

# **Webster University**

Independent Auditor's Report and Consolidated Financial Statements

May 31, 2021 and 2020

**Webster University**  
**May 31, 2021 and 2020**

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## Independent Auditor's Report

Board of Trustees  
Webster University  
Webster Groves, Missouri

We have audited the accompanying consolidated financial statements of Webster University (the "University"), which comprise the consolidated statements of financial position as of May 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the 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 University'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 University'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 consolidated financial position of Webster University as of May 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in *Note 14* to the consolidated financial statements, in 2021, the University adopted the Accounting Standards Update (ASU) 2016-02 (Topic 842), *Leases*. Our opinion is not modified with respect to this matter.

**BKD, LLP**

St. Louis, Missouri  
November 11, 2021

**Webster University**  
**Consolidated Statements of Financial Position**  
**May 31, 2021 and 2020**

**Assets**

	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>		
Cash	\$ 9,322,986	\$ 8,950,692
Receivables - current, net of allowance; 2021 - \$10,982,730, 2020 - \$11,436,880	19,831,873	21,113,882
Short-term investments	215,990	3,342,022
Prepayments and deferred charges	2,517,386	3,145,235
Total current assets	31,888,235	36,551,831
<b>Noncurrent Receivables, Net of Allowance;     2021 - \$398,900; 2020 - \$108,100</b>	2,841,226	2,068,778
<b>Right of Use Assets - Operating Leases</b>	13,163,629	-
<b>Student Loans Receivable, Net of Allowance; 2021     &amp; 2020 - \$249,156</b>	1,632,109	2,140,616
<b>Property and Equipment, Net</b>	195,072,596	199,395,236
<b>Long-Term Investments</b>	172,971,858	144,748,605
<b>Escrowed Bond Investments</b>	504,633	449,582
<b>Long-Term Prepaid Expense and Other</b>	739,506	710,183
Total assets	\$ 418,813,792	\$ 386,064,831

## Liabilities and Net Assets

	<u>2021</u>	<u>2020</u>
<b>Current Liabilities</b>		
Current maturities of long-term debt and finance lease obligation	\$ 6,625,584	\$ 6,323,883
Current portion of operating lease liabilities	4,873,285	-
Line of credit	21,500,000	3,000,000
Accounts payable and accrued expenses	18,437,149	12,224,142
Deposits and deferred revenue	<u>12,444,235</u>	<u>16,478,714</u>
Total current liabilities	<u>63,880,253</u>	<u>38,026,739</u>
<b>Annuities and Trusts Payable</b>	331,120	404,144
<b>Accrued Benefit Costs</b>	55,090	56,693
<b>Asset Retirement Obligation</b>	1,458,922	1,445,006
<b>Long-Term Operating Lease Liabilities</b>	9,853,657	-
<b>Long-Term Debt and Finance Lease Obligation</b>	86,212,702	91,218,231
<b>U.S. Government Grants Refundable</b>	<u>1,510,844</u>	<u>1,692,235</u>
Total liabilities	<u>163,302,588</u>	<u>132,843,048</u>
<b>Net Assets</b>		
Without donor restrictions	197,345,104	206,243,817
With donor restrictions	<u>58,166,100</u>	<u>46,977,966</u>
Total net assets	<u>255,511,204</u>	<u>253,221,783</u>
Total liabilities and net assets	<u>\$ 418,813,792</u>	<u>\$ 386,064,831</u>

**Webster University**  
**Consolidated Statements of Activities**  
**Years Ended May 31, 2021 and 2020**

	Year Ended May 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue, Gains and Other Support</b>			
Tuition and fees, net of scholarship allowances; 2021 - \$37,213,074	\$ 102,124,558	\$ -	\$ 102,124,558
Auxiliary enterprises	6,929,911	-	6,929,911
Private gifts and grants	2,622,125	888,460	3,510,585
Change in value of split interest agreements	-	-	-
Investment return - operating, net	8,579,464	-	8,579,464
Federal grants and contracts	8,137,330	-	8,137,330
Other income	4,364,416	-	4,364,416
Net assets released from restrictions	2,406,709	(2,406,709)	-
Total operating revenue, gains and other support	<u>135,164,513</u>	<u>(1,518,249)</u>	<u>133,646,264</u>
<b>Operating Expenses</b>			
Administration & student wages	44,782,671	-	44,782,671
Instructional wages	35,109,378	-	35,109,378
Benefits	16,163,403	-	16,163,403
Operating leases & rentals	9,272,739	-	9,272,739
Depreciation & amortization	13,853,783	-	13,853,783
Utilities and insurance	6,380,708	-	6,380,708
Services & professional fees	12,017,262	-	12,017,262
Software	4,266,891	-	4,266,891
Advertising	3,685,003	-	3,685,003
Supplies & equipment	2,638,312	-	2,638,312
Travel & entertainment	796,085	-	796,085
Interest & finance expense	3,504,773	-	3,504,773
Other operational expenses	5,678,074	-	5,678,074
Total operating expenses	<u>158,149,082</u>	<u>-</u>	<u>158,149,082</u>
<b>Change in Net Assets From Operating Activities</b>			
<b>Before Restructuring Costs and Currency Exchange</b>	(22,984,569)	(1,518,249)	(24,502,818)
Restructuring costs	3,386,581	-	3,386,581
Gain on currency exchange	(3,344,514)	-	(3,344,514)
<b>Change in Net Assets From Operating Activities</b>	<u>(23,026,636)</u>	<u>(1,518,249)</u>	<u>(24,544,885)</u>
<b>Non-operating Activities</b>			
Investment return, net	16,704,217	10,789,102	27,493,319
Change in value of split interest agreements	-	652	652
Donor restricted private gifts & grants - in perpetuity	-	1,740,341	1,740,341
Net assets restricted for matching grants	(176,288)	176,288	-
<b>Change in Net Assets From Non-operating Activities</b>	<u>16,527,929</u>	<u>12,706,383</u>	<u>29,234,312</u>
<b>Foreign Currency Translation</b>	<u>(2,400,006)</u>	<u>-</u>	<u>(2,400,006)</u>
<b>Change in Net Assets</b>	<u>(8,898,713)</u>	<u>11,188,134</u>	<u>2,289,421</u>
<b>Net Assets, Beginning of Year</b>	<u>206,243,817</u>	<u>46,977,966</u>	<u>253,221,783</u>
<b>Net Assets, End of Year</b>	<u>\$ 197,345,104</u>	<u>\$ 58,166,100</u>	<u>\$ 255,511,204</u>

**Webster University**  
**Consolidated Statements of Activities (Continued)**  
**Years Ended May 31, 2021 and 2020**

	<b>Year Ended May 31, 2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating Revenue, Gains and Other Support</b>			
Tuition and fees, net of scholarship allowances; 2020 - \$37,231,314	\$ 120,334,489	\$ -	\$ 120,334,489
Auxiliary enterprises	8,452,976	-	8,452,976
Private gifts and grants	1,112,511	638,676	1,751,187
Change in value of split interest agreements	2,137,052	-	2,137,052
Investment return - operating, net	7,251,749	-	7,251,749
Federal grants and contracts	4,792,576	-	4,792,576
Other income	4,298,664	-	4,298,664
Net assets released from restrictions	10,352,766	(10,352,766)	-
Total operating revenue, gains and other support	<u>158,732,783</u>	<u>(9,714,090)</u>	<u>149,018,693</u>
<b>Operating Expenses</b>			
Administration & student wages	41,913,522	-	41,913,522
Instructional wages	37,231,965	-	37,231,965
Benefits	19,846,738	-	19,846,738
Operating leases & rentals	9,697,212	-	9,697,212
Depreciation & amortization	14,504,851	-	14,504,851
Utilities and insurance	7,025,760	-	7,025,760
Services & professional fees	11,833,693	-	11,833,693
Software	3,925,645	-	3,925,645
Advertising	4,429,741	-	4,429,741
Supplies & equipment	2,944,713	-	2,944,713
Travel & entertainment	2,982,943	-	2,982,943
Interest & finance expense	3,741,733	-	3,741,733
Other operational expenses	7,638,712	-	7,638,712
Total operating expenses	<u>167,717,228</u>	<u>-</u>	<u>167,717,228</u>
<b>Change in Net Assets From Operating Activities Before Currency Exchange</b>			
	(8,984,445)	(9,714,090)	(18,698,535)
Loss on currency exchange	552,941	-	552,941
<b>Change in Net Assets From Operating Activities</b>	<u>(9,537,386)</u>	<u>(9,714,090)</u>	<u>(19,251,476)</u>
<b>Non-operating Activities</b>			
Investment return, net	(2,964,210)	1,198,573	(1,765,637)
Change in value of split interest agreements	-	(44,949)	(44,949)
Donor restricted private gifts & grants - in perpetuity	-	3,873,097	3,873,097
Net assets restricted for matching grants	(353,443)	353,443	-
<b>Change in Net Assets From Non-operating Activities</b>	<u>(3,317,653)</u>	<u>5,380,164</u>	<u>2,062,511</u>
<b>Foreign Currency Translation</b>	<u>(309,453)</u>	<u>-</u>	<u>(309,453)</u>
<b>Change in Net Assets</b>	<u>(13,164,492)</u>	<u>(4,333,926)</u>	<u>(17,498,418)</u>
<b>Net Assets, Beginning of Year</b>	<u>219,408,309</u>	<u>51,311,892</u>	<u>270,720,201</u>
<b>Net Assets, End of Year</b>	<u>\$ 206,243,817</u>	<u>\$ 46,977,966</u>	<u>\$ 253,221,783</u>



**Webster University**  
**Consolidated Statements of Cash Flows**  
**Years Ended May 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Operating Activities</b>		
Change in net assets	\$ 2,289,421	\$ (17,498,418)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	13,929,423	14,504,851
Amortization of premium on long-term debt	(598,044)	(598,044)
Effect of currency translation adjustments	(898,783)	(135,118)
(Gain) loss on disposal of property and equipment	(44,290)	80,281
Net realized and unrealized gains on investments	(31,866,777)	(757,301)
Change in value of split-interest agreements	-	(2,092,103)
Change in value of accrued benefit costs	(1,603)	(30,441)
Contributions received restricted for long-term investment	(1,678,888)	(1,175,652)
Impairment of right of use asset	561,635	-
Noncash operating lease expense	4,698,194	-
Changes in		
Receivables and beneficial interest in charitable remainder trust	1,018,068	948,734
Prepayments, deferred charges and other assets	(93,657)	280,661
Accounts payable and accrued expenses	5,481,677	(2,861,363)
Deposits and deferred revenue	(3,700,416)	10,884,542
U.S. government grants refundable	(181,391)	28,519
Operating lease liabilities	(4,030,579)	-
Net cash provided by (used in) operating activities	<u>(15,116,010)</u>	<u>1,579,148</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(5,894,350)	(5,064,810)
Proceeds from disposition of property and equipment	178,790	3,000
Purchase of investments	(62,606,833)	(337,828,083)
Proceeds from disposition of investments	67,622,332	344,514,829
Net cash provided by (used in) investing activities	<u>(700,061)</u>	<u>1,624,936</u>
<b>Financing Activities</b>		
Proceeds from contributions restricted for permanent investment in endowment and loan funds	1,678,888	1,175,652
Increase in escrowed bond investments	(55,051)	-
Proceeds from issuance of long-term debt	-	519,650
Principal payments on long-term debt	(5,460,684)	(3,393,949)
Principal payments under finance lease obligation	(381,711)	(339,832)
Borrowings under line of credit agreement	38,000,000	27,500,000
Repayments under line of credit agreement	(19,500,000)	(33,500,000)
Termination of annuities and trusts payable	(73,024)	(88,887)
Net cash provided by (used in) financing activities	<u>14,208,418</u>	<u>(8,127,366)</u>

(Continued)

**Webster University**  
**Consolidated Statements of Cash Flows (Continued)**  
**Years Ended May 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Decrease in Cash, Cash Equivalents and Restricted Cash Equivalents</b>		
Cash Equivalents	\$ (1,607,653)	\$ (4,923,282)
<b>Cash, Cash Equivalents and Restricted Cash Equivalents, Beginning of Year</b>	16,124,396	21,047,678
<b>Cash, Cash Equivalents and Restricted Cash Equivalents, End of Year</b>	\$ 14,516,743	\$ 16,124,396
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 3,098,838	\$ 3,234,809
In-kind contributions	\$ 2,558	\$ 17,474
Property and equipment included in accounts payable	\$ 519,356	\$ 155,961
Additional right of use assets from operating leases	\$ 497,783	\$ -

The following table provides a reconciliation of cash, cash equivalents and restricted cash equivalents reported within the statements of financial position to the statements of cash flows:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 9,322,986	\$ 8,950,692
Restricted cash equivalents - escrowed bond investments	504,633	449,582
Cash and cash equivalents held in investments	4,689,124	6,724,122
Total cash, cash equivalents and restricted cash equivalents shown in the Statements of Cash Flows	\$ 14,516,743	\$ 16,124,396

# **Webster University**

## **Notes to Consolidated Financial Statements**

### **May 31, 2021 and 2020**

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

##### ***Nature of Operations***

Webster University (the “University”) is a not-for-profit, private university located in Webster Groves, Missouri. The University’s community is a highly diverse population of more than 12,000 men and women who represent approximately 100 nationalities, nearly every racial, ethnic, cultural and socioeconomic background and students who range from traditional college age to older adults. The University is an independent, nondenominational, international educational institution offering both undergraduate and graduate degree programs. Webster University, founded in 1915 with its home campus based in St. Louis, Missouri, USA, is the only Tier 1, private, nonprofit university with campus locations around the world including metropolitan, military, online and corporate, as well as American style traditional campuses in North America, Europe, Asia, and Africa. The University has international assets totaling \$40,885,946 and \$32,085,093 at May 31, 2021 and 2020, respectively, and international revenues totaling \$22,598,725 and \$25,287,453, respectively, for the years then ended. The University’s primary source of revenue is tuition and fees paid by students. The majority of students rely on funds received from federal financial aid programs under Title IV of the *Higher Education Act of 1965*, as amended, to pay for a substantial portion of their tuition.

##### ***Principles of Consolidation***

The consolidated financial statements include the accounts of the University and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

##### ***Use of Estimates***

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

##### ***Cash, Cash Equivalents and Restricted Cash Equivalents***

The University considers all domestic bank checking account deposits and all international bank deposits used for operations to be cash. At May 31, 2021, the University’s domestic cash accounts exceeded federally insured limits by approximately \$1,830,000.

Amounts included in cash equivalents (included in investments) represent funds in money market funds.

Amounts included in restricted cash equivalents (included in escrowed bond investments) represent funds in money market funds held by a trustee under the terms of the University’s indentures.

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies  
(Continued)**

***Accounts Receivable***

Accounts receivable are stated at the amount of consideration from students, of which the University has an unconditional right to receive. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are due on payment due dates set by the University for each term after issuance of the statement of account unless the student elects an alternative payment option. For those students who have not made other payment arrangements, accounts past due at academic term end are considered delinquent. Delinquent receivables are written off according to the University's policy with consideration given to specific student circumstances.

***Student Loans Receivable***

Prior to June 1, 2018, the University made loans to students under the Federal Perkins Loan Program. Under the terms of the program, these loans are subject to forgiveness or assignment back to the federal government under certain circumstances. Such loans receivable are recorded net of estimated uncollectible amounts. The amount to be forgiven or assigned is based on the occurrence of certain future events which cannot be anticipated.

***Property and Equipment***

Property and equipment acquisitions, depending on the asset type, but generally over \$10,000 - \$20,000, are carried at cost, less accumulated depreciation, and amortization, except for donated assets, which are recorded at fair value on the date of donation, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method to allocate the cost of various classes of assets over their estimated useful lives. Assets under finance lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Property and equipment are removed from the accounting records at the time of disposal.

The estimated useful lives used in calculating depreciation for the years ended May 31, 2021 and 2020, are as follows:

Building	10 - 50 years
Improvements	10 - 20 years
Equipment	5 years
Furniture and fixtures	10 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

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies  
(Continued)**

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 its fair value.

There was no asset impairment for the years ended May 31, 2021 and 2020.

***Investments and Net Investment Return***

Investments are generally measured at fair value. The University considers cash and money market funds held by investment managers as part of the investment portfolio. Investments acquired by gift or bequest are recorded at fair or appraised value at the date acquired. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient. Net 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, net of investment fees. Gains and losses on the sale of securities are recorded on the trade date and are determined using the average cost method.

Net investment return initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other net investment return is reflected in the statements of activities as with or without 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 investments accounts are allocated annually to the individual endowments based on the relationship of the fair value of the interest of each endowment to the fair value of the pooled investment accounts, as adjusted for additions to our deductions from those accounts.

***Escrowed Bond Investments***

The University is required to maintain separate accounts for proceeds of bond financings. These accounts are comprised of cash and money market accounts.

***Split-Interest Agreements***

The University's split-interest agreements with donors consists primarily of charitable gift annuities and irrevocable charitable remainder trusts for which the University serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

Contribution revenues for charitable gift annuities and charitable remainder trusts are recognized at the date the agreements are established. In addition, the fair value of the estimated future payments to be made to the beneficiaries under these agreements is recorded as a liability.

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies  
(Continued)**

***Debt Issuance Costs***

Debt issuance costs represent costs incurred in connection with the issuance of long term debt. Such costs are being amortized over the term of the respective debt using the effective interest method and are included as a reduction of the related debt balance on the consolidated statements of financial position.

***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or grantor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for investments (board-designated endowment), student loans, retirement of indebtedness, plant renewal fund and net investment in plant.

Net assets with donor restrictions are subject to donor or grantor-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.

***Revenue and Expense Recognition***

Revenues and expenses are recognized on the accrual basis of accounting.

Revenues are recognized over the academic year as services are provided. Tuition and fee revenue is recognized over the academic term 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 instruction and other educational services. 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. Scholarship allowances for the years ended May 31, 2021 and 2020, were \$37,213,074 and \$37,231,314, respectively.

Other revenues without donor restrictions and auxiliary services are recognized as earned either upon receipt or upon accrual. Expenditures of funds without donor restrictions and auxiliary services are recognized as expensed when expended or upon incurrence of the related liability.

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies  
(Continued)**

**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:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
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>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
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 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.

Unconditional 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 given are recorded as revenue and net assets without donor restrictions.

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies  
(Continued)**

***Collections***

All collections of works of art, historical treasures and similar assets are capitalized. Items added to the collections are capitalized at cost if purchased, or at estimated fair value on the acquisition date if donated. Collection items sold or removed are reported as gains or losses with or without donor restrictions depending on donor stipulations, if any, placed on the items at the time of acquisition.

***Deposits and Deferred Revenue***

Revenue from tuition, room and board and other fees that are billed in advance are deferred and recognized over the periods to which the fees relate.

***Government Grants***

Support funded by grants is recognized as the University meets the conditions prescribed by the grant agreement, by performing the contracted services or incurring expenditures eligible for reimbursement. Grant activities and expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments may be required.

***Self-insurance***

The University has elected to self-insure certain costs related to employee health benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The University has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to \$250,000.

Provisions for losses expected under these programs are recorded based upon the University's estimates of the aggregate liability for claims incurred and totaled approximately \$556,000 and \$673,000 during 2021 and 2020, respectively. The amount of actual losses incurred could differ materially from estimates reflected in salaries and employee benefits expense in these financial statements.

***Income Taxes***

The University is exempt from income taxes under Section 501 of the Internal Revenue Code and similar provisions of state law. However, the University is subject to federal income tax on any unrelated business income.

The University or one of its subsidiaries files tax returns in the U.S. federal jurisdiction and various foreign jurisdictions.



**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies  
(Continued)**

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in Note 12 to the consolidated financial statements. Functional expenses present the natural classification detail of expenses by function. Expenses from operations and maintenance, depreciation and amortization, information technology, marketing, and insurance are allocated to programs, institutional support, and fundraising based on time expended, usage and other methods.

***Licensure***

As an educational institution, the University is subject to licensure from various accrediting and state authorities and other regulatory requirements of the United States Department of Education. The University is accredited through the Higher Learning Commission. Accreditation was granted in 1925 and in 2018 was reaffirmed through 2027-2028.

***Asset Retirement Obligation (ARO)***

Accounting principles generally accepted in the United States of America require that an 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.

A summary of changes in the AROs liability is included in the table below:

	<b>2021</b>	<b>2020</b>
Beginning of year	\$ 1,445,006	\$ 1,427,873
Accretion expense	13,916	17,133
End of year	<u>\$ 1,458,922</u>	<u>\$ 1,445,006</u>

**Webster University**  
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**Note 2: Receivables**

The major components of receivables at May 31 consisted of the following:

	<b>2021</b>	<b>2020</b>
Accounts receivable from students (net of allowance; 2021 - \$10,982,730; 2020 - \$11,436,880)	\$ 16,290,255	\$ 18,208,772
Other receivables	2,792,458	783,624
Grants receivable	314,788	1,183,583
Contributions receivable (net of allowance; 2021 - \$398,900; 2020 - \$108,100)	<u>3,275,598</u>	<u>3,006,681</u>
Total receivables	22,673,099	23,182,660
Less noncurrent contributions receivable, net	<u>2,841,226</u>	<u>2,068,778</u>
Receivables - current	<u><u>\$ 19,831,873</u></u>	<u><u>\$ 21,113,882</u></u>

**Contributions Receivable**

Contributions receivable consisted of the following:

	<b>With Donor Restrictions</b>	
	<b>2021</b>	<b>2020</b>
Due within one year	\$ 908,093	\$ 1,069,640
Due in one to five years	919,833	216,902
Due in more than five years	<u>2,870,039</u>	<u>3,006,522</u>
	4,697,965	4,293,064
Less		
Allowance for uncollectible contributions	398,943	197,830
Unamortized discount	<u>1,023,424</u>	<u>1,088,553</u>
	<u><u>\$ 3,275,598</u></u>	<u><u>\$ 3,006,681</u></u>

The interest rate utilized for discounting contributions receivable ranged from 0.05 percent to 10.0 percent for 2021 and 2020.

**Note 3: Student Loans Receivable**

The University loans money to students with exceptional financial need through the Federal Perkins Loan program. Determination of financial need is based on a nationally recognized methodology and regulations promulgated by the U.S. Department of Education. The loans are long-term and bear an interest rate of 5 percent. The University acts as the lender with the loan made primarily with government funds. A liability is recorded to recognize the funds advanced from the U.S. Department of Education for original funding of the loans. The University holds the loans until maturity, assignment or cancellation. A third party manages the portfolio on behalf of the University. As loan payments are received from borrowers, the funds are applied to both the

**Webster University**  
**Notes to Consolidated Financial Statements**  
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**Note 3: Student Loans Receivable (Continued)**

recorded asset and liability as these funds are then used to create additional loans to qualified students. The Perkins Loan portfolio was \$1,527,603 and \$2,023,980 at May 31, 2021 and 2020, respectively. U.S. government grants refundable were \$1,510,835 and \$1,692,235 at May 31, 2021 and 2020, respectively.

Interest does not accrue on Perkins Loans until the student leaves school and enters repayment status. Typically, there is a nine-month grace period upon graduation before interest begins to accrue and payments are required. Interest income for the years ended May 31, 2021 and 2020, was \$48,169 and \$29,633, respectively.

Loans determined to be uncollectible after appropriate due diligence procedures have been performed can be assigned to the U.S. Department of Education. Thus, the ultimate credit risk of the portfolio is low. Loans are classified as: In School, In Grace, Active or Delinquent. In School and In Grace loans represent loans made to students who are still in school or who are in the nine-month grace period following graduation. Active loans are those loans in repayment status and are considered current. Delinquent loans are those active but not current with payments. Although ultimate collectability can be ensured by the U.S. Department of Education, the University has established an allowance for uncollectible loans. The allowance was \$40,000 at May 31, 2021 and 2020. Loan default rates (Perkins Federal Cohort Rate) are monitored by the U.S. Department of Education based on a legislated formula and measured at June 30 of each year. An institution with a default rate that equals or exceeds 50 percent for each of the three most recent years may be ineligible for participation in the Federal Perkins Loan program and may be required to liquidate its revolving student loan fund. The University's Perkins Federal Cohort Rate at May 31, 2021 and 2020, was 20.30 percent and 47.19 percent, respectively.

Loans may also be deferred or cancelled based on federal guidelines. Cancelled loans are repaid to the University by the federal government. Loans totaling \$13,552 and \$3,750 were cancelled for the years ended May 31, 2021 and 2020, respectively.

In connection with the December 1, 2014, announcement of ending Webster University's partnership with Regents University London, the University offered 10 year, interest free loans to the students negatively impacted by its dissolution. Monthly payments on these loans begin 30 days after the student graduates or ceases to be enrolled in a declared academic program at Webster University. The loan balances at May 31, 2021 and 2020, were \$285,107 and \$337,006, respectively. The allowance was \$209,156 at May 31, 2021 and 2020.

The remainder of the loans receivable, \$28,555 and \$28,786 at May 31, 2021 and 2020, respectively, represent amounts advanced from a University loan fund. As dictated by donor bequest, the fund is to be used as a revolving loan fund for able but needy students. Terms of these loans are similar to those of the Federal Perkins Loan program.

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 4: Property and Equipment**

Property and equipment at May 31 consists of:

	<b>2021</b>	<b>2020</b>
Land and improvements	\$ 24,726,449	\$ 24,570,340
Buildings and improvements	305,211,936	300,403,980
Equipment	76,624,072	72,164,695
Collections and works of art	5,026,288	5,160,788
Construction in progress	866,535	801,738
Other	<u>2,680,575</u>	<u>2,031,486</u>
	415,135,855	405,133,027
Less accumulated depreciation	<u>220,063,259</u>	<u>205,045,608</u>
	<u><u>\$195,072,596</u></u>	<u><u>\$200,087,419</u></u>

Depreciation expense for the years ended May 31, 2021 and 2020, was approximately \$13,900,000 and \$14,500,000, respectively. Remaining commitments related to construction in progress at May 31, 2021, were approximately \$443,000.

**Note 5: Disclosures About Fair Value of Assets and Liabilities**

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 used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

**Recurring Measurements**

The following tables present the fair value measurements of assets 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 May 31, 2021 and 2020:

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 5: Disclosures About Fair Value of Assets and Liabilities (Continued)**

	2021				
	Fair Value Measurements Using				
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (a)
Cash and cash equivalents	\$ 4,689,124	\$ 4,689,124	\$ -	\$ -	\$ -
Equity securities					
ETF's	11,761,825	11,761,825	-	-	-
Financials	5,378,312	5,378,312	-	-	-
Health care	4,954,644	4,954,644	-	-	-
Industrials	4,016,675	4,016,675	-	-	-
Information technology	7,557,160	7,557,160	-	-	-
Consumer staples	1,350,264	1,350,264	-	-	-
Consumer discretionary	3,107,052	3,107,052	-	-	-
Other	9,873,773	9,873,773	-	-	-
Government bonds and notes	12,636,183	12,636,183	-	-	-
Corporate bonds and notes	12,418,683	12,418,683	-	-	-
Mutual funds					
Bond funds	15,969,897	15,969,897	-	-	-
Large value	5,834,108	5,834,108	-	-	-
Large blend	17,015,148	17,015,148	-	-	-
Large growth	10,223,447	10,223,447	-	-	-
Medium growth	2,779,592	2,779,592	-	-	-
Small blend	3,989,131	3,989,131	-	-	-
Managed futures	725,671	725,671	-	-	-
International large growth	43,075	43,075	-	-	-
International large blend	15,393,236	15,393,236	-	-	-
Other	1,869,226	1,869,226	-	-	-
ETF's	4,675,892	4,675,892	-	-	-
Closed-end funds	772,612	772,612	-	-	-
Other	1,688,444	1,688,444	-	-	-
Alternative investments					
Multi-strategy hedge funds	10,787,779	-	-	-	10,787,779
Venture capital	67,380	-	-	-	67,380
Private equity	3,609,515	-	-	-	3,609,515
	173,187,848	\$ 158,723,174	\$ -	\$ -	\$ 14,464,674
Less short-term investments	215,990				
Total long-term investments	\$ 172,971,858				
Escrowed bond investments					
Money market funds	\$ 504,633	\$ -	\$ 504,633	\$ -	\$ -

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 5: Disclosures About Fair Value of Assets and Liabilities (Continued)**

	2020				
	Fair Value Measurements Using				
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (a)
Cash and cash equivalents	\$ 6,724,122	\$ 6,724,122	\$ -	\$ -	\$ -
Equity securities					
Financials	4,410,298	4,410,298	-	-	-
Health care	4,404,711	4,404,711	-	-	-
Industrials	3,195,018	3,195,018	-	-	-
Information technology	7,219,038	7,219,038	-	-	-
Consumer staples	2,250,637	2,250,637	-	-	-
Consumer discretionary	2,651,104	2,651,104	-	-	-
Other	4,609,219	4,609,219	-	-	-
Government bonds and notes	4,856,332	4,856,332	-	-	-
Corporate bonds and notes	13,253,361	13,253,361	-	-	-
Mutual funds					
Bond funds	21,319,528	21,319,528	-	-	-
Large value	3,476,209	3,476,209	-	-	-
Large blend	18,836,700	18,836,700	-	-	-
Large growth	5,778,129	5,778,129	-	-	-
Medium growth	4,019,280	4,019,280	-	-	-
Small blend	2,978,170	2,978,170	-	-	-
Managed futures	623,303	623,303	-	-	-
International large growth	10,420,281	10,420,281	-	-	-
International large blend	1,294,004	1,294,004	-	-	-
Other	132,994	132,994	-	-	-
ETF's	11,035,124	11,035,124	-	-	-
Closed-end funds	764,724	764,724	-	-	-
Other	2,780,785	2,780,785	-	-	-
Alternative investments					
Multi-strategy hedge funds	8,703,108	-	-	-	8,703,108
Venture capital	67,380	-	-	-	67,380
Private equity	2,287,068	-	-	-	2,287,068
	148,090,627	\$ 137,033,071	\$ -	\$ -	\$ 11,057,556
Less short-term investments	3,342,022				
Total long-term investments	\$ 144,748,605				
Escrowed bond investments					
Money market funds	\$ 449,582	\$ -	\$ 449,582	\$ -	\$ -

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

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 5: Disclosures About Fair Value of Assets and Liabilities (Continued)**

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 May 31, 2021.

**Investments and Escrowed Bond Investments**

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, fair values are estimated by using quoted prices of investments 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, interest rates, volatilities, cumulative loss projections and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

**Alternative Investments**

The fair value of alternative investments has been estimated using the NAV per share of the investments. Alternative investments held at May 31, consist of the following:

**2021**

	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Multi-strategy hedge funds (A)	\$ 10,787,779	None	March 31, June 30, September 30 or December 31: Last business day of the year	Quarterly liquidity with a 75 day notice period.
Venture capital (B)	\$ 67,380	None	N/A	N/A
Private equity (C)	\$ 3,609,515	\$ 2,237,976	Illiquid	No redemption rights

**2020**

	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Multi-strategy hedge funds (A)	\$ 8,703,108	None	March 31, June 30, September 30 or December 31: Last business day of the year	Quarterly liquidity with a 75 day notice period.
Venture capital (B)	\$ 67,380	None	N/A	N/A
Private equity (C)	\$ 2,287,068	\$ 1,046,187	Illiquid	No redemption rights

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 5: Disclosures About Fair Value of Assets and Liabilities (Continued)**

- (A) This category includes investments in multi-strategy, off-shore hedge funds and funds of funds that employ a variety of low volatility, absolute return oriented strategies.
- (B) This category includes investments in stock, preferred stock, stock warrants and secured notes in firms in the areas of pharmaceuticals, green technology, medical technology and devices and enabling platforms. These investments are locked in for the life of the agreement.
- (C) This category includes a private equity limited partnership that invests primarily in corporate finance investments, as well as venture capital investments. The investments can never be liquidated at the University's request. Instead, the nature of the investment in this category is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of the investments in this category have been estimated using the NAV of the University's ownership interest in the partners' capital.

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 changes in the values of investment securities will occur in the near term and such changes could materially affect the investment amounts reported in the consolidated statements of financial position.

**Note 6: Beneficial Interest in Charitable Remainder Trust**

The University was a beneficiary under a charitable remainder unitrust agreement administered by a third party. Distributions from the trust were to be made as specified in the trust agreement. The trust provided for the payment of distributions to the grantor or other designated beneficiaries over the trust's term. At the end of the trust's term, the University's beneficial interest in the trusts' assets were available to the University. The trust was terminated during the year ended May 31, 2020, and a distribution was received by the University. As a result, a gain for a change in value of split interest agreements was recorded for \$2,137,052 during the year ended May 31, 2020.



**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 7: Long-Term Debt and Finance Lease Obligations**

	<u>2021</u>	<u>2020</u>
Notes payable to bank; due in quarterly installments of 150,000 Swiss francs through 2030; with interest payable quarterly at interest rates of 4.15%; secured by property owned in Geneva, Switzerland, with a current cost of \$22,855,684	\$ 6,304,473	\$ 6,514,530
Notes payable to bank; due in varying quarterly installments in Euros through 2023; with interest payable quarterly at an interest rate of 2.20%; secured by properties owned in Vienna, Austria, with a current cost of \$25,850,196	13,565,438	13,052,752
Series 2015 Education Facilities Improvement and Funding Revenue Bonds (Series 2015 Bonds); maturing in varying amounts starting in 2018 through 2040; fixed interest rate of 2.61% payable semi-annually	22,510,000	23,415,000
Series 2017 Education Facilities Refunding Revenue Bonds (Series 2017 Bonds); maturing in varying amounts starting in fiscal year 2021 through 2036; varying interest rates of 2.75% to 5.00% payable semi-annually; includes a bond premium of \$2,648,124 and \$3,246,168 at May 31, 2021 and 2020, respectively	47,438,125	51,171,168
Note payable to bank (2008); fixed interest rate of 2.79%; payable \$19,031 monthly through 2021	2,920,974	3,007,868
Note payable to bank (2021); interest at 0%, payable in full April 2025	555,950	519,650
Finance lease obligation, payable annually at \$152,582; lease term expires at July 31, 2022	109,674	304,599
Finance lease obligation, payable annually in advance, at a range of \$90,000 to \$186,744; lease term expires October 30, 2021	-	186,786
	<u>93,404,634</u>	<u>98,172,353</u>
Less current maturities	6,625,584	6,323,883
Less unamortized debt issuance costs	<u>566,348</u>	<u>630,239</u>
	<u>\$ 86,212,702</u>	<u>\$ 91,218,231</u>

In October 2015, the University issued Educational Facilities Revenue Bonds, Series 2015 in the aggregate principal amount of \$26,000,000. The Bond proceeds were used to finance, refinance and reimburse the costs of certain improvements and renovations to certain education facilities including the academic Interdisciplinary Science Building on the campus in Webster Groves, Missouri. The Series 2015 Bonds are secured by a first lien security interest in all Unrestricted Gross Revenues of the University, subject only to Permitted Encumbrances. Unamortized debt issuance costs were \$207,458 and \$228,898 at May 31, 2021 and 2020, respectively.

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 7: Long-Term Debt and Finance Lease Obligations (Continued)**

In June 2017, the University issued Educational Facilities Refunding Revenue Bonds, Series 2017 in the aggregate principal amount of \$49,690,000. The Bond proceeds were used to refinance the remaining Series 2011 Bonds. The Series 2017 Bonds are secured by a first lien security interest in all Unrestricted Gross Revenues of the University. The bond indenture contains covenants, including the requirement the University maintains a liquidity ratio and a maximum annual debt service ratio at certain levels. Unamortized debt issuance costs were \$347,143 and \$401,341 at May 31, 2021 and 2020, respectively.

The fixed rate note payable to bank was assumed by the University in August 2008. The note was refinanced in August of 2020 at a fixed rate of 3.19 percent, payable \$16,954 monthly through 2025. The note contains certain financial covenants.

Finance leases include a lease for software for five years expiring October 30, 2021, and a lease for computer equipment for four years expiring on July 31, 2022.

Aggregate annual maturities and sinking fund requirements of long-term debt and finance lease obligations at May 31, 2021, are:

	<b>Long-Term Debt (Excluding Finance Leases)</b>	<b>Finance Lease Obligations</b>
2022	\$ 6,515,192	\$ 110,392
2023	6,650,495	-
2024	6,771,172	-
2025	7,447,441	-
2026	9,341,386	-
Thereafter	56,569,274	-
	\$ 93,294,960	110,392
Less amount representing interest		(718)
Present value of future minimum lease payments		\$ 109,674

Property and equipment include the following property under finance leases at May 31:

	<b>2021</b>
Equipment	\$ 942,260
Less accumulated depreciation	477,067
	\$ 465,193

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 8: Line of Credit**

The University has a \$30,000,000 revolving bank line of credit due on demand. At May 31, 2021 and 2020, there was \$21,500,000 and \$3,000,000 borrowed against this line, respectively. The line is collateralized by certain investments with a market value of approximately \$76.4 million. Interest is charged based on the London Interbank Offered Rate (LIBOR) in effect plus a margin of 0.75 percent, which was .856 and .997 percent on May 31, 2021 and 2020, respectively, and is due monthly when any amount is advanced on the line.

**Note 9: Annuities and Trusts Payable**

The University has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The University has recorded a liability for the charitable gift annuities at May 31, 2021 and 2020, of \$331,120 and \$404,144, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a rate of return of 6.0 percent and current IRS mortality tables. At May 31, 2021 and 2020, the University holds \$549,503 and \$524,869 of long-term investments against these estimated liabilities, respectively. There was no related contribution revenue recognized for the years ended May 31, 2021 and 2020.

**Note 10: Net Assets**

***Net Assets Without Donor Restrictions***

Net assets without donor restrictions at May 31 have been designated for the following purposes:

	<b>2021</b>	<b>2020</b>
Board-designated endowment	\$ 101,560,779	\$ 84,976,052
Departmental activities	2,079,771	1,737,432
Net investment in plant	102,234,008	102,610,885
Undesignated	(1,155,418)	21,893,478
Accumulated foreign currency translation	(7,374,036)	(4,974,030)
	<u>\$ 197,345,104</u>	<u>\$ 206,243,817</u>

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 10: Net Assets (Continued)**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions at May 31 are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for a specified purpose		
Student loans	\$ 44,859	\$ 44,851
Buildings and capital maintenance	406,328	353,675
Future educational activities	1,343,663	1,375,476
Scholarships	<u>406,190</u>	<u>424,695</u>
	<u>2,201,040</u>	<u>2,198,697</u>
Endowments		
Subject to University spending policy and appropriation		
Educational activity	\$ 4,766,044	\$ 2,599,110
Fixed term trust	941	1,857
Future period operations	1,258,524	795,175
Scholarships	14,648,385	7,651,604
Underwater endowments	271	40,414
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	35,203,019	33,454,807
Donor restricted pool deficiencies	<u>87,876</u>	<u>236,302</u>
	<u>55,965,060</u>	<u>44,779,269</u>
	<u>\$ 58,166,100</u>	<u>\$ 46,977,966</u>

***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.

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restriction		
Scholarships	\$ 137,642	\$ 136,334
Instruction and academic support program activities	189,096	896,634
Capital maintenance and buildings - naming rights	519,316	1,150,521
Distributions		
Beneficial interest in charitable remainder trust - naming rights	<u>-</u>	<u>6,712,427</u>
	<u>846,054</u>	<u>8,895,916</u>

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 10: Net Assets (Continued)**

	2021	2020
Restricted purpose spending-rate distributions and appropriations		
Scholarships	\$ 940,076	\$ 896,423
Instruction program activities	247,854	243,035
Academic support program activities	157,154	145,919
Institutional support program activities	207,996	164,152
Student service program activities and other	7,575	7,321
	1,560,655	1,456,850
	\$ 2,406,709	\$ 10,352,766

**Note 11: Endowment**

The University's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated). As required by GAAP, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's governing body is subject to the State of Missouri 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 governing body appropriates such amounts for expenditures. 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 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. The University has interpreted UPMIFA to not 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

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 11: Endowment (Continued)**

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 May 31, 2021 and 2020, was:

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 101,560,779	\$ -	\$ 101,560,779
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	35,290,895	35,290,895
Accumulated investment gains	-	20,674,165	20,674,165
Total endowment funds	<u>\$ 101,560,779</u>	<u>\$ 55,965,060</u>	<u>\$ 157,525,839</u>
	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 84,976,052	\$ -	\$ 84,976,052
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	33,691,110	33,691,110
Accumulated investment gains	-	11,088,159	11,088,159
Total endowment funds	<u>\$ 84,976,052</u>	<u>\$ 44,779,269</u>	<u>\$ 129,755,321</u>

**Webster University**  
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**May 31, 2021 and 2020**

**Note 11: Endowment (Continued)**

Changes in endowment net assets for the years ended May 31, 2021 and 2020, were:

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment Net Assets, Beginning of Year</b>	\$ 84,976,052	\$ 44,779,269	\$ 129,755,321
Investment return	23,055,917	11,219,800	34,275,717
Contributions	-	1,740,341	1,740,341
Change in reserve for contributions receivable	-	(233,262)	(233,262)
Management fees	(257,761)	(131,430)	(389,191)
Centennial Matching Program	(176,288)	176,288	-
Change in value of split interest agreements	-	652	652
Appropriation of endowment assets for expenditure	(6,037,141)	(1,586,598)	(7,623,739)
<b>Endowment Net Assets, End of Year</b>	<b>\$ 101,560,779</b>	<b>\$ 55,965,060</b>	<b>\$ 157,525,839</b>
	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment Net Assets, Beginning of Year</b>	\$ 88,342,280	\$ 40,824,515	\$ 129,166,795
Investment return	3,094,706	1,393,453	4,488,159
Contributions	-	3,872,794	3,872,794
Change in reserve for contributions receivable	-	(39,576)	(39,576)
Management fees	(266,775)	(123,562)	(390,337)
Centennial Matching Program	(353,443)	353,443	-
Change in value of split interest agreements	-	(44,949)	(44,949)
Appropriation of endowment assets for expenditure	(5,840,716)	(1,456,849)	(7,297,565)
<b>Endowment Net Assets, End of Year</b>	<b>\$ 84,976,052</b>	<b>\$ 44,779,269</b>	<b>\$ 129,755,321</b>

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 May 31, 2021 and 2020, funds with original gift values of \$267,503 and \$1,477,570, fair values of \$178,876 and \$1,200,856 and deficiencies of \$88,627 and \$276,714, respectively, were reported in net assets with donor restrictions. These

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 11: Endowment (Continued)**

deficiencies resulted from 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 has adopted investment and spending policies for endowment assets to support its mission over the long term. Accordingly, the policies ensure the growth of the endowment is sufficient to offset inflation plus a reasonable spending rate, thereby preserving the purchasing power of the endowment for future generations.

Under the University's investment policy, unless otherwise stated by the donor of the principal, 4.5 percent of the three-year rolling average market value average of investments is available for spending utilizing a December 31 measurement date. Effective June 1, 2019, an administration fee of 1.75 percent is charged annually to the board designated endowment fund. For all donor-restricted endowment funds received prior to January 1, 2020, an administration fee of 0.50 percent is charged annually and for all endowment funds received on or after January 1, 2020, an administration fee of 1.00 percent is charged annually. The fee is applicable to the entire endowment pool and is included in unrestricted appropriation of endowment assets for expenditure. Investment earnings in excess of the 4.5 percent spending policy are reinvested. This is consistent with the University's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified time, as well as to provide additional real growth through new gifts and investment return.

To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The University targets a diversified asset allocation which combines return enhancement and risk reduction.

**Note 12: Functional Expenses**

Certain operating expenses as reported in the statements of activities are allocated to these functional expenses for the years ended May 31, 2021 and 2020, are as follows:

	2021								Grand Total
	Program Services					Support Services			
	Instruction	Student Services	Academic Support	Auxiliary Expense	Public Service	Program Services	Institutional Support	Fundraising	
Labor	\$ 46,387,909	\$ 11,350,854	\$ 18,075,378	\$ 1,021,497	\$ 504,946	\$ 77,340,584	\$ 17,321,704	\$ 1,393,164	\$ 96,055,452
Leases, Utilities & Insurance	2,643,685	1,908,381	7,173,589	2,808,915	26,919	14,561,489	1,020,838	71,120	15,653,447
Depreciation & Amortization	5,265,242	1,606,086	2,991,041	689,528	61,183	10,613,080	3,073,456	167,247	13,853,783
Interest & Finance Expense	-	-	-	-	-	-	3,504,773	-	3,504,773
Professional Services & Advertising	3,023,214	1,961,822	2,170,283	2,628,808	68,099	9,852,226	5,734,576	115,463	15,702,265
Software	1,567,210	482,967	909,645	205,095	18,198	3,183,115	1,034,030	49,746	4,266,891
Other Costs	1,269,736	1,029,179	2,101,323	519,614	19,279	4,939,131	4,060,303	113,037	9,112,471
Restructuring Costs	-	-	732,318	-	-	732,318	2,654,263	-	3,386,581
(Gain)/Loss on Currency Exchange	-	-	-	-	-	-	(3,344,514)	-	(3,344,514)
	<u>\$ 60,156,996</u>	<u>\$ 18,339,289</u>	<u>\$ 34,153,577</u>	<u>\$ 7,873,457</u>	<u>\$ 698,624</u>	<u>\$ 121,221,943</u>	<u>\$ 35,059,429</u>	<u>\$ 1,909,777</u>	<u>\$ 158,191,149</u>



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**Note 12: Functional Expenses (Continued)**

	2020								Grand Total
	Program Services					Support Services			
	Instruction	Student Services	Academic Support	Auxiliary Expense	Public Service	Program Services	Institutional Support		
Labor	\$ 49,340,969	\$ 11,002,372	\$ 19,194,249	\$ 1,142,698	\$ 566,351	\$ 81,246,639	\$ 16,464,095	\$ 1,281,491	\$ 98,992,225
Leases, Utilities & Insurance	2,680,677	2,185,974	7,198,356	2,811,468	48,887	14,925,362	1,712,670	84,940	16,722,972
Depreciation & Amortization	5,529,348	1,682,545	3,124,781	720,431	78,110	11,135,215	3,199,784	169,852	14,504,851
Interest & Finance Expense	-	-	-	-	-	-	3,741,733	-	3,741,733
Professional Services & Advertising	3,386,877	2,168,036	2,300,840	2,923,063	134,315	10,913,131	5,191,149	159,154	16,263,434
Software	1,463,246	446,612	849,840	190,612	20,666	2,970,976	909,730	44,939	3,925,645
Other Costs	1,744,618	2,033,599	3,582,386	569,420	57,825	7,987,848	5,348,461	230,059	13,566,368
(Gain)/Loss on Currency Exchange	-	-	-	-	-	-	552,941	-	552,941
	<u>\$ 64,145,735</u>	<u>\$ 19,519,138</u>	<u>\$ 36,250,452</u>	<u>\$ 8,357,692</u>	<u>\$ 906,154</u>	<u>\$ 129,179,171</u>	<u>\$ 37,120,563</u>	<u>\$ 1,970,435</u>	<u>\$ 168,270,169</u>

**Note 13: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of May 31, 2021 and 2020, comprise the following:

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 9,322,986	\$ 8,950,692
Short-term investments	215,990	3,342,022
Investments - endowments with donor restrictions expected to be met within one year	3,680,635	2,851,601
Investments - endowments with donor restrictions perpetual or long-term	52,284,424	41,927,668
Other long-term investments	117,006,799	99,969,336
Noncurrent contributions receivable, net	2,841,226	2,068,778
Other receivables	<u>19,831,873</u>	<u>21,113,882</u>
Total financial assets available at year end	205,183,933	180,223,979
Less those unavailable for general expenditure within one year, due to:		
Pledges not expected to be collected within one year	2,841,226	2,068,778
Contractual or donor-imposed restrictions:		
Restricted by donor for perpetual purpose or time beyond one year	35,290,895	33,691,109
Subject to appropriation and satisfaction of donor restrictions	16,993,528	8,236,559
Collateral for long-term debt	-	3,148,753
Board Designation		
Board-designated endowment - amounts set aside for long term investing	25,205,122	21,154,979
Board-designated endowment - pledges as collateral for \$30 million operating line of credit	<u>76,355,657</u>	<u>63,821,073</u>
	<u>156,686,428</u>	<u>132,121,251</u>
Financial assets available to meet cash needs for general expenditure within one year	48,497,505	48,102,728
Add back:		
Board-designated endowment	<u>101,560,779</u>	<u>84,976,052</u>
Financial assets available to meet cash needs for general expenditure within one year with board approval	<u>\$ 150,058,284</u>	<u>\$ 133,078,780</u>

# Webster University

## Notes to Consolidated Financial Statements

### May 31, 2021 and 2020

#### **Note 13: Liquidity and Availability (Continued)**

As part of Webster University's liquidity management, it has a policy to structure its liquid financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, Webster University invests cash in excess of bank daily requirements in short-term investments.

At May 31, 2021 and 2020, the University's endowment funds of \$157.5 and \$129.8 million, respectively, consist of donor-restricted endowments approximating \$56.0 and \$44.8 million, respectively, and funds designated by the board approximating \$101.5 and \$85.0 million, respectively, as board-designated endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. The corpus of the donor-restricted endowment funds are not available for general expenditure.

The University appropriates spending to the board-designated endowment based on the University's policy, \$3.7 million from the board-designated endowment will be available for spending based on the University's policy in the next 12 months. In 2020, the University appropriated spending to the board-designated endowment based on the University's policy of \$3.1 million from the board-designated endowment for availability for spending in 2021. Although the University does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual spending policy, amounts from its board-designated endowment could be made available if necessary, with board approval.

The University can draw upon a \$30 million available line of credit to meet cash needs during operational fluctuations; this is collateralized by some of the University's investments related to its board-designated endowment funds. As of May 31, 2021 and 2020, the University had borrowed \$21.5 and \$3 million, respectively, against the line.

The University manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The University forecasts its future cash flows and monitors its liquidity on a regular basis. During the years ended May 31, 2021 and 2020, the level of liquidity and reserves was managed within requirements.

#### **Note 14: Leases**

##### ***Change in Accounting Principle***

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use ("ROU") asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard.

# **Webster University**

## **Notes to Consolidated Financial Statements**

### **May 31, 2021 and 2020**

#### **Note 14: Leases (Continued)**

Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented, or as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The University adopted Topic 842 on June 1, 2020 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The University elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The University elected the hindsight practical expedient in determining the lease term for existing leases as of June 1, 2020.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$18,423,458 and \$19,458,111, respectively, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. As part of adopting the standard, previously recognized liabilities for deferred rent and lease incentives were reclassified as a component of the ROU assets. The standard did not significantly affect the consolidated statements of activities or cash flows.

#### **Accounting Policies**

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. Finance leases are included in property and equipment, current maturities of long-term debt and finance lease obligation, and long-term debt and finance lease obligation.

The University does not combine lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings and employee vehicles. The University allocates the consideration to the lease and nonlease components using their relative standalone values.

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.

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 14: Leases (Continued)**

***Nature of Leases***

The University has entered into the following lease arrangements:

***Finance Leases***

These leases mainly consist of computer equipment. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

***Operating Leases***

The University leases space for classrooms and housing at various locations that expire in various years through 2035. Some of the leases contain renewal options and require the University to pay all executory costs (property taxes, maintenance, and insurance). 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 and printers that expire in various years.

***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 May 31, 2021, the University has not entered into additional material operating and finance leases that have not yet commenced.

***Quantitative Disclosures***

The lease cost and other required information for the year ended May 31, 2021, are:

Lease cost	
Finance lease cost	
Amortization of right-of-use asset	\$ 169,611
Interest on lease liabilities	4,878
Operating lease cost	5,729,268
Variable lease cost	1,578,527
Sublease income	<u>(274,423)</u>
Total lease cost	<u>\$ 7,207,861</u>

**Webster University**  
**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 14: Leases (Continued)**

Right-of-use assets obtained in exchange for new operating lease liabilities	497,783
Weighted-average remaining lease term	
Finance leases	0.17 years
Operating leases	4.75 years
Weighted-average discount rate	
Finance leases	2.78%
Operating leases	2.26%

Future minimum lease payments and reconciliation to the consolidated statements of financial position at May 31, 2021, are as follows:

	<b>Finance Leases</b>	<b>Operating Leases</b>
2022	\$ 110,392	\$ 5,239,254
2023	-	3,889,207
2024	-	2,903,466
2025	-	1,271,735
2026	-	897,290
Thereafter	-	1,572,656
Total lease payments to be paid	110,392	15,773,608
Less future interest expense	718	1,046,666
Lease liabilities	<u>\$ 109,674</u>	<u>\$ 14,726,942</u>

**Note 15: Retirement and Postretirement Employee Health Insurance Benefit Plans**

The University participates in a defined contribution retirement plan which covers regular full-time employees through the Teachers Insurance and Annuity Association (“T.I.A.A.”). Under this arrangement, the University and plan participants make monthly contributions to T.I.A.A. to purchase individually owned annuity contracts. The plan provided for the University to contribute an amount of 1.0 percent - 3.5 percent greater than the employee’s contribution as specified by the plan agreement. Effective January 1, 2021, the University suspended the employer match contribution. Vesting provisions are full and immediate. There are no unfunded past service costs. The University’s share of the cost of these benefits was \$2,843,464 and \$3,952,195 for 2021 and 2020, respectively.

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**Note 15: Retirement and Postretirement Employee Health Insurance Benefit Plans (Continued)**

The University participates in an unfunded defined benefit postretirement plan which provides certain health, vision, and dental benefits to eligible employees. Employees age 55 and over become eligible for benefits after completing 15 years of full-time service. The plan is contributory; with retiree contributions adjusted periodically and contains cost-sharing features such as deductibles and coinsurance. Effective June 1, 2014, the plan was amended, requiring all new early retiree enrollees (age 55-65) to pay 100 percent of premiums for the plan. The accrued benefit obligation related to the postretirement employee health insurance benefit plan was \$55,090 and \$56,693 at May 31, 2021 and 2020, respectively.

**Note 16: Insurance Coverage**

The University participates in the College and University Risk Management Association of Missouri (“CURMA”), which provides the property, crime, general and auto liability and excess liability insurance. CURMA is a self-insured risk pool whereby approximately 16 Missouri institutions of higher education participate. Should actual insurance losses exceed CURMA’s estimates, the University could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall financial position or operations of the University.

**Note 17: Revenue from Contracts with Students**

Revenue from contracts with students for tuition and auxiliary enterprises is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and housing. These amounts are due from students, third-party payers and others and includes variable consideration for corporate discounts, scholarships, and financial aid.

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 academic term, and student accounts receivable are due on payment due dates set by the University for each term unless the student elects a payment plan. For the years ended May 31, 2021 and 2020, the University billed summer tuition in advance and deferred unearned tuition to be recognized in the subsequent year.

The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during certain limited, stated refund periods. The University’s policy regarding the withdrawal refund percentages is available in the University’s catalog available online.

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**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 17: Revenue from Contracts with Students (Continued)**

Tuition, housing and board revenue are considered to be separate contracts. The University allocates the fees charged to students to tuition and housing based on standalone charges to students for tuition and housing.

***Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations***

The University has identified performance obligations associated with the provision of its educational instruction and other educational services, housing services, and other academic related services and used the output measure for recognition as the period of time over which the services are provided to its students. The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdrew during certain limited, stated refund periods. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the University continued to recognize the tuition that is not refunded pro-rata over the applicable period of instruction. The University does not record revenue on amounts estimated to be refunded.

Because all of the University's 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 Accounting Standards Codification 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transactions price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied performance obligations referred to above are primarily related to providing instruction to students. The performance obligations for these contracts are generally completed when the academic term is completed.

During the years ended May 31, 2021 and 2020, the University recognized revenue of \$15,710,272 and \$5,594,172, respectively, that was recorded as deposits and deferred revenue at the beginning of the year.

At May 31, 2021, the University deferred tuition and housing revenue of \$12,444,235 that it expects to recognize in 2022 when the summer and fall 2022 academic terms are completed.

***Significant Judgments***

The University determines the transaction price based on standard charges for services provided net of scholarship allowances in accordance with the University's policy.

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 scholarship allowances. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of change.

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. The University has determined that the primary nature, amount, timing and uncertainty of revenue and cash flows are affected by the timing of repayment, the student's demographics and their ability to pay for the services.

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**Notes to Consolidated Financial Statements**  
**May 31, 2021 and 2020**

**Note 17: Revenue from Contracts with Students (Continued)**

***Disaggregation of Revenue***

The composition of net tuition and fees and auxiliary enterprises revenue for the years ended May 31, 2021 and 2020, is as follows.

	<b>2021</b>	<b>2020</b>
Tuition and fees, net	\$ 102,124,558	\$ 120,334,489
Auxiliary enterprises		
Room and board	6,779,612	8,043,880
Other auxiliary enterprises	150,299	409,096
	<u>6,929,911</u>	<u>8,452,976</u>
	<u>\$ 109,054,469</u>	<u>\$ 128,787,465</u>

**Note 18: Foreign Currency Translation**

The accounts and transactions of subsidiaries located outside the United States are translated into United States dollars using the exchange rates in effect at the date of the consolidated statements of financial position and the average exchange rates prevailing throughout the period, respectively, in accordance with GAAP. An analysis of the changes in the cumulative foreign currency translation adjustment for the years ended May 31, 2021 and 2020, is as follows:

	<b>2021</b>	<b>2020</b>
Balance, beginning of year	\$ (4,974,030)	\$ (4,664,577)
Translation adjustment	<u>(2,400,006)</u>	<u>(309,453)</u>
Balance, end of year	<u>\$ (7,374,036)</u>	<u>\$ (4,974,030)</u>

In addition, transaction gains and losses result from exchange rate changes on transactions denominated in currencies other than the functional currency. (Gains) losses on foreign currency transactions were \$(3,344,514) and \$552,941 for 2021 and 2020, respectively.

**Note 19: Restructuring Costs**

During 2021, the University incurred several costs in order to reduce the University's overall expense structure. The University incurred costs related to decreasing workforce expenses, as well as terminating certain programs in conjunction with the restructuring. Total costs to complete the restructuring plan are approximately \$4,200,000, including elections under a voluntary separation program made after May 31, 2021, under a program offered through June 25, 2021. During 2021, approximately \$3,390,000 of this expenses were incurred, of which approximately \$2,820,000 were included in accrued expenses as of May 31, 2021. This plan was substantially completed as of May 31, 2021.



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**May 31, 2021 and 2020**

**Note 20: Contingencies**

The University is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management 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. Events could occur that would change management's opinion and have a material adverse impact in the near term.

**Note 21: Contributions**

As described in Note 1, the University receives gifts with and without restrictions which are included in contribution revenue. Accounting principles generally accepted in the United States of America require disclosure of current vulnerability due to certain concentrations.

Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows and are included in contributions receivable. Approximately 75 and 74 percent of all contributions receivable balances were from three donors in 2021 and 2020, respectively.

Approximately 30 percent of all contribution revenue was received from one donor in 2021.

**Note 22: U.S. Department of Education Financial Responsibility Ratio Information**

The following information is required by the U.S. Department of Education for the years ended May 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Property and equipment, including construction in progress, net of accumulated depreciation - pre-implementation	\$ 184,947,701	\$ 195,326,996
Land, buildings, equipment and construction in progress, net of accumulated depreciation - post implementation without outstanding debt for original purchase	9,258,360	3,958,685
Construction in progress	<u>866,535</u>	<u>801,738</u>
Total property and equipment, net	<u>\$ 195,072,596</u>	<u>\$ 200,087,419</u>
Long-term debt obtained for long-term purposes - pre-implementation	<u>\$ 93,411,003</u>	<u>\$ 97,652,885</u>

# Webster University

## Notes to Consolidated Financial Statements

### May 31, 2021 and 2020

#### **Note 23: 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 May 31, 2021, have been recorded as receivables. The University does have conditional grant commitments that extend beyond May 31, 2021, 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 May 31, 2021 and 2020, are approximately \$10,451,000 and \$768,000, respectively.

#### **Note 24: COVID-19 Pandemic**

In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified. At that time, no fully effective vaccines had been developed and the World Health Organization had declared the virus a pandemic. In response, various governmental agencies mandated stricter procedures to address the health and safety of both the employees and patrons of various businesses including requiring the closure of operations in certain cases. Furthermore, colleges and universities across the country took unprecedented action to protect the health and safety of students.

In March 2020, students, staff, and faculty were moved to remote operations to the greatest extent possible in accordance with Stay-at-Home Orders for the state of Missouri and city of St. Louis. Campus operations resumed in the fall 2021 semester and measures were put in place to follow strict CDC guidelines. The Coronavirus outbreak had an adverse effect on the University's results of operations in fiscal years 2020 and 2021. Given the uncertainty in the epidemiological and economic outlook, economic uncertainties have arisen which may affect the University's financial position, results of operations, and cash flows. 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 Act"). 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 \$1,758,529 and an institutional share of \$1,758,529 that totaled \$3,517,058 under this program. The University expended all of the funds through eligible expenditures as of May 31, 2021.

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 \$1,758,529 and an institutional share of \$4,116,417 that totaled

**Webster University**  
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**May 31, 2021 and 2020**

**Note 24: COVID-19 Pandemic (Continued)**

\$5,874,946. The University expended all of the funds through eligible expenditures as of May 31, 2021. Additionally, under what is commonly known as HEERF III, the University was awarded a student share of \$5,285,852 and an institutional share of \$5,165,082 that totaled \$10,450,934. HEERF III was authorized by the American Rescue Plan (ARP) and was signed into law on March 11, 2021. The University has drawn down and expended the full institutional share as of May 31, 2021. The University has not drawn down or expended any portion of the student share as of May 31, 2021.

**Note 25: Subsequent Events**

Subsequent events have been evaluated through November 11, 2021, which is the date the consolidated financial statements were issued.