proceeds from sales and maturities of investments	35,582,398	5,096,493
Purchase of investments	(36,602,852)	(9,818,954)
Purchase of property, plant, equipment and library books	(7,670,421)	(7,480,269)
Proceeds from sale of property, plant and equipment	822,421	-
Net cash used in investing activities	(7,868,454)	(12,202,730)
Financing Activities		
Payments on bond payables	(990,000)	(935,000)
Principal payments on notes payable	(955,000)	(920,000)
Proceeds from contributions restricted for long-term investments or acquisition of long-lived assets	1,954,730	1,661,083
Net cash provided by (used in) financing activities	9,730	(193,917)

Park University

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2022 and 2021

	2022	2021
Decrease in Cash, Cash Equivalents, Restricted Cash, Restricted Cash Equivalents and Cash Equivalents Held in Investments	$ (4,729,343)	$ (2,075,520)
Total Cash, Cash Equivalents, Restricted Cash, Restricted Cash Equivalents and Cash Equivalents Held in Investments, Beginning of Year	30,921,111	32,996,631
Total Cash, Cash Equivalents, Restricted Cash, Restricted Cash Equivalents and Cash Equivalents Held in Investments, End of Year	$ 26,191,768	$ 30,921,111
Reconciliation of Cash, Cash Equivalents, Restricted Cash, Restricted Cash Equivalents and Cash Equivalents Held in Investments to the Statements of Financial Position		
Cash and cash equivalents	$ 20,273,652	$ 22,987,399
Restricted cash and cash equivalents	5,323,980	7,839,488
Investments	594,136	94,224
Total cash, cash equivalents, restricted cash, restricted cash equivalents and cash equivalents held in investments shown in the statements of cash flows	$ 26,191,768	$ 30,921,111
Supplementary Cash Flows Information		
Cash paid for interest	$ 854,213	$ 890,856
Property, plant and equipment purchases in accounts payable	792,386	1,740,668
ROU asset obtained in exchange for new operating lease liabilities	-	1,979,240
Adjustment to operating lease liabilities and right-of-use assets - operating leases due to lease modification	2,464,530	-

Park University

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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, eight Associates, 14 Masters and one Specialist as well as 31 certificate programs serving approximately 13,250 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 approximately 475,000 gross square feet. 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 subsidiaries Park Ventures, LLC and Park Vista, LLC. Park Ventures, LLC was formed in 2016 for the purpose of acquiring a plot of land. Park Vista, LLC was formed in 2002 for the purpose of leasing operations. 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 to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are considered to be cash and cash equivalents. At June 30, 2022 and 2021, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At June 30, 2022, the University's bank balances exceeded federally insured limits by approximately $25,000,000. However, management monitors the financial stability of these financial institutions and believes the risk of loss is minimal.

Restricted Cash and Cash Equivalents

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 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.

Contributions

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the University overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Investments, Investment in Real Estate and Investment Return

The University measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in limited partnerships are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. 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. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

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 $719,000 and $792,000 of investment income for the years ended June 30, 2022 and 2021, respectively.

Property, Plant, Equipment and Library Books

Property, plant, equipment and library books acquisitions over $2,500 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	15 - 25 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, 2022 and 2021.

Leases

The University determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The University determines lease classification as operating or finance at the lease commencement date.

The University accounts for lease and nonlease components, separately, such as common area and other maintenance costs.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The University has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the University is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The University has elected not to record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

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 $15,143,887 and $18,092,296 at June 30, 2022 and 2021, respectively. Additionally, the governing board has designated, from net assets without donor restrictions, net assets for investment in real estate which totaled $13,416,197 and $12,900,000 at June 30, 2022 and 2021, 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

Tuition and fees 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

The cost of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail by expenses by function. 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 $557,000 and $489,000 for the years ended June 30, 2022 and 2021, respectively.

Reclassifications

Certain reclassifications have been made to the 2021 consolidated financial statements to conform to the 2022 consolidated financial statement presentation. These reclassifications had no effect on the increase in net assets.

Note 2: Revenue from Contracts with Students

Student Tuition and Fees Revenue – Revenue from contracts with students for tuition and fees 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, 2022 and 2021, the University's revenue was reduced by the amounts in the table below 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 withdraw in accordance with University policy. The University determines the refund liability at year-end based on actual experience subsequent to year-end.

	2022	2021
Gross charges for student tuition and fees	$ 66,680,572	$ 74,633,406
Discount for institutional scholarships	(6,479,287)	(6,374,310)
	$ 60,201,285	$ 68,259,096

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 include housing revenues that are recognized as performance obligations are satisfied, which is generally over the period the services are provided to students. Meal plans are recognized as students consume the goods at a point in time. 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, 2022 and 2021, the University recorded a liability for student deposits of $475,978 and $545,843, 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, 2022 and 2021, are as follows:

	2022	2021
Student Tuition and Fees		
Tuition		
Undergraduate Parkville Campus	$ 3,307,634	$ 3,493,493
Undergraduate Campus Centers and Online	44,091,625	50,436,930
Graduate	10,778,467	12,071,134
Fees		
Undergraduate	1,411,751	1,457,120
Graduate	611,808	800,419
Total	$ 60,201,285	$ 68,259,096
Auxiliary Enterprises		
Housing	$ 2,174,301	$ 1,429,465
Meal Service and other	1,067,001	634,114
Total	$ 3,241,302	$ 2,063,579
Timing of revenue and recognition		
Services transferred over time	$ 62,375,586	$ 69,688,561
Sales at point in time	1,067,001	634,114
Total	$ 63,442,587	$ 70,322,675

Contract Balances

Contract assets primarily relate to the University's rights to consideration for services provided but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities represent the University's obligation to transfer goods or services to a customer when consideration has already been received from the customer.

The University had no contract assets at June 30, 2022 and 2021. The University's contract liabilities as of June 30, 2022, 2021 and 2020 were $4,808,414, $5,372,614 and $6,577,011, respectively.

During the years ended June 30, 2022 and 2021, the University recognized revenue of $5,372,614 and $6,577,011, respectively, that was included in the contract liability balance at the beginning of the period. Additionally, during the years ended June 30, 2022 and 2021, the University recognized increases in contract liabilities of $4,808,414 and $5,372,614, respectively, due to cash received, excluding amounts recognized as revenue during the period.

The University's gross receivables from contracts with students as of June 30, 2022, 2021 and 2020 were $5,725,291, $5,992,585 and $7,043,887, respectively.

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 3: Accounts Receivable

Accounts receivable consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Account receivable, net		
Tuition	$ 5,725,291	$ 5,992,585
Corporate, grants and other	12,478,033	705,734
	18,203,324	6,698,319
Allowance for bad debts	2,100,000	2,100,000
	$ 16,103,324	$ 4,598,319

Note 4: Contributions Receivable

Promises to give are estimated to be collected as follows at June 30, 2022 and 2021:

	2022	2021
Within one year	$ 644,243	$ 836,034
In one to five years	550,000	1,360,750
	1,194,243	2,196,784
Less unamortized discount of 3.25 percent	(34,000)	(69,000)
	$ 1,160,243	$ 2,127,784

Note 5: Conditional Grant Commitments

The University receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the consolidated financial statements of the University are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2022, have been recorded as receivables. The University does have conditional grant commitments that extend beyond June 30, 2022 but will not be reflected in the consolidated financial statements until the condition is met. The conditions will be met as allowable expenditures have been incurred by the University under the agreements, and generally include the instruction of students, among other conditions. Total outstanding grant commitments from federal agencies not reflected on the consolidated financial statements at June 30, 2022 and 2021 are approximately $0 and $12,454,000, respectively.

Note 6: 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 table presents 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, 2022 and 2021:

		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, 2022				
Investments				
Money market funds	$ 594,136	$ 594,136	$ -	$ -
Mutual funds	17,984,646	17,984,646	-	-
Common stocks	10,735,978	10,735,978	-	-
U.S. Treasury securities	2,583,157	-	2,583,157	-
Corporate bonds	8,621,912	-	8,621,912	-
U.S. Government and agency securities	765,042	-	765,042	-
Limited partnerships measured at net asset value (A)	1,585,344	-	-	-
Total investments	42,870,215	29,314,760	11,970,111	-
Investment in Real Estate	13,416,197	-	-	13,416,197
Funds Held in Trust by Others	18,678,956	-	-	18,678,956
Total	$ 74,965,368	$ 29,314,760	$ 11,970,111	$ 32,095,153
June 30, 2021				
Investments				
Money market funds	$ 94,224	$ 94,224	$ -	$ -
Mutual funds	22,907,642	22,907,642	-	-
Common stocks	12,485,257	12,485,257	-	-
U.S. Treasury securities	2,184,788	-	2,184,788	-
Corporate bonds	12,232,356	-	12,232,356	-
U.S. Government and agency securities	16,955	-	16,955	-
Limited partnerships measured at net asset value (A)	1,531,250	-	-	-
Total investments	51,452,472	35,487,123	14,434,099	-
Investment in Real Estate	12,900,000	-	-	12,900,000
Funds Held in Trust by Others	20,640,088	-	-	20,640,088
Total	$ 84,992,560	$ 35,487,123	$ 14,434,099	$ 33,540,088

(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, 2022.

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, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Golub Capital Partners International 10, L.P. (A)	$ 1,585,344	$ 525,000	Upon Approval	None

	June 30, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Golub Capital Partners International 10, L.P. (A)	$ 1,531,250	$ 525,000	Upon Approval	None

(A) 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 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, 2020	$ 18,125,000	$ 18,615,095
Total unrealized gains (losses) included in change in net assets	(5,225,000)	2,024,993
Balance, June 30, 2021	12,900,000	20,640,088
Total unrealized losses included in change in net assets	-	(1,961,132)
Purchases	516,197	-
Balance, June 30, 2022	$ 13,416,197	$ 18,678,956

Unobservable (Level 3) Inputs

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

June 30, 2022	Fair Value	Valuation Technique	Unobservable Inputs	Range (weighted average)
Investment in real estate	$ 13,416,197	Appraisals	Adjustments for comparable properties	N/A
Funds held in trust by others	$ 18,678,956	Fair value of trust assets	Estimated future cash flows	N/A

June 30, 2021	Fair Value	Valuation Technique	Unobservable Inputs	Range (weighted average)
Investment in real estate	$ 12,900,000	Appraisals	Adjustments for comparable properties	N/A
Funds held in trust by others	$ 20,640,088	Fair value of trust assets	Estimated future cash flows	N/A

Uncertainty of Fair Value Measurements

The following is a description of the sensitivity of significant unobservable inputs, the interrelationships among the unobservable inputs used in the recurring fair value measurement and how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

Investment in Real Estate

The significant unobservable inputs used in the fair value measurement of the University's investment in real estate are appraisals based on comparable properties in the area. Significant increases (decreases) in the inputs in isolation would result in a significantly lower (higher) fair value measurement at the reporting date. In general, changes in the inputs will not affect the other input.

Funds Held in Trust by Others

The significant unobservable inputs used in the fair value measurement of the University's funds held in trusts by others are estimated future cash flows based on the current market value of the underlying investments in the trusts. Significant increases (decreases) in the inputs would result in a significantly lower (higher) fair value measurement. In general, changes in the inputs will not affect the other input.

Note 7: Property, Plant, Equipment and Library Books

	2022	2021
Land and land improvements	$ 539,717	$ 539,717
Building and improvements	105,404,550	93,152,437
Equipment owned	43,419,725	41,012,213
Library books	1,162,627	1,522,241
Construction in progress	1,138,942	9,567,443
	151,665,561	145,794,051
Less accumulated depreciation	81,700,393	76,313,696
Total property, plant, equipment and library books	$ 69,965,168	$ 69,480,355

Depreciation expense for the years ended June 30, 2022 and 2021 was $5,552,257 and $5,330,997, respectively.

Note 8: Notes and Bonds Payable

Obligations under notes and bonds payable consisted of the following as of June 30, 2022 and 2021:

	2022	2021
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 $8,222 and $18,125 at June 30, 2022 and 2021, respectively.	$ 745,000	$ 1,465,000
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 $27,591 and $47,067 at June 30, 2022 and 2021, respectively.	1,960,000	2,950,000
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 $29,411 and $35,879 at June 30, 2022 and 2021, respectively.	2,665,000	2,900,000
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 $120,549 and $133,351 at June 30, 2022 and 2021, respectively.	9,995,000	9,995,000
Bonds payable (The Industrial Development Authority of the County of Platte County, Missouri Bonds, Series 2019), principal due annually in installments increasing $470,000 to $630,000, bearing interest at 2.05% to 3.30% due semi-annually, maturing in 2036, collateralized by real estate at the Parkville Campus. Unamortized bond issuance costs based on an imputed interest rate of 4% were $213,663 and $225,931 at June 30, 2022 and 2021, respectively.	8,500,000	8,500,000
	23,865,000	25,810,000
Unamortized issuance costs	(399,436)	(460,352)
Unamortized premium on bonds	68,042	116,071
	$ 23,533,606	$ 25,465,719

At June 30, 2022 and 2021, the University had one line of credit with available borrowings totaling $7,000,000, which expires in December 2022. At June 30, 2022 and 2021, 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 4.75 percent on June 30, 2022.

Total interest expense incurred by the University for the years ended June 30, 2022 and 2021 was $826,436 and $922,004, 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, 2022.

The maturities on notes and bonds are as follows:

Year Ending June 30	Notes Payable	Bonds Payable	Total
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
2026	280,000	1,620,000	1,900,000
2027	295,000	1,665,000	1,960,000
Thereafter	1,310,000	13,460,000	14,770,000
	$ 3,410,000	$ 20,455,000	$ 23,865,000

Note 9: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021 are restricted for the following purposes or periods:

	2022	2021
Subject to expenditure for specific purpose		
Building projects	$ 28,536	$ 5,223,752
Educational programs	1,442,063	1,615,557
Scholarships	4,655,961	5,212,278
Institutional support	742,125	516,636
Contributions receivable, the proceeds which have been restricted by donors for building projects	-	1,768,542
	6,868,685	14,336,765
Endowments, subject to spending policy		
Term endowment	539,555	535,555
Pooled endowment		
Educational programs	4,371,413	5,325,627
Financial aid	16,373,531	19,897,848
Institutional support	2,270,268	2,701,509
Total endowments	23,554,767	28,460,539
Not subject to spending policy or appropriations		
Funds held in trust by others	18,678,956	20,640,088
	$ 49,102,408	$ 63,437,392

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, 2022 and 2021 were as follows:

	2022	2021
Satisfaction of purpose restrictions		
Educational programs	$ 587,230	$ 188,182
Scholarships	707,896	632,810
Institutional support	221,310	220,630
Capital projects	7,063,475	-
	8,579,911	1,041,622
Appropriations in accordance with spending policy		
Financial aid	561,171	545,664
Net assets released from restrictions	$ 9,141,082	$ 1,587,286

Note 10: 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 *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) 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 UPMIFA 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 UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, 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, 2022 and 2021 was:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 15,143,887	$ -	$ 15,143,887
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	12,699,618	12,699,618
Accumulated investment gains	-	10,315,594	10,315,594
Term endowment	-	539,555	539,555
Total endowment funds (UPMIFA)	15,143,887	23,554,767	38,698,654
Endowment funds - investment in real estate	13,416,197	-	13,416,197
Total endowment funds	$ 28,560,084	$ 23,554,767	$ 52,114,851

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 18,092,296	$ -	$ 18,092,296
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	12,534,383	12,534,383
Accumulated investment gains	-	15,390,601	15,390,601
Term endowment	-	535,555	535,555
Total endowment funds (UPMIFA)	18,092,296	28,460,539	46,552,835
Endowment funds - investment in real estate	12,900,000	-	12,900,000
Total endowment funds	$ 30,992,296	$ 28,460,539	$ 59,452,835

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, 2022 and 2021 is as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investment net assets, July 1, 2021	$ 18,092,296	$ 28,460,539	$ 46,552,835
Investment loss, net	(2,858,110)	(4,509,836)	(7,367,946)
Contributions and additions	-	165,235	165,235
Appropriation of endowment assets for expenditure	(90,299)	(561,171)	(651,470)
Endowment investment net assets, June 30, 2022	$ 15,143,887	$ 23,554,767	$ 38,698,654

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investment net assets, July 1, 2020	$ 14,616,156	$ 23,222,048	$ 37,838,204
Investment return, net	3,493,140	5,573,073	9,066,213
Contributions and additions	-	211,082	211,082
Appropriation of endowment assets for expenditure	(17,000)	(545,664)	(562,664)
Endowment investment net assets, June 30, 2021	$ 18,092,296	$ 28,460,539	$ 46,552,835

The governing body of the University has interpreted UPMIFA 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.

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 UPMIFA. At June 30, 2022 and 2021, 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's 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 11: Leases

Nature of Leases

The University has entered into the following lease arrangements:

Operating Leases

The University has leases for office and classroom space that expire in various years through 2033. These leases generally contain renewal options for periods ranging from one to five years and require the University to pay all executory costs (property taxes, maintenance and insurance). Lease payments have an escalating fee schedule, which range from a 1 to 3 percent increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement. The University also has several other leases for copiers that expire in various years through 2030.

All Leases

The University has no material related-party leases. The University's lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of June 30, 2022, the University has not entered into additional operating and finance leases that have not yet commenced.

Quantitative Disclosures

The lease cost and other required information for the years ended June 30, 2022 and 2021 are:

	2022	2021
Lease Cost		
Operating lease cost	$ 1,474,235	$ 1,457,491
Total lease cost	$ 1,474,235	$ 1,457,491
Other Information		
Cash paid for amounts in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 1,507,794	$ 1,532,158
Right-of-use assets obtained in exchange for new operating lease liabilities	$ -	$ 1,979,240
Weighted-average remaining lease term		
Operating leases	8.09 Years	6.11 Years
Weighted-average discount rate		
Operating leases	0.94%	0.60%

Future minimum lease payments for operating leases and reconciliation to the consolidated statements of financial position at June 30, 2022, are as follows:

2023	$ 1,510,615
2024	985,889
2025	981,565
2026	829,100
2027	687,450
Thereafter	2,747,019
Total lease payments to be paid	7,741,638
Less future interst	315,841
Operating lease liabilities	$ 7,425,797

Lease Income

As discussed in *Note 1*, the University operates PCU, which leases underground commercial space, as part of the endowment. The leases are accounted for as operating leases, which recognize revenue ratably over the life of the lease. The leases, which are noncancellable without penalty, have terms primarily from one month to five years. The leases do not contain any options for the lessees to purchase the property at the end of the lease term. Lease income amounted to $899,695 and $1,124,433 for the years ended June 30, 2022 and 2021, respectively.

Leasing property at June 30, 2022 and 2021 was $13,416,197 and $12,900,000, respectively. As discussed in *Note 8*, PCU property is pledged as collateral to various bonds.

As of June 30, 2022, the University's future lease receivables, excluding any contingent rentals, are as follows:

2023	$ 788,248
2024	684,708
2025	646,508
2026	446,908
	$ 2,566,372

Note 12: Employee Benefits

Defined Contribution Plan

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 $1,279,000 and $1,298,000 for the years ended June 30, 2022 and 2021, respectively.

Deferred Compensation Plan

The University also sponsors a 457(b) deferred compensation plan for certain participants of the executive management team. The plan includes an employer discretionary contribution on behalf of the participants and also participant contributions based on a chosen deferral amount. During the years ended June 30, 2022 and 2021, the University did not make a discretionary contribution to the 457(b) plan. An asset and corresponding liability are recorded in the consolidated statements of financial position for approximately $87,500 and $215,000 as of June 30, 2022 and 2021, respectively, representing the amounts held in the plan which have been contributed by the employer or plan participants and the funds owed to the participants.

Note 13: 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, 2022 and 2021, the University has a liability of $677,804 recorded on the consolidated statements of financial position.

Note 14: 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 8* 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.

As of June 30, 2022 and 2021, the following financial assets could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures:

	2022	2021
Cash and cash equivalents	$ 20,273,652	$ 22,987,399
Accounts receivable, net	16,103,324	4,598,319
Contributions for general expenditures due in one year or less	644,243	359,242
	$ 37,021,219	$ 27,944,960

The board-designated endowment of $15,143,887 and $18,092,296 as of June 30, 2022 and 2021, 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 2022 and 2021.

Note 15: COVID-19 Pandemic

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 country 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 fiscal year 2021. Campus classes have resumed, following strict CDC guidelines, starting with the summer 2021 semester. 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, 2021, the University expended all of the funds through eligible expenditures.

During fiscal year 2021, the University was awarded additional funding as authorized by the *Coronavirus Response and Relief Supplemental Appropriations Act* (CRRSAA) which was signed into law on December 27, 2020. Commonly known as HEERF II, the University was awarded a student share of $1,402,922 and an institutional share of $5,729,842, that totaled $7,132,764. As of June 30, 2021, the University expended all of the funds through eligible expenditures or lost revenues. Additionally, under what is commonly known as HEERF III, the University was awarded a student share of $7,194,157 and an institutional share of $5,260,067 that totaled $12,454,224. HEERF III was authorized by the American Rescue Plan (ARP) and was signed into law on March 11, 2021. As of June 30, 2022, the University expended all of the funds through eligible expenditures or lost revenues.

During the year ended June 30, 2022, the University applied for the Employee Retention Credit (ERC) also provided under the CARES Act. ERC provides a refundable employee retention tax credit to eligible employers who meet either a gross receipts test or a government mandate test. The tax credit is equal to a specified percentage of qualified wages paid to employees subject to certain limits. The University determined it qualifies for the tax credit and claimed $14,447,456, which was recognized as revenue for 2022 and included in other income on the consolidated statement of activities. The University had received $4,500,179 as of June 30, 2022, and the remaining balance is included in accounts receivable on the consolidated statement of financial position. Laws and regulations concerning the employee retention credit are complex and subject to varying interpretation. These credits may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the University’s claim to the ERC, and it is not possible to determine the impact this would have on the University.

Note 16: Related Party Transactions

The University, from time to time, receives contributions from members of the board of trustees and University employees. These donations are not material to the consolidated financial statements. The Board of Trustees of Park University has adopted and regularly monitors the implementation, periodic review and updating of the University's conflict of interest policy. Every year, each interested person as defined in the policy, University officers, University trustees, and key employees of the University are required to complete a policy and disclosure statement. In addition, interested persons are required to complete updated disclosure statements at any time potential or actual conflicts of interest arise.

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 10 percent of all contributions were received from one donor in 2022 and approximately 48 percent of all contributions were received from four donors in 2021.

General 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, change in net assets and cash flows of the University.

The University is a plaintiff in a lawsuit claiming that Martin Marietta Materials, Inc., the mining company handling construction of underground commercial space, breached its contract, causing millions of dollars of damages to the University. The University has not recognized any amounts in the consolidated financial statements related to this claim.

Accounts Receivable and Pledges Receivable Allowances

Management believes that outstanding accounts receivable and pledges receivable allowances are reasonable as of June 30, 2022. The estimate could change in future periods due to unforeseen events and circumstances. Approximately 62 percent and 12 percent of accounts receivable were from one customer in 2022 and 2021, respectively. Approximately 75 percent and 65 percent of pledges receivable were from two donors in 2022 and 2021, respectively.

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 50 years.

Functional Allocation of Expenses

Significant estimates relating to the allocation of expenses on a functional basis are described in Note 1.

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, 2022:

	2022
Property, plant and equipment, including construction in progress, net of accumulated depreciation - pre-implementation	$ 52,632,558
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation with outstanding debt for original purchase - building and improvements	10,860,927
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	6,471,683
Total property, plant and equipment, net	$ 69,965,168

Note 19: Subsequent Events

Subsequent events have been evaluated through September 30, 2022, which is the date the consolidated financial statements were issued.