Webster University

Independent Auditor’s Report and Consolidated Financial Statements, Including Information Required by the Uniform Guidance

May 31, 2023 and 2022

Webster University
May 31, 2023 and 2022

Contents

FORVIS

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Independent Auditor's Report

Board of Trustees
Webster University
Webster Groves, Missouri

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Webster University (University), which comprise the consolidated statements of financial position as of May 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University, as of May 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Substantial Doubt About the University's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming the University will continue as a going concern. As discussed in Note 24 to the consolidated financial statements, the University has suffered recurring operating deficits that have required the use of cash resources to support operations. The University has a recurring deficit change in net assets, recurring deficit in change in net assets without donor restrictions, and recurring negative operating cash flows. During 2023, the University was not in compliance with the liquidity ratio as required under its bond related loan agreement. The lender on a fully secured line of credit issued a demand letter during the year, and subsequent to year end, the University repaid and closed the line utilizing a new line of credit entered into with another lender. The University has stated that substantial doubt exists about the University's ability to continue as a going concern. Management's evaluation of the conditions and events and management's plans regarding these matters are also described in Note 24. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

FORVIS, LLP

St. Louis, Missouri
December 18, 2023

Webster University
Consolidated Statements of Financial Position
May 31, 2023 and 2022

Assets

	2023	2022
Current Assets		
Cash	$ 9,940,174	$ 10,626,441
Receivables - current, net of allowance; 2023 - $11,167,661, 2022 - $10,266,870	21,361,752	19,805,207
Short-term investments	619,120	207,624
Prepayments and deferred charges	2,475,039	2,172,430
Total current assets	34,396,085	32,811,702
Noncurrent Receivables, Net of Allowance; 2023 - $213,395; 2022 - $255,908	2,228,010	2,568,491
Right of Use Assets - Operating Leases	6,587,961	9,793,787
Student Loans Receivable, Net of Allowance; 2023 and 2022 - $249,156	590,675	1,254,173
Property and Equipment, Net	180,046,414	183,054,587
Long-Term Investments	97,664,674	138,770,977
Escrowed Bond Investments	946,553	662,627
Long-Term Prepaid Expense and Other	608,265	647,281
Total assets	$ 323,068,637	$ 369,563,625

Liabilities and Net Assets

	2023	2022
Current Liabilities		
Current maturities of long-term debt and finance lease obligation	$ 6,770,302	$ 6,603,771
Current portion of operating lease liabilities	3,010,875	4,068,005
Line of credit	40,000,000	30,000,000
Accounts payable and accrued expenses	15,227,881	14,425,211
Deposits and deferred revenue	14,860,212	10,914,608
Total current liabilities	79,869,270	66,011,595
Annuities and Trusts Payable	294,465	315,452
Accrued Benefit Costs	55,090	55,090
Asset Retirement Obligation	1,238,569	1,553,750
Long-Term Operating Lease Liabilities	3,954,464	6,884,493
Long-Term Debt and Finance Lease Obligation	71,327,950	77,826,125
U.S. Government Grants Refundable	354,204	1,110,034
Total liabilities	157,094,012	153,756,539
Net Assets		
Without donor restrictions	112,204,523	160,187,666
With donor restrictions	53,770,102	55,619,420
Total net assets	165,974,625	215,807,086
Total liabilities and net assets	$ 323,068,637	$ 369,563,625

Webster University

Consolidated Statements of Activities

Years Ended May 31, 2023 and 2022

	Year Ended May 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue, Gains and Other Support			
Tuition and fees, net of scholarship allowances; 2023 - $35,814,657	$ 91,198,040	$ -	$ 91,198,040
Auxiliary enterprises	9,208,498	-	9,208,498
Private gifts and grants	1,070,913	927,213	1,998,126
Investment return - operating, net	7,191,601	-	7,191,601
Federal grants and contracts	1,222,811	-	1,222,811
Other income	5,636,819	16,830	5,653,649
Net assets released from restrictions	2,655,001	(2,655,001)	-
Total operating revenue, gains and other support	118,183,683	(1,710,958)	116,472,725
Operating Expenses			
Administration and student wages	38,222,927	-	38,222,927
Instructional wages	32,889,428	-	32,889,428
Benefits	13,201,904	-	13,201,904
Operating leases and rentals	8,412,543	-	8,412,543
Depreciation and amortization	12,581,973	-	12,581,973
Utilities and insurance	7,060,030	-	7,060,030
Services and professional fees	14,824,168	-	14,824,168
Software	4,278,799	-	4,278,799
Advertising	7,992,908	-	7,992,908
Supplies and equipment	2,681,788	-	2,681,788
Travel and entertainment	2,716,114	-	2,716,114
Interest and finance expense	4,129,449	-	4,129,449
Other operational expenses	6,425,528	-	6,425,528
Total operating expenses	155,417,559	-	155,417,559
Change in Net Assets From Operating Activities Before Currency Exchange and Loss on Misappropriated Property	(37,233,876)	(1,710,958)	(38,944,834)
Loss on misappropriated property	1,937,433	-	1,937,433
Loss on currency exchange	899,941	-	899,941
Change in Net Assets From Operating Activities	(40,071,250)	(1,710,958)	(41,782,208)
Non-operating Activities			
Investment return, net	(7,958,173)	(694,634)	(8,652,807)
Change in value of split interest agreements	-	(11,766)	(11,766)
Donor restricted private gifts and grants - in perpetuity	-	750,619	750,619
Change in donor designation	182,579	(182,579)	-
Change in Net Assets From Non-operating Activities	(7,775,594)	(138,360)	(7,913,954)
Foreign Currency Translation	(136,299)	-	(136,299)
Change in Net Assets	(47,983,143)	(1,849,318)	(49,832,461)
Net Assets, Beginning of Year	160,187,666	55,619,420	215,807,086
Net Assets, End of Year	$ 112,204,523	$ 53,770,102	$ 165,974,625

Webster University

Consolidated Statements of Activities (Continued)

Years Ended May 31, 2023 and 2022

	Year Ended May 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue, Gains and Other Support			
Tuition and fees, net of scholarship allowances; 2022 - $40,294,856	$ 86,681,299	$ -	$ 86,681,299
Auxiliary enterprises	8,975,686	-	8,975,686
Private gifts and grants	3,824,358	1,300,197	5,124,555
Investment return - operating, net	5,811,143	-	5,811,143
Federal grants and contracts	12,084,093	-	12,084,093
Other income	3,767,104	-	3,767,104
Net assets released from restrictions	2,127,843	(2,127,843)	-
Total operating revenue, gains and other support	123,271,526	(827,646)	122,443,880
Operating Expenses			
Administration and student wages	37,936,476	-	37,936,476
Instructional wages	32,434,444	-	32,434,444
Benefits	12,670,027	-	12,670,027
Operating leases and rentals	9,383,935	-	9,383,935
Depreciation and amortization	13,474,142	-	13,474,142
Utilities and insurance	7,252,301	-	7,252,301
Services and professional fees	13,315,436	-	13,315,436
Software	3,909,177	-	3,909,177
Advertising	3,858,199	-	3,858,199
Supplies and equipment	2,643,311	-	2,643,311
Travel and entertainment	2,065,354	-	2,065,354
Interest and finance expense	3,326,147	-	3,326,147
Other operational expenses	5,071,707	-	5,071,707
Total operating expenses	147,340,656	-	147,340,656
Change in Net Assets From Operating Activities Before Currency Exchange and Restructuring Costs	(24,069,130)	(827,646)	(24,896,776)
Restructuring costs	817,771	-	817,771
Loss on currency exchange	4,913,874	-	4,913,874
Change in Net Assets From Operating Activities	(29,800,775)	(827,646)	(30,628,421)
Non-operating Activities			
Investment return, net	(10,216,339)	(2,374,881)	(12,591,220)
Change in value of split interest agreements	-	(23,789)	(23,789)
Donor restricted private gifts and grants - in perpetuity	-	683,565	683,565
Net assets restricted for matching grants	3,929	(3,929)	-
Change in Net Assets From Non-operating Activities	(10,212,410)	(1,719,034)	(11,931,444)
Foreign Currency Translation	2,855,747	-	2,855,747
Change in Net Assets	(37,157,438)	(2,546,680)	(39,704,118)
Net Assets, Beginning of Year	197,345,104	58,166,100	255,511,204
Net Assets, End of Year	$ 160,187,666	$ 55,619,420	$ 215,807,086

Webster University
Consolidated Statements of Cash Flows
Years Ended May 31, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	$ (49,832,461)	$ (39,704,118)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	12,581,973	13,474,142
Amortization of premium on long-term debt	(518,997)	(577,335)
Effect of currency translation adjustments	367,186	1,270,548
Gain on disposal of property and equipment	(709,577)	(14,555)
Net realized and unrealized losses on investments	5,184,910	11,503,706
Loss on misappropriated property	1,937,433	-
Contributions received restricted for long-term investment	(420,606)	(641,351)
Noncash operating lease expense	4,950,795	4,655,676
Changes in		
Receivables and beneficial interest in charitable remainder trust	(552,565)	677,337
Prepayments, deferred charges and other assets	(254,473)	437,181
Accounts payable and accrued expenses	45,535	(4,408,888)
Deposits and deferred revenue	3,945,604	(1,529,627)
U.S. government grants refundable	(755,830)	(400,810)
Operating lease liabilities	(5,732,128)	(5,060,278)
Net cash used in operating activities	(29,763,201)	(20,318,372)
Investing Activities		
Purchase of property and equipment	(11,920,305)	(4,461,699)
Proceeds from disposition of property and equipment	1,463,964	314,455
Purchase of investments	(119,724,887)	(75,019,943)
Proceeds from disposition of investments	155,024,038	101,680,568
Net cash provided by investing activities	24,842,810	22,513,381
Financing Activities		
Proceeds from contributions restricted for permanent investment in endowment and loan funds	420,606	641,351
Increase in escrowed bond investments	(283,926)	(157,994)
Principal payments on long-term debt	(6,092,315)	(5,752,037)
Principal payments under finance lease obligation	-	(152,122)
Borrowings under line of credit agreement	10,062,184	12,500,000
Repayments under line of credit agreement	(62,184)	(4,000,000)
Termination of annuities and trusts payable	(20,987)	(15,668)
Net cash provided by financing activities	4,023,378	3,063,530

(Continued)

Webster University

Consolidated Statements of Cash Flows (Continued)

Years Ended May 31, 2023 and 2022

	2023	2022
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash Equivalents	$ (897,013)	$ 5,258,539
Cash, Cash Equivalents and Restricted Cash Equivalents, Beginning of Year	19,775,282	14,516,743
Cash, Cash Equivalents and Restricted Cash Equivalents, End of Year	$ 18,878,269	$ 19,775,282
Supplemental Cash Flows Information		
Interest paid	$ 4,264,638	$ 3,405,764
In-kind contributions	$ 1,000	$ 31,211
Property and equipment included in accounts payable	$ 441,954	$ 491,778
Right of use assets obtained in exchange for new operating lease liabilities	$ 799,848	$ 1,077,725
Lease modifications	$ 945,121	$ 258,109

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:

	2023	2022
Cash and cash equivalents	$ 9,940,174	$ 10,626,441
Restricted cash equivalents - escrowed bond investments	946,553	662,627
Cash and cash equivalents held in investments	7,991,542	8,486,214
Total cash, cash equivalents and restricted cash equivalents shown in the Statements of Cash Flows	$ 18,878,269	$ 19,775,282

Webster University
Notes to Consolidated Financial Statements
May 31, 2023 and 2022

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 13,000 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 $41,553,786 and $41,077,083 at May 31, 2023 and 2022, respectively, and international revenues totaling $21,756,103 and $22,234,905, 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, 2023, the University's domestic cash accounts exceeded federally insured limits by approximately $280,000. In addition, the University holds cash that is deposited at China Construction Bank for approximately $3.15 million, which is not insured by FDIC as the Bank is state owned, but is insured by Directors & Officers Liability Insurance.

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.

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. During the years ended May 31, 2023 and 2022, bad debt expense related to doubtful accounts receivable, where collectability is not reasonably assured, was approximately $1,226,300 and $22,660, respectively.

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, 2023 and 2022, are as follows:

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

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

Long-Lived Asset Impairment

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds it fair value.

During 2023, the University reported a loss on misappropriated property of approximately $1,900,000 which represents the net book value of the assets removed from the University's property and equipment records. There was no significant impairment for the year ended May 31, 2022.

Investments and Net Investment Return

Investments are generally measured at fair value. Investments in equity securities having a readily determined fair value and in all debt securities are carried at fair value. The University considers cash and money market funds held by investment managers as part of the investment portfolio. Alternative investments are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Other investments are valued at the lower of cost (or at fair value at time of donation if acquired by contributions) or fair value. 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 or 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.

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

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.

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 restrictions. The governing board has designated, from net assets without donor restrictions, net assets for investments (board-designated endowment), departmental activities, and net investment in plant.

Net assets with donor restrictions are subject to donor or grantor restrictions. Some 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, 2023 and 2022, were $ 35,814,657 and $40,294,856, respectively.

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

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.

Contributions

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

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

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

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the 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.

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 $436,000 and $515,000 during 2023 and 2022, 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.

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 11 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:

	2023	2022
Beginning of year	$ 1,553,750	$ 1,458,922
Change in estimated ARO	(354,724)	-
Accretion expense	39,543	94,828
End of year	$ 1,238,569	$ 1,553,750

Note 2: Receivables

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

	2023	2022
Accounts receivable from students (net of allowance; 2023 - $11,167,661; 2022 - $10,266,870)	$ 18,100,400	$ 17,186,192
Other receivables	2,146,606	2,018,432
Grants receivable	451,331	242,930
Contributions receivable (net of allowance; 2023 - $213,395; 2022 - $255,908)	2,891,425	2,926,144
Total receivables	23,589,762	22,373,698
Less noncurrent contributions receivable, net	2,228,010	2,568,491
Receivables - current	$ 21,361,752	$ 19,805,207

Contributions Receivable

Contributions receivable consisted of the following:

	With Donor Restrictions	
	2023	2022
Due within one year	$ 560,414	$ 873,970
Due in one to five years	423,074	543,005
Due in more than five years	3,017,416	2,753,847
	4,000,904	4,170,822
Less		
Allowance for uncollectible contributions	213,395	255,908
Unamortized discount	896,084	988,770
	$ 2,891,425	$ 2,926,144

The interest rate utilized for discounting contributions receivable ranged from 0.05% to 10% for 2023 and 2022.

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%. 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

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 $547,110 and $1,207,302 at May 31, 2023 and 2022, respectively. U.S. government grants refundable were $354,204 and $1,110,034 at May 31, 2023 and 2022, 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, 2023 and 2022, was $193,703 and $64,780, 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, 2023 and 2022. 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% 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, 2023 and 2022, was 36.53% and 32.07%, 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 $1,900 and $43,158 were cancelled for the years ended May 31, 2023 and 2022, respectively. Loans totaling $498,903 and $29,719 were assigned and accepted by the U.S. Department of Education for the years ended May 31, 2023 and 2022, 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, 2023 and 2022, were $228,529 and $256,028, respectively. The allowance was $209,156 at May 31, 2023 and 2022.

Note 4: Property and Equipment

Property and equipment at May 31 consists of:

	2023	2022
Land and improvements	$ 24,338,979	$ 24,747,499
Buildings and improvements	308,603,898	302,058,445
Equipment	79,996,013	77,769,034
Collections and works of art	4,726,388	4,726,388
Construction in progress	1,747,786	2,750,598
Other	2,541,115	2,614,907
	421,954,179	414,666,871
Less accumulated depreciation	241,907,765	231,612,284
	$ 180,046,414	$ 183,054,587

Depreciation expense for the years ended May 31, 2023 and 2022, was approximately $12,600,000 and $13,500,000, respectively. Remaining commitments related to construction in progress at May 31, 2023 and 2022, were approximately $742,000 and $4,900,000, respectively. Construction in progress was substantially completed at May 31, 2023.

In June 2022, the University completed the sale of a property in Webster Groves, Missouri, with a sales price of approximately $1,430,000 and gain of approximately $698,000.

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, 2023 and 2022:

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

	2023				
		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	$ 7,991,542	$ 7,991,542	$ -	$ -	$ -
Equity securities					
ETF's	9,047,440	9,047,440	-	-	-
Financials	2,315,233	2,315,233	-	-	-
Health care	2,506,520	2,506,520	-	-	-
Industrials	1,967,836	1,967,836	-	-	-
Information technology	3,574,574	3,574,574	-	-	-
Consumer staples	1,059,022	1,059,022	-	-	-
Consumer discretionary	1,433,152	1,433,152	-	-	-
Other	5,515,014	5,515,014	-	-	-
Government bonds and notes	9,856,519	9,856,519	-	-	-
Corporate bonds and notes	7,178,523	7,178,523	-	-	-
Mutual funds					
Bond funds	4,390,532	4,390,532	-	-	-
Commodities	904,157	904,157	-	-	-
Large blend	5,047,678	5,047,678	-	-	-
Large growth	2,420,291	2,420,291	-	-	-
Medium growth	1,381,992	1,381,992	-	-	-
Medium capital value	303,665	303,665	-	-	-
Small blend	1,452,853	1,452,853	-	-	-
International large growth	21,467	21,467	-	-	-
International large blend	3,404,149	3,404,149	-	-	-
Real estate	662,429	662,429	-	-	-
Industrials	931,765	931,765	-	-	-
Information technology	426,995	426,995	-	-	-
Other	1,341,570	1,341,570	-	-	-
ETF's	2,239,440	2,239,440	-	-	-
Other	686,681	686,681	-	-	-
Alternative investments					
Multi-strategy hedge funds	11,407,758	-	-	-	11,407,758
Venture capital	67,380	-	-	-	67,380
Private equity	8,747,617	-	-	-	8,747,617
	98,283,794	$ 78,061,039	$ -	$ -	$ 20,222,755
Less short-term investments	619,120				
Total long-term investments	$ 97,664,674				
Escrowed bond investments					
Money market funds	$ 946,553	$ -	$ 946,553	$ -	$ -

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

	2022				
		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	$ 8,486,214	$ 8,486,214	$ -	$ -	$ -
Equity securities					
ETF's	11,245,988	11,245,988	-	-	-
Financials	3,453,430	3,453,430	-	-	-
Health care	3,198,070	3,198,070	-	-	-
Industrials	3,278,288	3,278,288	-	-	-
Information technology	4,984,494	4,984,494	-	-	-
Consumer staples	1,110,500	1,110,500	-	-	-
Consumer discretionary	1,885,766	1,885,766	-	-	-
Other	8,858,076	8,858,076	-	-	-
Government bonds and notes	9,866,448	9,866,448	-	-	-
Corporate bonds and notes	6,689,883	6,689,883	-	-	-
Mutual funds					
Bond funds	5,694,649	5,694,649	-	-	-
Large value	2,969,578	2,969,578	-	-	-
Large blend	13,672,259	13,672,259	-	-	-
Large growth	6,440,910	6,440,910	-	-	-
Medium growth	1,935,371	1,935,371	-	-	-
Small blend	13,470	13,470	-	-	-
Managed futures	2,751,725	2,751,725	-	-	-
International large growth	1,943,952	1,943,952	-	-	-
International large blend	29,914	29,914	-	-	-
Other	10,675,923	10,675,923	-	-	-
ETF's	975,933	975,933	-	-	-
Closed-end funds	3,800,574	3,800,574	-	-	-
Other	1,983,615	1,983,615	-	-	-
Alternative investments					
Multi-strategy hedge funds	15,529,530	-	-	-	15,529,530
Venture capital	67,380	-	-	-	67,380
Private equity	7,436,661	-	-	-	7,436,661
	138,978,601	$ 115,945,030	$ -	$ -	$ 23,033,571
Less short-term investments	207,624				
Total long-term investments	$ 138,770,977				
Escrowed bond investments					
Money market funds	$ 662,627	$ -	$ 662,627	$ -	$ -

(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.

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 years ended May 31, 2023 and 2022.

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:

	2023			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Multi-strategy hedge funds (A)	$ 11,407,758	None	March 31, June 30, September 30 or December 31: Last business day of the year	Quarterly liquidity with a 75 day notice period / Monthly liquidity with a 65 day notice with a 10% holdback.
Venture capital (B)	$ 67,380	None	N/A	N/A
Private equity (C)	$ 8,747,617	$ 3,397,431	Illiquid	No redemption rights

	2022			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Multi-strategy hedge funds (A)	$ 15,529,530	None	March 31, June 30, September 30 or December 31: Last business day of the year	Quarterly liquidity with a 75 day notice period / Monthly liquidity with a 65 day notice with a 10% holdback.
Venture capital (B)	$ 67,380	None	N/A	N/A
Private equity (C)	$ 7,436,661	$ 4,223,906	Illiquid	No redemption rights

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 partnerships 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. The University has approximately $60 million and $68.6 million of investments served as collateral for the University's lines of credit as of May 31, 2023 and May 31, 2022, respectively. See Note 7 for Line of Credit and Note 25 for subsequent event disclosures.

Note 6: Long-Term Debt and Finance Lease Obligation

	2023	2022
Notes payable to bank; due in quarterly installments of 150,000 Swiss francs until paid in full; with interest payable quarterly at interest rates of 4.5% through August 2021, and 1.2% thereafter through September 2026, at which time the interest rate is adjusted by the lender; secured by property owned in Geneva, Switzerland, with a cost of $22,855,684.	$ 4,900,908	$ 5,288,517
Notes payable to bank; due in varying quarterly installments of 203,207 in Euros through 2023; modified in April 2022 to mature May 2035; with interest payable quarterly at an interest rate of 2.20%; secured by properties owned in Vienna, Austria, with a cost of $25,850,196. See (A) below.	10,275,096	11,187,700
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. See (B) below.	20,625,000	21,580,000

Note 6: Long-Term Debt and Finance Lease Obligation (Continued)

	2023	2022
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 $1,551,792 and $2,070,790 at May 31, 2023 and 2022, respectively. See (C) below.	$ 39,666,792	$ 43,605,790
Note payable to bank (2008). See (D) below.	2,656,033	2,800,895
Note payable to bank (2021). See (E) below.	411,040	478,053
	78,534,869	84,940,955
Less current maturities	6,770,302	6,603,771
Less unamortized debt issuance costs	436,617	511,059
	$ 71,327,950	$ 77,826,125

(A) In April, 2022, the Vienna note payable to bank, with an original maturity in 2023, was modified with the same terms other than to extend the due date to May 2035.

(B) In October 2015, the University issued Educational Facilities Improvement and Funding 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 $167,902 and $186,912 at May 31, 2023 and 2022, respectively. During the year ended May 31, 2023, the University's liquidity ratio fell below the amount required under the bond related loan agreement. The bond related loan agreement requires the University to deliver a consultant report to the Bond Trustee setting forth recommendations for increasing the liquidity ratio for subsequent fiscal years to 75% as described in the bond related loan agreement.

(C) 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 related loan agreement 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 $251,027 and $296,973 at May 31, 2023 and 2022, respectively. During the year ended May 31, 2023, the University's liquidity ratio fell below the amount required under the bond related loan agreement. The bond related loan agreement requires the University to deliver a consultant report to the Bond Trustee setting forth recommendations for increasing the liquidity ratio for subsequent fiscal years to 75% as described in the indenture.

Note 6: Long-Term Debt and Finance Lease Obligation (Continued)

(D) The fixed rate note payable to bank was assumed by the University in August 2008 at a fixed rate of 2.79%; payable in regularly monthly payments of $19,031 through 2025. The note was refinanced in August of 2020 at a fixed fate of 3.19%; payable $16,954 monthly through 2025. In June 2022, the note was extended to June 2037 at a fixed interest rate of 3.19% until August 2025, then adjusting to the Wall Street Journal Prime rate with a floor of 3.5% adjusting every five years. Regular monthly payments of $19,675 beginning July 2022. The note contains certain financial covenants.

(E) Note payable to bank has a zero interest rate and was previously payable in full April 2025. During 2022, the University was notified by the bank that as part of COVID relief, the note must be paid in full within no more than eight years, with amortization beginning March 2022, with certain deferral provisions available. Semi-annual payments of CHF 41,700 are required and is payable in full April 2028.

Aggregate annual maturities and sinking fund requirements of long-term debt and finance lease obligations at May 31, 2023, are:

2024	$ 6,770,302
2025	6,891,467
2026	7,011,938
2027	7,163,850
2028	5,112,020
Thereafter	45,585,292
	$ 78,534,869

Note 7: Line of Credit

The University has a $30,000,000 revolving bank line of credit due on demand. At May 31, 2023 and 2022, there was $30,000,000 borrowed against this line. The line is collateralized by certain investments with a market value of approximately $47.5 million at May 31, 2023. Interest is charged based on the Secured Overnight Financing Rate (SOFR) in effect plus a margin of 0.85, which was 5.92% and 1.14% on May 31, 2023 and 2022, respectively, and is due monthly when any amount is advanced on the line. On April 19, 2023, the lender issued a demand letter to the University which was supplemented by letter dated May 15, 2023, to deliver to lender a fully executed Letter of Intent or Commitment Letter by June 2, 2023, to satisfy the obligation and if such commitment was obtained by the deadline, the University shall repay its obligations by June 30, 2023, and coordinate with lender to immediately terminate the revolving line of credit. The University was not in compliance with the tangible net worth requirement under the agreement at May 31, 2023. On June 29, 2023, the University paid off this line of credit by entering into another line of credit with a different bank. The tangible net worth requirement and other covenants associated with the original line of credit ceased when the line of credit was repaid in June and the agreement was terminated. See subsequent events, Note 25, for information regarding the new line of credit.

Note 7: Line of Credit (Continued)

In October 2022, the University secured a $10,000,000 revolving line of credit. The line is due on demand or, if no demand is made, on October 27, 2025. Variable interest is due monthly based on the Secured Overnight Financing Rate (SOFR) in effect plus 1.75% over the index, which was 6.723% on May 31, 2023. The line of credit is secured by certain investments held at a different Bank, of which $12,500,000 is the required balance. The University is required to deposit into the investment account if the balance is below $12,500,000. The University has drawn $10,000,000 against the line at May 31, 2023. The investments held as collateral had a balance of $13,184,024 at May 31, 2023. See subsequent events, Note 25, for information regarding the line of credit.

Note 8: 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, 2023 and 2022, of $294,465 and $315,452, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a rate of return of 6.0% and current IRS mortality tables. At May 31, 2023 and 2022, the University holds $414,029 and $457,394 of long-term investments against these estimated liabilities, respectively. There was no related contribution revenue recognized for the years ended May 31, 2023 and 2022.

Note 9: Net Assets

Net Assets Without Donor Restrictions

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

	2023	2022
Board-designated endowment	$ 35,713,683	$ 91,521,389
Departmental activities	2,995,175	3,205,495
Net investment in plant	101,948,156	102,234,008
Undesignated	(23,797,903)	(32,254,937)
Accumulated foreign currency translation	(4,654,588)	(4,518,289)
	$ 112,204,523	$ 160,187,666

Note 9: Net Assets (Continued)

Net Assets With Donor Restrictions

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

	2023	2022
Subject to expenditure for a specified purpose		
Student loans	$ 16,956	$ 16,956
Buildings and capital maintenance	550,354	570,468
Future educational activities	2,292,633	2,230,799
Scholarships	574,472	371,400
	3,434,415	3,189,623
Endowments		
Subject to University spending policy and appropriation		
Educational activity	$ 3,317,525	$ 3,733,993
Future period operations	606,927	990,395
Scholarships	8,755,589	11,718,974
Underwater endowments	147,927	31,918
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	37,377,646	35,831,453
Donor restricted pool deficiencies	130,073	123,064
	50,335,687	52,429,797
	$ 53,770,102	$ 55,619,420

Note 9: Net Assets (Continued)

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.

	2023	2022
Satisfaction of purpose restriction		
Scholarships	$ 129,456	$ 54,881
Instruction and academic support program activities	495,067	295,595
	624,523	350,476
Restricted purpose spending-rate distributions and appropriations		
Scholarships	$ 1,335,838	$ 1,128,295
Instruction program activities	254,220	245,651
Academic support program activities	194,282	172,741
Institutional support program activities	230,985	223,151
Student service program activities and other	15,153	7,529
	2,030,478	1,777,367
Net assets released from restriction - operating	2,655,001	2,127,843
Board approved change in donor designation - non-operating	182,579	-
	$ 2,837,580	$ 2,127,843

Note 10: 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

Note 10: Endowment (Continued)

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
5. Expected total return from investment income and appreciation or deprecation 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, 2023 and 2022, was:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 35,713,683	$ -	$ 35,713,683
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	37,426,185	37,426,185
Accumulated investment gains	-	12,909,502	12,909,502
Total endowment funds	$ 35,713,683	$ 50,335,687	$ 86,049,370

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 91,521,389	$ -	$ 91,521,389
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	35,919,328	35,919,328
Accumulated investment gains	-	16,510,469	16,510,469
Total endowment funds	$ 91,521,389	$ 52,429,797	$ 143,951,186

Note 10: Endowment (Continued)

Changes in endowment net assets for the years ended May 31, 2023 and 2022, were:

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment Net Assets, Beginning of Year	$ 91,521,389	$ 52,429,797	$ 143,951,186
Investment return	(1,753,748)	(509,329)	(2,263,077)
Contributions	-	771,452	771,452
Change in reserve for contributions receivable	-	181,170	181,170
Management fees	(673,247)	(367,037)	(1,040,284)
Centennial Matching Program	-	-	-
Change in value of split interest agreements	-	(11,766)	(11,766)
Change in designation of fund	182,579	(182,579)	-
Appropriation of endowment assets for expenditure	(5,209,890)	(1,976,021)	(7,185,911)
Additional appropriations to support operations and line of credit collateral	(48,353,400)	-	(48,353,400)
Endowment Net Assets, End of Year	$ 35,713,683	$ 50,335,687	$ 86,049,370

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment Net Assets, Beginning of Year	$ 101,560,779	$ 55,965,060	$ 157,525,839
Investment return	(4,126,748)	(2,026,851)	(6,153,599)
Contributions	-	683,565	683,565
Change in reserve for contributions receivable	-	(64,694)	(64,694)
Management fees	(16,972)	(394,690)	(411,662)
Centennial Matching Program	-	(3,929)	(3,929)
Change in value of split interest agreements	-	(23,789)	(23,789)
Appropriation of endowment assets for expenditure	(5,895,670)	(1,704,875)	(7,600,545)
Endowment Net Assets, End of Year	$ 91,521,389	$ 52,429,797	$ 143,951,186

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, 2023 and 2022, funds with original gift values of $3,556,331 and $1,989,452, fair values of $3,278,331 and $1,834,470 and deficiencies of $278,000 and $154,982, respectively, were reported in net assets with donor restrictions. These

Note 10: 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% 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% 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% is charged annually and for all endowment funds received on or after January 1, 2020, an administration fee of 1.00% 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% 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.

From time to time, the University withdraws funds from Board designated quasi-endowments on an as-needed basis, upon Board approval. In addition to the appropriation of endowment assets for expenditure based on the University's spending policy, the University transferred $35.9 million in 2023 from the Board designated quasi-endowments to support operations. The University also transferred an additional $12.5 million in 2023 to secure a $10 million line of credit. Other than the appropriation of endowment assets for expenditure based on the University's spending policy, no amounts were transferred from the Board designated quasi-endowment to support operations in 2022.

In 2023, the Board approved transferring $12.5 million to secure the $10 million line of credit obtained during 2023. In 2022, the Board approved transferring up to $25 million in 2023 to support the University's operating needs. In 2023, the Board approved transferring up to an additional $20 million from the Board designated quasi-endowments for 2023 or 2024 to support the University's operating needs, a portion of which was transferred during 2023.

During 2023, the Board approved the designation of management of the with donor restricted endowment and without donor restricted endowment to two separate banks as a restructure of collateral for the line of credit with one Bank. The Board also approved the change in designation of two endowed funds with a combined value of approximately $183,000.

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 11: Functional Expenses

Certain operating expenses as reported in the statements of activities are allocated to these functional expenses for the years ended May 31, 2023 and 2022, are as follows:

2023

	Program Services						Support Services		
	Instruction	Student Services	Academic Support	Auxiliary Expense	Public Service	Total Program Services	Institutional Support	Fundraising	Grand Total
Labor	$ 41,932,812	$ 10,306,521	$ 13,149,155	$ 1,100,599	$ 465,975	$ 66,955,062	$ 17,020,304	$ 338,893	$ 84,314,259
Leases, Utilities and Insurance	2,957,590	1,470,771	5,936,323	2,813,210	55,742	13,233,636	2,206,603	32,334	15,472,573
Depreciation and Amortization	4,564,680	1,746,076	2,190,595	748,343	66,482	9,316,176	3,212,084	53,713	12,581,973
Interest and Finance Expense	-	-	-	-	-	-	4,129,449	-	4,129,449
Professional Services and Advertising	4,640,643	5,809,489	2,047,160	3,882,378	95,828	16,475,498	6,255,640	85,938	22,817,076
Software	1,555,547	594,073	746,336	254,483	22,608	3,173,047	1,087,486	18,266	4,278,799
Other Costs	1,507,421	1,854,375	3,256,865	536,146	122,695	7,277,502	4,405,029	140,899	11,823,430
Loss on Misappropriated Property	-	-	-	-	-	-	1,937,433	-	1,937,433
Loss on Currency Exchange	-	-	-	-	-	-	899,941	-	899,941
	$ 57,158,693	$ 21,781,305	$ 27,326,434	$ 9,335,159	$ 829,330	$ 116,430,921	$ 41,153,969	$ 670,043	$ 158,254,933

2022

	Program Services						Support Services		
	Instruction	Student Services	Academic Support	Auxiliary Expense	Public Service	Total Program Services	Institutional Support	Fundraising	Grand Total
Labor	41,680,471.00	$ 10,267,544	$ 14,443,848	$ 1,114,031	$ 494,281	$ 68,000,175	$ 14,330,721	$ 710,051	$ 83,040,947
Leases, Utilities and Insurance	2,785,816	2,242,250	6,444,126	2,838,838	51,585	14,362,615	2,208,038	65,583	16,636,236
Depreciation and Amortization	4,892,097	1,642,162	2,610,445	761,985	77,048	9,983,737	3,362,938	127,467	13,474,142
Interest and Finance Expense	-	-	-	-	-	-	3,326,147	-	3,326,147
Professional Services and Advertising	3,155,536	2,371,216	2,199,971	3,205,066	95,444	11,027,233	5,821,361	325,041	17,173,635
Software	1,406,910	476,844	752,932	218,574	22,101	2,877,361	995,252	36,564	3,909,177
Other Costs	1,655,578	1,655,686	3,204,511	518,001	134,836	7,168,612	2,428,384	183,376	9,780,372
Restructuring Costs	-	-	-	-	-	-	817,771	-	817,771
Loss on Currency Exchange	-	-	-	-	-	-	4,913,874	-	4,913,874
	$ 55,576,408	$ 18,655,702	$ 29,655,833	$ 8,656,495	$ 875,295	$ 113,419,733	$ 38,204,486	$ 1,448,082	$ 153,072,301

Note 12: 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, 2023 and 2022, comprise the following:

	2023	2022
Financial Assets		
Cash and cash equivalents	$ 9,940,174	$ 10,626,441
Short-term investments	619,120	207,624
Investments - endowments with donor restrictions expected to be met within one year	3,775,667	3,995,664
Investments - endowments with donor restrictions perpetual or long-term	46,560,020	48,434,133
Other long-term investments	47,328,987	86,341,180
Noncurrent contributions receivable, net	2,228,010	2,568,491
Other receivables	21,361,752	19,805,207
Total financial assets available at year end	131,813,730	171,978,740

Note 12: Liquidity and Availability (Continued)

	2023	2022
Less those unavailable for general expenditure within one year, due to:		
Pledges not expected to be collected within one year	$ 2,228,010	$ 2,568,491
Contractual or donor-imposed restrictions:		
Restricted by donor for perpetual purpose or time beyond one year	37,507,719	35,954,517
Subject to appropriation and satisfaction of donor restrictions	9,133,835	12,514,803
Investment pledged as collateral for $10 million line of credit	12,500,000	-
Board Designation		
Board-designated endowment - amounts set aside for long term investing	(11,756,947)	22,892,752
Board-designated endowment - pledged as collateral for $30 million operating line of credit	47,470,630	68,628,637
	97,083,247	142,559,200
Financial assets available to meet cash needs for general expenditure within one year	$ 34,830,483	$ 29,419,540

As part of the 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, the University invests cash in excess of bank daily requirements in short-term investments.

At May 31, 2023 and 2022, the University's endowment funds of $86.0 and $143.9 million, respectively, consist of donor-restricted endowments approximating $50.3 and $52.4 million, respectively, and funds designated by the board approximating $35.7 and $91.5 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, $3.8 and $4.0 million from the board-designated endowment, net of administrative fees, will be available for spending based on the University's policy in the next 12 months at May 31, 2023 and 2022, respectively. In 2022, the University appropriated spending to the board-designated endowment based on the University's policy of $4.0 million from the board-designated endowment net of administrative fees, for availability for spending in 2023. In 2022, the Board approved transferring up to an additional $25 million in 2023 to support the University's operating needs. In 2023, the Board approved transferring up to an additional $20 million from the Board designated quasi-endowment for 2023 or 2024 to support the University's operating needs, a

Note 12: Liquidity and Availability (Continued)

portion of which was transferred in 2023. Although the University does not historically routinely 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 has 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, 2023 and 2022, the University had borrowed $30 million against the line. The University was not in compliance with the tangible net worth requirement under the agreement at May 31, 2023. See Note 7. In October 2022, the University obtained an additional $10 million line of credit and transferred $12.5 million from its board designated endowment to an investment account at a different Bank to be held as security against this line. The University has borrowed $10 million against this line as of May 31, 2023. See subsequent event Note 25.

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. See Note 24 for further disclosure regarding liquidity.

Note 13: Leases

Accounting Policies

The University determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right of use (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.

Note 13: Leases (Continued)

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.

Nature of Leases

The University has entered into the following lease arrangements:

Finance Leases

This lease mainly consisted of computer equipment. Termination of such leases are generally 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 2036. 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, 2023, 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, 2023 and 2022, are:

	2023	2022
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	$ 24,404	$ 146,422
Interest on lease liabilities	-	718
Operating lease cost	4,403,262	4,857,474
Short-term lease cost	66,199	11,937
Variable lease cost	1,633,738	1,765,254
Total lease cost	$ 6,127,603	$ 6,781,806

Note 13: Leases (Continued)

	2023	2022
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 799,848	$ 1,077,725
Weighted-average remaining lease term		
Operating leases	4.68 years	4.56 years
Weighted-average discount rate		
Operating leases	2.16%	2.17%

Future minimum lease payments and reconciliation to the consolidated statements of financial position at May 31, 2023, are as follows:

	Operating Leases
2024	$ 3,010,875
2025	1,727,658
2026	1,042,830
2027	257,634
2028	167,269
Thereafter	1,254,518
Total lease payments to be paid	7,460,784
Less future interest expense	495,445
Lease liabilities	$ 6,965,339

Note 14: Retirement and Postretirement Employee Health Insurance Benefit Plans and Deferred Compensation Plans

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% - 3.5% greater than the employee's contribution as specified by the plan agreement. Effective January 1, 2021, the University suspended the employer match contribution. Effective January 1, 2022, the University reinstated the employer matching contribution at a contribution rate of 50% of the employee's elected contributions, not to exceed 3% of covered compensation. Vesting provisions are full and immediate. There are no unfunded past service costs. The University's share of the cost of these benefits was $1,086,129 and $971,273 for 2023 and 2022, respectively.

Note 14: Retirement and Postretirement Employee Health Insurance Benefit Plans and Deferred Compensation 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% of premiums for the plan. The accrued benefit obligation related to the postretirement employee health insurance benefit plan was $55,090 at May 31, 2023 and 2022.

Deferred Compensation Plans

The University offers certain executive employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All compensation deferred under the plans and related assets are assets of the University subject to claims of the University's general creditors until the assets become available to the respective employees or their beneficiaries. The assets are not restricted to provision of benefits under the Plans and employees' rights under the Plans are equal to those of general creditors.

The plans assets are included in the University's Consolidated Statements of Financial Position as Investments. These assets are invested at the employee's direction in various mutual funds. These investments are stated at fair value, which equals the University's liability and are for executives of the University.

Note 15: 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 14 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 16: 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.

Note 16: Revenue from Contracts with Students (Continued)

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, 2023 and 2022, 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.

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 Financial Accounting Standards Board (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, 2023 and 2022, the University recognized revenue of $10,914,608 and $12,444,235, respectively, that was recorded as deposits and deferred revenue at the beginning of the year.

At May 31, 2023, the University deferred tuition and housing revenue of $14,860,212 that it expects to recognize in 2024 when the summer and fall 2024 academic terms are completed.

Note 16: Revenue from Contracts with Students (Continued)

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.

Disaggregation of Revenue

The composition of net tuition and fees and auxiliary enterprises revenue for the years ended May 31, 2023 and 2022, is as follows.

	2023	2022
Tuition and fees, net	$ 91,198,040	$ 86,681,299
Auxiliary enterprises		
Room and board	9,208,498	8,975,686
	9,208,498	8,975,686
	$ 100,406,538	$ 95,656,985

Note 17: 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, 2023 and 2022, is as follows:

	2023	2022
Balance, beginning of year	$ (4,518,289)	$ (7,374,036)
Translation adjustment	(136,299)	2,855,747
Balance, end of year	$ (4,654,588)	$ (4,518,289)

Note 17: Foreign Currency Translation (Continued)

In addition, transaction gains and losses result from exchange rate changes on transactions denominated in currencies other than the functional currency. Losses on foreign currency transactions were $899,941 and $4,913,874 for 2023 and 2022, respectively.

Note 18: 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 were 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 2022, approximately $810,000 of these expenses were incurred, of which none were included in accrued expenses as of May 31, 2022. This plan was substantially completed as of May 31, 2021. There were no restructuring costs in 2023.

Note 19: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the valuation of receivables are reflected in Note 1 regarding Accounts Receivable and Grants. The valuation of investments are reflected in Note 5 regarding Disclosure About Fair Value of Assets and Liabilities and estimates related to deferred revenue are reflected in Note 16 regarding Revenue from Contracts with Students. Current vulnerabilities due to certain concentrations related to contributions are discussed in the footnote on Contributions. Other significant estimates and concentrations include the following:

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.

Investments

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

Note 20: 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 72% and 78% of all contributions receivable balances were from two and three donors in 2023 and 2022, respectively. Approximately 27% and 44% of all contributions receivable balances were from related parties in 2023 and 2022.

Approximately 13% and 33% of all contribution revenue was received from one donor in 2023 and 2022, respectively. Approximately 25% and 16% of all contribution revenue was received from related parties in 2023 and 2022, respectively.

Note 21: 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, 2023 and 2022:

	2023	2022
Property and equipment, net of accumulated depreciation - pre-implementation	$ 158,501,933	$ 169,694,474
Land, buildings, equipment, net of accumulated depreciation -		
post implementation without outstanding debt for original purchase	19,796,695	10,609,515
Construction in progress	1,747,786	2,750,598
Total property and equipment, net	$ 180,046,414	$ 183,054,587
Long-term debt obtained for long-term purposes - pre-implementation	$ 78,534,869	$ 84,863,058
Total operating expenses without donor restriction	$ 155,417,559	$ 147,340,656
Loss on misappropriated property	1,937,433	-
Restructuring costs	-	817,771
Total expense without donor restrictions	$ 157,354,992	$ 148,158,427

Note 22: 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, 2023 or May 31, 2022, respectively, have been recorded as receivables. The University does not have conditional grant commitments that extend beyond May 31, 2023 or May 31, 2022.

Note 23: COVID-19 Pandemic

As a result of the spread of the SARS CoV-2 virus and the incident of COVID-19, 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, universities across the country took unprecedented action to protect the health and safety of students. The Coronarvirus outbreak had an adverse effect on the University's results of operations beginning in fiscal year 2020 and continuing in 2021 and 2022.

Commonly known as Higher Education Emergency Relief Fund ("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 on March 11, 2021. The University had drawn down and expended the full institutional share as of May 31, 2021. The University had not drawn down or expended any portion of the student share as of May 31, 2021. During fiscal year 2022, the University drew down and expended all of the remaining portion of the HEERF III student share and there was no HEERF funding outstanding as of May 31, 2022.

Note 24: Management's Consideration of Going Concern Matters

Negative Trends Raising Substantial Doubt

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

The University has experienced recurring operating deficits that have required the utilization of significant cash resources to support operations. Cash resources have been supplemented by utilizing the University's fully secured lines of credit along with funds from the board-designated endowment. During fiscal year 2023, the University was not in compliance with the liquidity ratio as required under its bond related loan agreement. The lender on a fully secured line of credit issued a demand letter during the year and, subsequent to year end, the University repaid and closed the line utilizing a new line of credit entered into with another lender. See Note 25 for subsequent events regarding the new line of credit with a new Bank.

Note 24: Management's Consideration of Going Concern Matters (Continued)

The University finished the 2022-2023 fiscal year with a deficit change in net assets. The change in net assets without donor restrictions shown on the Statement of Activities was approximately ($47,983,000) and ($37,157,000) for the fiscal years ended May 31, 2023 and May 31, 2022, respectively. The total change in net assets was approximately ($49,832,000) and ($39,704,000) for fiscal years ended May 31, 2023 and 2022, respectively.

The statements of Financial Position reflected cash balances of approximately $9,940,000 and $10,626,000 at May 31, 2023 and 2022, respectively. The University had negative operating cash flows of approximately ($29,763,000) and ($20,318,000) for the same periods. These conditions and events raise substantial doubt about the University's ability to continue as a going concern.

Current and Future Plans of the University

In fiscal year 2023, gross tuition increased by approximately $800,000 over fiscal year 2022. This was the first year over year increase in gross tuition in several years. In addition, the last five months of fiscal year 2023 showed an approximate $6,000,000 (11%) increase in gross tuition over the same period in fiscal 2022.

This positive trend in gross tuition has carried over to fiscal year 2024 with continued growth in enrollments (approximately 3,000 more students than Fall 2022) and gross domestic tuition up nearly 28% year over year through the first 4 months of fiscal year 2024. Furthermore, the University's international markets are also reporting strong growth.

The University has developed a strategic enrollment plan focused on adapting recruitment, retention, and financial aid strategies to meet market, environment, workforce and community demands. Domestic graduate students want flexibility as adult learners. The University is further building on its online success by creating Webster University Online that integrates across all programs for undergraduate, graduate, hybrid, live virtual and 100% online. As the University looks at serving students, the University is developing wrap-around student services to help serve all populations. The University is engaged in academic program demand analysis to determine student demand and employer demand as they seek to add academic programs and enhance programs. Additionally, the University is developing structured recruitment marketing and enrollment communications, enhancing its website with search engine optimization, and leveraging financial aid to help yield and retention of undergraduate students. The University is enhancing its visitor experience and recruitment events through a new storefront for International Recruitment and International Services and providing more opportunities for students and parents to visit campus and meet faculty and staff. The University believes focus on student life is critical to their success including building out more co-curricular opportunities for students. Additional STEM programs were added that are more market-facing and appeal to both domestic and international students. As the University moves through fiscal year 2024, it will continue to develop new initiatives focused on increasing enrollment and gross tuition across all campuses.

Note 24: Management's Consideration of Going Concern Matters (Continued)

The University's cost-management initiatives have generated approximately $40 million in reductions in operating expenses between fiscal years 2017 and 2023. Management believes additional cost savings are expected through the closure of underperforming regional and international campuses, elimination of underperforming programs, reduction of certain support services and capital expenditures, improved vendor management, and reduced borrowing costs due to favorable loan refinancing in prior years.

As noted above, the University is experiencing growth in tuition which should extrapolate into improvement in cash flow and change in net assets for fiscal year 2024. In addition, the University's capital improvement campaign was completed in fiscal year 2023; fiscal year 2024 capital expenditures are expected to be approximately $7,000,000 less than fiscal 2023.

Advancement launched a $35,000,000 comprehensive campaign in 2019 that the University reports stands at over $16,600,000. Fundraising continues towards achieving the campaign goals.

As of May 31, 2023, the University had unrestricted investments of approximately $36,000,000 and the University holds equity in its European campuses in Leiden, Geneva, and Vienna. The University has engaged an international consultant to assist in leveraging the equity in these properties. Lastly, the Board of Trustees approved transferring up to $20,000,000 from its board-designated endowment to support the University's operating needs, of which a portion was utilized in fiscal year 2023.

Going Concern Conclusion

As stated above, the University incurred a deficit change in net assets of approximately ($49,830,000) in 2023 and continued to experience decreases in working capital. The University has recurring operating deficits, recurring deficit change in net assets, recurring deficit change in net assets without donor restrictions and recurring negative operating cash flows. As a result, the University does not meet the liquidity ratio required under its bond related loan agreement as described in Note 6 and was in technical default of a debt covenant on a line of credit, which was paid off in June 2023. See Note 7.

These conditions raise substantial doubt about the University's ability to continue as a going concern. As contemplated in its bond related loan agreement, the University is working with a consultant related to increasing its liquidity ratio. The University is focusing on STEM programs that are market facing to both domestic and international students. The University is working with an international consultant to assist in leveraging equity in international properties. However, there can be no assurance that the University will be successful in achieving its objectives.

The accompanying financial statements have been prepared assuming the University will continue as a going concern; however, the above conditions raise substantial doubt about the University's ability to do so. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the University be unable to continue as a going concern.

Note 25: Subsequent Events

In June 2023, the University secured a $30,000,000 line of credit that was used to repay an existing $30,000,000 line of credit with another Bank, therefore, the new line of credit is fully utilized. The line is due on demand or, if no demand is made, on June 29, 2026. Variable interest is due monthly based on the Secured Overnight Financing Rate (SOFR) plus two hundred basis points, that in no event shall be less than 4.5%. The line of credit is secured by investment securities held by the University. The line requires the collateral value be no less than $35.5 million at any given point.

The line also requires the University at all times maintains a deposit balance of at least $2 million with the Bank, which is held in a certificate of deposit. The University management has identified that subsequent to executing the line of credit, the University has been made aware that the unrestricted collateral value has fallen below the requirement and the University is currently undertaking actions to remedy the issue as quickly as possible.

Subsequent to year-end, the University increased its $10 million line of credit to $10,500,000. The University repaid $10,500,000 in full and closed the line.

Long-term investments decreased approximately 29% since May 31, 2023, due to activity related to annual endowment distributions, use of funds to secure certificate of deposit for $30 million line of credit and use of funds to support operations.

Subsequent events have been evaluated through December 18, 2023, which is the date the consolidated financial statements were issued.