

**SALUS UNIVERSITY AND ITS FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**



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**SALUS UNIVERSITY AND ITS FOUNDATION
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Salus University and Its Foundation
Elkins Park, Pennsylvania

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Salus University and Its Foundation (the University), which comprise the consolidated statements of financial position as of June 30, 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University as of June 30, 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 Auditors' 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, management adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. 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 the 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 the consolidated financial statements are available to be issued.

Auditors' 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 auditors' 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.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 13, 2023

SALUS UNIVERSITY AND ITS FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
Cash and Cash Equivalents	\$ 9,707,066	\$ -	\$ 9,707,066	\$ 12,896,948	\$ -	\$ 12,896,948
Cash Restricted as to Purpose	3,779,837	141,890	3,921,727	5,065,659	141,890	5,207,549
Tuition and Other Accounts Receivable, Net	3,452,655	241,860	3,694,515	2,652,097	-	2,652,097
Patient Care Receivable, Net	674,960	-	674,960	564,054	-	564,054
Contributions Receivable, Net	-	81,210	81,210	-	145,569	145,569
Beneficial Interest in Third-Party Trusts	-	152,944	152,944	-	195,480	195,480
Other Assets	1,841,347	10,391	1,851,738	1,869,109	10,391	1,879,500
Government Loans to Students, Net	8,806,953	-	8,806,953	8,568,700	-	8,568,700
Investments	47,116,577	11,186,984	58,303,561	43,116,562	10,496,427	53,612,989
Operating Right of Use Assets	817,079	-	817,079	-	-	-
Land, Buildings, Furniture, and Equipment, Net	38,905,297	-	38,905,297	38,322,657	-	38,322,657
Total Assets	\$ 115,101,771	\$ 11,815,279	\$ 126,917,050	\$ 113,055,786	\$ 10,989,757	\$ 124,045,543
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable	\$ 839,435	\$ -	\$ 839,435	\$ 908,236	\$ -	\$ 908,236
Accrued Expenses	4,194,786	-	4,194,786	1,363,690	-	1,363,690
Deferred Income	6,939,470	-	6,939,470	6,397,659	-	6,397,659
Other Liabilities	1,483,400	-	1,483,400	1,517,072	-	1,517,072
Operating Lease Liability	827,583	-	827,583	-	-	-
Finance Lease Liability	346,077	-	346,077	682,238	-	682,238
Debt	12,965,035	-	12,965,035	13,320,629	-	13,320,629
Government Advances	10,840,578	-	10,840,578	11,822,176	-	11,822,176
Postretirement Benefits	6,787,979	-	6,787,979	7,340,124	-	7,340,124
Total Liabilities	45,224,343	-	45,224,343	43,351,824	-	43,351,824
NET ASSETS	69,877,428	11,815,279	81,692,707	69,703,962	10,989,757	80,693,719
Total Liabilities and Net Assets	\$ 115,101,771	\$ 11,815,279	\$ 126,917,050	\$ 113,055,786	\$ 10,989,757	\$ 124,045,543

See accompanying Notes to Consolidated Financial Statements.

**SALUS UNIVERSITY AND ITS FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Tuition and Fees, Net of University			
Scholarships of \$2,026,904	\$ 44,983,174	\$ -	\$ 44,983,174
Investment Return	78,948	-	78,948
Allocation of Endowment Spending	1,944,897	-	1,944,897
Grant Revenue	3,529,736	-	3,529,736
Contributions	542,709	579,933	1,122,642
Patient Care, Net	3,995,674	-	3,995,674
Other	382,478	-	382,478
Auxiliary Enterprises	1,739,862	-	1,739,862
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	347,588	(347,588)	-
Total Revenues, Gains, and Other Support	<u>57,545,066</u>	<u>232,345</u>	<u>57,777,411</u>
OPERATING EXPENSES			
Instruction	24,409,995	-	24,409,995
Academic Support	3,297,140	-	3,297,140
Research	1,484,772	-	1,484,772
Student Services	4,367,266	-	4,367,266
Patient Care	8,939,959	-	8,939,959
Institutional Support	12,913,824	-	12,913,824
Auxiliary Enterprises	1,592,886	-	1,592,886
Government Aid and Fellowships (HEERF)	371,582	-	371,582
Total Operating Expenses	<u>57,377,424</u>	<u>-</u>	<u>57,377,424</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	167,642	232,345	399,987
NONOPERATING GAINS (LOSSES)			
Investment Income	736,817	170,279	907,096
Net Unrealized and Realized Gains on Investments	3,111,304	736,830	3,848,134
Allocation of Endowment Spending	(1,720,308)	(224,589)	(1,944,897)
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	89,524	(89,524)	-
Other	(2,211,513)	181	(2,211,332)
Total Nonoperating Gains	<u>5,824</u>	<u>593,177</u>	<u>599,001</u>
CHANGE IN NET ASSETS	173,466	825,522	998,988
Net Assets - Beginning of Year	<u>69,703,962</u>	<u>10,989,757</u>	<u>80,693,719</u>
NET ASSETS - END OF YEAR	<u>\$ 69,877,428</u>	<u>\$ 11,815,279</u>	<u>\$ 81,692,707</u>

See accompanying Notes to Consolidated Financial Statements.

**SALUS UNIVERSITY AND ITS FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Tuition and Fees, Net of University			
Scholarships of \$1,816,944	\$ 44,019,689	\$ -	\$ 44,019,689
Investment Return	19,131	-	19,131
Allocation of Endowment Spending	1,794,161	-	1,794,161
Grant Revenue	2,959,914	-	2,959,914
Contributions	93,412	934,307	1,027,719
Patient Care, Net	3,606,132	-	3,606,132
Other	425,154	-	425,154
Auxiliary Enterprises	1,290,052	-	1,290,052
Net Assets Released from Restrictions -			
Satisfaction of Program Restrictions	234,412	(234,412)	-
Total Revenues, Gains, and Other Support	<u>54,442,057</u>	<u>699,895</u>	<u>55,141,952</u>
OPERATING EXPENSES			
Instruction	23,445,612	-	23,445,612
Academic Support	3,114,322	-	3,114,322
Research	1,221,238	-	1,221,238
Student Services	3,963,329	-	3,963,329
Patient Care	8,244,143	-	8,244,143
Institutional Support	10,748,469	-	10,748,469
Auxiliary Enterprises	1,010,661	-	1,010,661
Government Aid and Fellowships (HEERF)	1,041,765	-	1,041,765
Total Operating Expenses	<u>52,789,539</u>	<u>-</u>	<u>52,789,539</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	1,652,518	699,895	2,352,413
NONOPERATING GAINS (LOSSES)			
Investment Income	675,856	152,785	828,641
Net Unrealized and Realized Gains on Investments	(7,691,286)	(1,769,270)	(9,460,556)
Allocation of Endowment Spending	(1,579,584)	(214,577)	(1,794,161)
Net Assets Released from Restrictions -			
Satisfaction of Program Restrictions	48,211	(48,211)	-
Other	1,760,752	28,071	1,788,823
Total Nonoperating Losses	<u>(6,786,051)</u>	<u>(1,851,202)</u>	<u>(8,637,253)</u>
CHANGE IN NET ASSETS	(5,133,533)	(1,151,307)	(6,284,840)
Net Assets - Beginning of Year	<u>74,837,495</u>	<u>12,141,064</u>	<u>86,978,559</u>
NET ASSETS - END OF YEAR	<u>\$ 69,703,962</u>	<u>\$ 10,989,757</u>	<u>\$ 80,693,719</u>

See accompanying Notes to Consolidated Financial Statements.

**SALUS UNIVERSITY AND ITS FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 998,988	\$ (6,284,840)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,961,896	2,918,607
Imputed Interest on Deferred Bond Costs	12,768	12,767
Provision for Bad Debts	(4,200)	(58,600)
Noncash Lease Expense	10,504	-
Net Unrealized and Realized Losses (Gains) on Investments	(3,808,297)	9,460,556
Contributions Designated for the Acquisition of Long-Lived Assets and Endowments	(16,433)	(48,972)
Changes in Assets and Liabilities:		
Tuition, Patient Care, and Other Receivables	(1,153,324)	(462,048)
Contributions Receivable	68,559	294,476
Beneficial Interest in Third-Party Trusts	42,536	(24,257)
Other Assets	27,762	(145,559)
Accounts Payable	(68,801)	90,195
Accrued Expenses	2,831,096	(620,757)
Deferred Income	541,811	485,306
Other Liabilities	(33,672)	104,960
Postretirement Benefits	(552,145)	(1,920,866)
Net Cash Provided by Operating Activities	1,859,048	3,800,968
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	8,353,863	17,829,874
Purchases of Investments	(9,236,138)	(20,081,367)
Collections on Loans to Students - Government and Other	1,733,606	1,896,964
Loans Issued to Students - Government and Other	(1,835,619)	(1,035,831)
Amount Returned to Federal Government	(136,240)	-
Purchase of Land, Buildings, Furniture, and Equipment, Net	(3,544,536)	(4,712,026)
Net Cash Used by Investing Activities	(4,665,064)	(6,102,386)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Debt	(704,523)	(361,458)
Repayment of Finance Lease Obligations	-	(326,532)
Contributions Designated for the Acquisition of Long-Lived Assets and Endowments	16,433	48,972
Change in Government Advances	(981,598)	826,010
Net Cash Provided (Used) by Financing Activities	(1,669,688)	186,992
DECREASE IN CASH, CASH EQUIVALENTS, AND CASH RESTRICTED AS TO PURPOSE	(4,475,704)	(2,114,426)
Cash, Cash Equivalents, and Cash Restricted as to Purpose - Beginning of Year	18,104,497	20,218,923
CASH, CASH EQUIVALENTS, AND CASH RESTRICTED AS TO PURPOSE - END OF YEAR	\$ 13,628,793	\$ 18,104,497
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 264,875	\$ 296,941
Cash and Cash Equivalents	\$ 9,707,066	\$ 12,896,948
Cash Restricted as to Purpose	3,921,727	5,207,549
Total	\$ 13,628,793	\$ 18,104,497

See accompanying Notes to Consolidated Financial Statements.

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 DESCRIPTION OF THE ORGANIZATION

Salus University is a nonprofit Pennsylvania corporation of higher education. Salus, Latin for health and well-being, is a fitting name for an institution dedicated to educating caring professionals for the health care, teaching, and rehabilitation fields. Salus University consists of the following colleges:

The Pennsylvania College of Optometry

The George S. Osborne College of Audiology

The College of Health Science Education and Rehabilitation

The mission of Salus University is to advance integrated health care through innovative education, research, and clinical services.

The Pennsylvania College of Optometry Foundation (the Foundation) is a nonprofit Pennsylvania corporation controlled by Salus University (collectively, the University). The Foundation is limited to acting for the benefit of Salus University and its charitable and educational purposes.

On June 13, 2023, Salus University entered into an agreement with Drexel University whereby Salus will merge with Drexel University. The merger is subject to various federal, state and accreditation review and approvals. Salus will operate as an independent organization until such time that the merger is finalized. It is anticipated that the merger will be finalized between June and December 2024.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the University and Foundation. All inter-company activities have been eliminated. The consolidated financial statements of the University have been prepared on the accrual basis of accounting. The University classifies revenues based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that: a) restrict their use to a specific purpose and/or the passage of time; or b) require that they be maintained in perpetuity by the University; generally, the donor of these assets permits the University to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Net Assets without Donor Restrictions – Net assets not subject to donor-imposed stipulations. Certain of these amounts have been designated by the board for investment purposes.

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Donor-restricted contributions whose restrictions are met in the same year the gift is made are reported as contributions with donor restrictions and releases in the current year. Expirations of donor-imposed restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished, and/or the stipulated time period has elapsed, are reported as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations.

Cash and Cash Equivalents

The University considers all highly liquid investments, with purchased maturities of three months or less, to be cash equivalents.

Cash Restricted as to Purpose

Cash restricted as to purpose includes funds held in accordance with the University's outstanding debt agreements and funds restricted for the University's student loan programs.

Concentration of Credit Risk

The University invests its cash and cash equivalents with a financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. The University has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The University's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, including cash restricted as to purpose and investments. These funds are held in various high-quality financial institutions and are managed by University personnel and outside advisors. The University maintains its cash and cash equivalents in financial institutions at levels that typically exceed federally insured limits. The University believes that the concentrations of credit risk are reasonable for its cash and cash equivalents, including restricted cash and investments.

Contributions Receivable and Contribution Revenue

Contributions, including unconditional promises to give, are reported as an increase in the appropriate net asset group, subject to the existence or absence of donor-imposed stipulations. Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value. For the years ended June 30, 2023 and 2022, the discount was computed using the University's incremental borrowing rate commensurate with the expected receipt of the pledge (approximately 4%). Conditional promises to give are not included as support until such time as the conditions are substantially met.

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable and Contribution Revenue (Continued)

As of June 30, 2023, approximately \$546,008 of conditional grant revenue will be recognized in future periods as the University incurs qualifying expenses.

Allowance for Doubtful Accounts

The allowance for doubtful accounts on tuition receivable, contributions receivable, patient care receivables, and loans to students is provided based upon management's judgment, including such factors as prior collection history and type of receivable. The University writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The tuition and other accounts receivable balance is net of an allowance for doubtful accounts of \$250,000 at June 30, 2023 and 2022.

State Appropriation and Contracts

The University receives contracts from various states. Students from the respective states receive a tuition benefit during the academic period. The University recognizes the benefit received as a reduction of the tuition balance due from the student. During Fiscal 2023 the University received a \$2 million award from the Commonwealth of Pennsylvania to support Pennsylvania residents enrolled in the Optometry program. This award is allocated to Fiscal 2023 and Fiscal 2024.

Investments

The University records investments at fair value. Debt securities, equity securities, and mutual funds are valued at quoted market prices. Alternative investments are recorded at net asset value (NAV). Investment sales and purchases are recorded on a trade-date basis.

Nonoperating Activities

Interest income from operating cash and cash equivalents is recorded in operating activities. Interest, dividends, and realized and unrealized gains and losses on investments are reported in nonoperating activities. Nonoperating activities also include other items, including the nonoperating portion of the gains or losses resulting from the actuarial valuation of the postretirement obligation, the allocation of endowment spending and Foundation expenses.

Government Loans to Students

The University administers federally funded loan programs and awards loans in accordance with federal guidelines. The government requires a funding match from the University. The loans are guaranteed by the federal government subject to certain provisions. Loans to students also include institutional loans by the University to students that are not guaranteed by the government. The government loans to students balance is net of an allowance for doubtful accounts of \$641,100 at June 30, 2023 and 2022.

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings, Furniture, and Equipment

Land, buildings, furniture, and equipment are recorded at cost or at fair value at the date of the gift. Equipment costing \$5,000 or greater and construction projects costing \$25,000 or greater are capitalized and depreciated within the University's depreciation guidelines. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets (15 to 20 years for land improvements; 10 to 40 years for buildings and improvements; and 4 to 10 years for furniture and equipment). Assets acquired under capital leases are amortized at the lesser of the lease term or useful life of the asset.

Government Agency Advances and Funding

The University receives funding or reimbursement from governmental agencies for various activities, including student loans, research, and training. In general, funding received from government agencies is recognized as revenue when the funds are used for their intended purpose. Amounts received from governmental agencies that have been advanced to students in the form of loans are shown as government advances on the consolidated statements of financial position.

Allocation of Certain Expenses

The consolidated statements of activities present expenses by functional classification. Operation and maintenance of physical plant and related interest and depreciation are allocated based on square footage.

Auxiliary Enterprises

Auxiliary enterprises include the rental activities of the University's 8380 Office Building, the Hafter Student Community Center and the net activities of the bookstore and the cafeteria.

Income Taxes

The University has been granted tax-exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and files federal tax Form 990, *Return of Organization Exempt from Income Tax*, annually for informational purposes. Accordingly, no provision for income taxes is required in the accompanying consolidated financial statements.

The University follows the accounting guidance for uncertainties in income tax positions, which requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The University does not believe its consolidated financial statements include any material uncertain tax positions.

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. The most significant management estimates and assumptions relate to the determination of allowance for tuition and other accounts receivable, patient care receivables, contributions receivable, government loans to students, useful lives of fixed assets, valuation of alternative investments, the allocation of functional expenses, assumptions related to the postretirement liability, and the reported fair values of certain of the University's assets and liabilities. Actual results could differ from those estimates.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The University adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period. The University has elected to adopt the package of practical expedients available in the year of adoption.

Subsequent Events

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through October 13, 2023, the date on which the consolidated financial statements were available to be issued. No significant subsequent events were noted.

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 LIQUIDITY

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The University had the following financial assets available for expenditure within one year as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 9,707,066	\$ 12,896,948
Accounts Receivable	4,026,562	2,217,577
Other Miscellaneous Receivables	112,200	112,200
Payout of Board-Designated Funds	<u>1,766,700</u>	<u>1,720,300</u>
Total	<u>\$ 15,612,528</u>	<u>\$ 16,947,025</u>

Federal student loans receivable are not considered to be available to meet general expenditures because principal and interest on these loans are used solely to make new loans.

The University's governing board has designated a portion of its resources to function as endowment and for other purposes. Those amounts are identified as board-designated in the table below. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board.

	<u>2023</u>	<u>2022</u>
Institutional Loan Fund	\$ 963,990	\$ 968,389
Board-Designated Investments	<u>45,199,223</u>	<u>42,465,208</u>
Total	<u>\$ 46,163,213</u>	<u>\$ 43,433,597</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue in the next year to cover general expenditures.

The University also has a \$3,000,000 working capital line of credit. See Note 12 for information about this arrangement.

NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue, or transaction price, is a measure of the amount of consideration expected to be received in exchange for goods or services. Revenue is recognized when services to customers (students or patients) are provided, in an amount that reflects the consideration the University expects to be entitled in exchange for those services.

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Performance Obligations and Revenue Recognition

Tuition

The University has four academic terms; summer, fall, winter and spring. Tuition revenue is recognized in the fiscal year in which the academic programs are delivered, pro rata over the academic terms.

Each program has a unique tuition charge appropriate for the course of study. Payment policy is set forth in the student handbook and financial aid handbook. Generally, payments for tuition and fees are due prior to the start of the academic terms. Many students obtain Title IV or other financial aid resulting in the University receiving a significant amount of the transaction price at the beginning of the academic term.

Patient Care

The Salus University clinics provide both clinical learning experiences and patient care. The primary service area includes Philadelphia, Pennsylvania and the surrounding communities. The patient care receivables are comprised primarily of amounts due from patients and third-party payors such as Medicare, Medicaid, BC/BS, Davis Vision, and Cigna Health Springs-Superior. It is the policy of the University to provide care to needy members of the community, regardless of their ability to pay.

These programs are subject to audit by the government and/or their agents. Retroactive adjustments are accrued when known and adjusted in future periods as final settlements are determined. Laws and regulations governing these programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future regulatory review and interpretation.

Transaction Price

Tuition

Tuition and fees are reported at established rates, net of financial assistance provided by the University.

Students may receive discounts or institutional scholarships. The amount of discounts or scholarships are applied to individual student accounts when such amounts are disbursed. Therefore, the tuition is reduced directly by these discounts or institutional scholarships from the amount of the standard rates charged. Students who adjust their course load or withdraw completely prior to 60% of the academic term (add/drop period) may receive a full or partial refund in accordance with the University's refund policy.

Patient Care

Patient care revenue is accounted for at established rates on the accrual basis in the period the service is provided and is net of appropriate allowances to give recognition to reimbursement programs of third-party payors and charity care. Adjustments to the estimated allowance are reflected in the period in which they become known.

**SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Contract Balances

Tuition

Tuition and fees are recognized in the period services are provided and amounts received for future periods are reported as deferred income. The University's performance obligations are to provide instructional services and patient care. As instruction is satisfied over the academic term, deferred income is reduced. When payments are received, either from the student or financial aid provider, accounts receivable is reduced.

Deferred revenue represents tuition that was billed for the summer term prior to year-end but is not recognizable until the next fiscal year as tuition will be recognized over the fiscal year in which academic programs are delivered, pro rata over the term of the related semester. In fiscal years 2023 and 2022, \$5,792,057 and \$5,791,971, respectively, was recognized as revenue related to the summer term which was deferred income in prior years. Any payments received in advance for the subsequent year are classified as deferred income in the consolidated statements of financial position.

The University's significant contract assets and liabilities consist of the following at June 30, 2023:

	<u>2023</u>	<u>2022</u>
Revenue Recognized over Time:		
Accounts Receivable - Tuition	\$ 2,479,457	\$ 1,406,408
Deferred Income - Students	\$ 6,939,470	\$ 5,762,057

At the beginning of 2022, the balance of contract assets was \$1,601,183 and the balance of contract liabilities was \$5,791,971.

Patient Care

Payments for patient care services are due when billed. No patient revenue is deferred.

NOTE 5 CASH RESTRICTED AS TO PURPOSE

The following is a summary of cash restricted as to purpose as of June 30:

	<u>2023</u>	<u>2022</u>
Government and University Loan Funds	\$ 3,749,893	\$ 5,036,144
Permanently Restricted Loan Funds	141,890	141,890
Tenant Escrow	29,944	29,515
Total	<u>\$ 3,921,727</u>	<u>\$ 5,207,549</u>

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 INVESTMENTS

The following is a summary of investments by type at June 30:

	<u>2023</u>	<u>2022</u>
Short-Term Investments	\$ 664,305	\$ 552,560
Fixed Income Securities	14,302,302	13,873,654
Equity Securities	32,321,923	28,560,798
Alternative Investments	<u>10,826,977</u>	<u>10,430,982</u>
Total	58,115,507	53,417,994
Cash Surrender Value of Student Life Insurance Policies	188,054	194,995
Total	<u>\$ 58,303,561</u>	<u>\$ 53,612,989</u>

Included in the investments, with a corresponding offset in other liabilities, are funds held on behalf of the University's Alumni Association and Student Council of \$83,819 and \$83,284 at June 30, 2023 and 2022, respectively.

NOTE 7 FAIR VALUE MEASUREMENTS

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. The FASB established a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The fair value levels are as follows:

Level 1 – Inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.

Level 2 – Inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 – Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The University's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

SALUS UNIVERSITY AND ITS FOUNDATION
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JUNE 30, 2023 AND 2022

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the University's assets measured at fair value on a recurring basis, aggregated by level in the fair value hierarchy within which those measurements fall, as of June 30:

	2023			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Short-Term Investments	\$ 664,305	\$ -	\$ -	\$ 664,305
Fixed Income Securities	14,302,302	-	-	14,302,302
Equity Securities	32,321,923	-	-	32,321,923
Cash Surrender Value of Student Life Insurance Policies	-	188,054	-	188,054
Beneficial Interest in Third-Party Trusts	-	-	152,944	152,944
Total	\$ 47,288,530	\$ 188,054	\$ 152,944	47,629,528
Investments Measured Using Net Asset Value per Share				10,826,977
Total Assets				\$ 58,456,505

	2022			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Short-Term Investments	\$ 552,560	\$ -	\$ -	\$ 552,560
Fixed Income Securities	13,873,654	-	-	13,873,654
Equity Securities	28,560,798	-	-	28,560,798
Cash Surrender Value of Student Life Insurance Policies	-	194,995	-	194,995
Beneficial Interest in Third-Party Trusts	-	-	195,480	195,480
Total	\$ 42,987,012	\$ 194,995	\$ 195,480	43,377,487
Investments Measured Using Net Asset Value per Share				10,430,982
Total Assets				\$ 53,808,469

All investments were valued by the University using the market approach valuation technique. Investments measured at NAV include investments in hedge funds that generally invest in equity and fixed income securities. In addition, the managers may invest in various arbitrage strategies. The fair values have been estimated using the NAV per share of the investments. These investments in hedge funds are not redeemable and the University had no outstanding capital commitments as of June 30, 2023.

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

During fiscal years 2023 and 2022, there were no transfers into or out of Level 3 of the fair value hierarchy and there were no purchases or issues of Level 3 assets and liabilities.

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2023	2022		
Beneficial Interest in Third-Party Trusts	\$ 152,944	\$ 195,480	Fair Value of Trust Instruments	Value of Underlying Assets

Cash Surrender Value of Student Life Insurance Policies

The fair value of this item is based on the cash value of the policy at year-end. The fair value was \$188,054 and \$194,995 for the years ended June 30, 2023 and 2022, respectively.

NOTE 8 BENEFICIAL INTEREST IN THIRD-PARTY TRUSTS

The University is the recipient of two trusts established by alumni. For 15 years, the University received the income from one trust, which was used for scholarships. During fiscal 2021, the trust terminated and the University received any remaining funds, and established an endowed scholarship. The University receives the income from the other trust to be used as scholarship money for a student from the University of Delaware. The University's interest in the fair value of this trust is recorded on the consolidated statements of financial position.

The University had recorded a \$152,944 and \$195,480 receivable with donor restrictions at June 30, 2023 and 2022, respectively.

NOTE 9 CONTRIBUTIONS RECEIVABLE

Included in contributions receivable at June 30 are the following unconditional promises:

	2023	2022
Unconditional Promises Expected within 1 Year	\$ 67,343	\$ 113,027
Unconditional Promises Expected		
Between 1 and 5 Years	50,167	78,342
Unconditional Promises Greater than 5 Years	4,000	1,000
Total	121,510	192,369
Less:		
Discount	(8,000)	(10,200)
Allowance for Uncollectibles	(32,300)	(36,600)
Total	\$ 81,210	\$ 145,569

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 GOVERNMENT LOANS TO STUDENTS

The University makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. At both June 30, 2023 and 2022, student loans represented approximately 7% of total assets.

At June 30, student loans consisted of the following:

	<u>2023</u>	<u>2022</u>
Federal Government Programs	\$ 8,857,528	\$ 9,167,140
Institutional Programs	590,525	42,660
Total	<u>9,448,053</u>	<u>9,209,800</u>
Less: Allowance for Doubtful Accounts	<u>(641,100)</u>	<u>(641,100)</u>
Total	<u>\$ 8,806,953</u>	<u>\$ 8,568,700</u>

The University participates in the federal revolving loan programs. The availability of funds for loans under the programs is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of \$10,840,578 and \$11,822,176 at June 30, 2023 and 2022, respectively, are ultimately refundable to the government, and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, the following amounts were past due under student loan programs:

	<u>2023</u>	<u>2022</u>
Less than 1 Year	\$ 51,674	\$ 114,689
Within 1 and 2 Years	25,986	15,459
Within 2 and 3 Years	8,766	14,691
Within 3 and 4 Years	28,157	44,568
Within 4 and 5 Years	5,049	2,928
Greater than 5 Years	<u>212,705</u>	<u>311,981</u>
Total	<u>\$ 332,337</u>	<u>\$ 504,316</u>

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Federal Perkins, Health Professions, and Loans for Disadvantaged Students programs are guaranteed by the federal government, with defaulted loans eligible for assignment/return and potential cancellation. The allowances for doubtful accounts reflect the possibility that some of the longstanding past-due accounts may not be accepted for cancellation.

**SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 11 LAND, BUILDINGS, FURNITURE, AND EQUIPMENT

Land, buildings, furniture, and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land and Land Improvements	\$ 4,017,568	\$ 4,017,568
Buildings and Building Improvements	62,209,337	59,444,282
Furniture and Equipment	24,730,728	23,231,438
Construction in Progress	1,679,635	2,399,443
Total	<u>92,637,268</u>	<u>89,092,731</u>
Less: Accumulated Depreciation	<u>(53,731,971)</u>	<u>(50,770,074)</u>
Total	<u>\$ 38,905,297</u>	<u>\$ 38,322,657</u>

Depreciation expense of \$2,961,896 and \$2,918,607 was recognized in the consolidated statements of activities for the years ended June 30, 2023 and 2022, respectively.

The University is comprised of five buildings on two campuses: the Oak Lane clinical campus – one building (the Eye Institute) and the Elkins Park academic campus – four buildings (Elkins Park West, South, Hafter Student Center, and the 8380 Office Park). These clinical, student, and academic facilities were financed with a combination of University assets and debt. The 8380 Office Park on the Elkins Park campus is leased to tenants for commercial use.

NOTE 12 LINE OF CREDIT

The University entered into a \$3,000,000 line of credit on July 25, 2019, which is set to expire on March 31, 2025. There were no amounts outstanding at June 30, 2023 and 2022. As of June 30, 2023 and 2022, the interest rate was set at the 30-day SOFR plus 2.5%, which was 7.60% and 3.59%, respectively.

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 13 LEASES

Operating Leases – Lessee

The University leases space for its program services under operating leases with the option to renew.

Lease Cost:	
Operating Lease Cost	\$ 132,947
Variable Lease Cost	23,664
Total Lease Cost	<u>\$ 156,611</u>
Other Information:	
Operating Cash Flows from Operating Leases	<u>\$ 122,657</u>
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 951,729
Weighted Average Remaining Lease Term	9 Years
Weighted Average Discount Rate	3.49%

Future minimum payments under operating leases as of June 30, 2023 were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 96,816
2025	96,816
2026	105,341
2027	103,254
2028	106,222
Thereafter	<u>461,605</u>
Total Lease Payments	970,054
Less Imputed Interest	<u>(142,471)</u>
Total Operating Lease Liability	<u>\$ 827,583</u>

Rental expense under operating lease agreements for the years ended June 30, 2023 and 2022, was \$221,712 and \$178,749, respectively.

Finance Leases – Lessee

The University has furniture and equipment leases that have been capitalized for financial reporting purposes and is included with Land, Buildings, Furniture and Equipment, Net on the consolidated statement of financial position. In 2017, the University entered into a finance lease financing agreement in the amount of \$2,223,999 for the purchase of ophthalmic equipment and furniture for the newly renovated clinical skills lab. As of June 30, 2023 and 2022, the University had finance lease obligations outstanding of \$346,077 and \$682,238, respectively. Net book value was \$351,555 and \$703,110 as of June 30, 2023 and 2022, respectively.

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 13 LEASES (CONTINUED)

Finance Leases – Lessee (Continued)

Other Information:

Amortization of Lease Assets Included in Depreciation Expense	\$ 351,555
Interest on Lease Liabilities Included in Interest Expense	15,393
Total Finance Lease Costs	<u>\$ 366,948</u>

Weighted Average Remaining Lease Term 1 Year

Future minimum payments under finance leases as of June 30, 2023 were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	<u>\$ 351,555</u>
Total Lease Payments	351,555
Less Imputed Interest	(5,478)
Total Finance Lease Liability	<u>\$ 346,077</u>

Operating Leases – Lessor

The University owns a four-story office building (8380 Office Park) adjacent to its academic facilities, which is leased to third parties. Rental income totaled \$973,931 and \$1,041,419 for the years ended June 30, 2023 and 2022, respectively, and was recorded in auxiliary enterprises on the consolidated statements of activities. A summary of future annual lease payments related to these office leases is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 952,454
2025	880,115
2026	845,388
2027	767,928
2028	767,928
Thereafter	1,636,584
Total	<u>\$ 5,850,397</u>

The University also leases office space to third parties in The Eye Institute. Rental income totaled \$234,747 and \$255,673 for the years ended June 30, 2023 and 2022, respectively, and was recorded in patient care revenue on the consolidated statements of activities. A summary of future annual lease payments related to The Eye Institute leases is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 200,737
2025	202,838
2026	204,981
2027	207,166
2028	17,279
Total	<u>\$ 833,001</u>

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 14 LONG-TERM DEBT

On July 15, 2016, the University issued North Penn Health, Hospital and Education Authority Fixed Rate Tax-Exempt Revenue Bonds, Series 2016A, in the original issue amount of \$14,425,000. The Series 2016A Bonds were used to retire a 2012 bank loan and to fund capital projects including the Learning Resource Center, Clinical Skills Lab, and other facilities improvements. On November 30, 2020, the University issued North Penn Health, Hospital and Education Authority Fixed Rate Revenue Bonds in the amount of \$13,969,732. The Series 2020 Bonds were issued to pay the outstanding principal of the Series 2016A Bonds.

The bonds require that the University maintain certain financial covenants. Management was not aware of any violations of the covenants for the year ended June 30, 2023.

Long-term debt at June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
North Penn Health Revenue Bonds, Series 2020	\$ 13,060,794	\$ 13,429,156
Unamortized Deferred Bond Costs	(95,759)	(108,527)
Total	<u>\$ 12,965,035</u>	<u>\$ 13,320,629</u>

Minimum scheduled payments on long-term debt at June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 374,520
2025	381,378
2026	388,365
2027	395,353
2028	402,474
Thereafter	11,118,704
Total	<u>\$ 13,060,794</u>

Interest expense for all borrowings for 2023 and 2022 was \$264,875 and \$296,941, respectively.

NOTE 15 DEFINED CONTRIBUTION PENSION PLAN

The University provides a defined contribution pension plan for all qualified employees. Total pension expense for the years ended June 30, 2023 and 2022, was \$2,430,350 and \$2,402,376, respectively.

SALUS UNIVERSITY AND ITS FOUNDATION
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NOTE 16 POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The University provides substantially all full-time employees hired before October 23, 2003 with postretirement benefits other than pensions, primarily medical and life insurance coverage. The University uses the accrual method of accounting for postretirement benefits based on actuarially determined costs to be recognized over the period the employee provides service to the University.

Reconciliation of Benefit Obligation, Plan Assets, and Funded Status

	<u>2023</u>	<u>2022</u>
Benefit Obligation - Beginning of Year	\$ 7,340,124	\$ 9,260,990
Service Cost	19,093	38,656
Interest Cost	305,317	220,678
Plan Participant Contributions	11,002	6,171
Actuarial Gain	(500,962)	(1,862,731)
Benefits Paid	(386,595)	(323,640)
Benefit Obligation - End of Year	<u>\$ 6,787,979</u>	<u>\$ 7,340,124</u>
Fair Value of Plan Assets - Beginning of Year	\$ -	\$ -
Employer Contribution	375,593	317,469
Plan Participant Contributions	11,002	6,171
Benefits Paid	(386,595)	(323,640)
Fair Value of Plan Assets - End of Year	<u>\$ -</u>	<u>\$ -</u>
Funded Status - Accrued Benefit Cost	<u>\$ (6,787,979)</u>	<u>\$ (7,340,124)</u>

Assumptions

Weighted-average assumptions used to determine benefit obligations as of year-end and net periodic benefit costs were:

	<u>2023</u>	<u>2022</u>
Discount Rate	4.85%	4.35%
Current Year Health Care Cost Trend Rate	7.25%	7.50%
Ultimate Health Care Cost Trend Rate	5.00%	5.00%
Years Until Ultimate is Reached	9	10
	<u>2023</u>	<u>2022</u>
Service Cost	\$ 19,093	\$ 38,656
Interest Cost	305,317	220,678
Net Periodic Postretirement Benefit Cost	<u>\$ 324,410</u>	<u>\$ 259,334</u>

Net Periodic Postretirement Benefit Cost

	<u>2023</u>	<u>2022</u>
Other Changes in Plan Assets and Benefit Obligations:		
Net Actuarial Gain	<u>\$ (500,962)</u>	<u>\$ (1,862,731)</u>
Total Amount Recognized in Nonoperating Gains, Other	<u>\$ (500,962)</u>	<u>\$ (1,862,731)</u>

**SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 16 POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity Analysis

The obligations are not significantly impacted by the health care cost trend assumption because current health care premiums are greater than or are approaching the University's maximum monthly payment and the health care cost trend assumption is greater than the 3% annual inflation factor that the University may apply to increase the maximum monthly payment.

Estimated Future Benefit Payments

The benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 456,538
2025	488,060
2026	521,113
2027	430,405
2028	502,353
2029 - 2033	2,461,799

Other

The estimated contributions for fiscal year 2024 are \$456,538.

NOTE 17 NET ASSETS

Net assets without donor restrictions include board-designated funds available for program and University support of \$47,116,577 and \$43,065,594 as of June 30, 2023 and 2022, respectively.

Net assets with donor restrictions consist of the following:

	<u>2023</u>	<u>2022</u>
Time or Purpose Restricted	\$ 2,076,564	\$ 1,867,857
Pledges	81,211	145,569
Beneficial Interest in Third-Party Trusts	152,944	195,480
Cash Surrender Value Life Insurance	188,054	194,995
Other	10,391	10,391
Endowment Funds:		
Unexpended Endowment Income	3,837,176	3,340,652
Donor-Restricted Endowment Funds	5,468,939	5,234,813
Total	<u>\$ 11,815,279</u>	<u>\$ 10,989,757</u>

SALUS UNIVERSITY AND ITS FOUNDATION
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JUNE 30, 2023 AND 2022

NOTE 18 FUNDRAISING EXPENSE

Fundraising expenses are those expenses incurred to induce donors to contribute to an organization. Included are all of the direct costs associated with and supporting the actual solicitation of contributions. Fundraising costs for the years ended June 30, 2023 and 2022, were \$738,834 and \$635,944, respectively.

NOTE 19 ENDOWMENTS

As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's endowment consists of a portfolio of actively managed funds established to provide both a source of operating funds as well as long-term financial stability. The endowment includes donor-restricted endowment funds and funds designated by the board of trustees to function as quasi-endowments, plus the following where the assets have been designated for endowment: pledges receivable, split-interest agreements, and other net assets.

Interpretation of Relevant Law

The University has interpreted Commonwealth of Pennsylvania Act 141 (Act 141) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to be maintained in perpetuity in the University's endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the "historic dollar value" of the endowed fund. The remaining portion of the donor-restricted endowment fund that is not to be maintained in perpetuity and is regarded as "net appreciation" is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the University's spending policy. The University considers the following factors in making a determination to appropriate or accumulate endowment funds.

- The duration and preservation of the fund,
- The mission of the University and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from investments,
- Other resources of the University, and
- The investment policy of the University.

**SALUS UNIVERSITY AND ITS FOUNDATION
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JUNE 30, 2023 AND 2022**

NOTE 19 ENDOWMENTS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the “historic dollar value.” The University’s interpretation of Act 141 allows for any deficiencies of this nature to be reported as reductions to the related net asset grouping. Deficiencies of this nature were \$27,764 on gifts of \$583,266 as of June 30, 2023. Deficiencies of this nature were \$85,210 on gifts of \$727,379 as of June 30, 2022.

Investment Policy

The University has adopted an investment policy that is intended to maintain the purchasing power of the endowment assets. Under this approach, as approved by the finance committee of the board of trustees, the University expects its endowment funds, over time, to provide an average annual real total return of at least 5.0% per year over a rolling five-year time period. Actual returns in any given year may vary from this amount. To satisfy as long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both current yield (interest and dividends) and capital appreciation (realized and unrealized). The University employs a professional investment management consultant to manage the investment portfolio. Different managers have been employed over the years and have included a wide range of investments, including alternative strategies. Alternative asset classes have historically demonstrated lower volatility on a stand-alone basis compared to traditional asset classes. Additionally, they have had low correlations, thus providing diversification benefits at the total fund level.

Endowment Spending Policy

The University’s spending policy is designed to stabilize annual spending levels and preserve the real value of the endowment over time. With regard to net assets with donor restrictions to be maintained in perpetuity, where the donor is silent on the annual draw amount, the board elected to adopt a 4% draw using the average market value of the funds for the trailing 12 quarters for both 2023 and 2022. The board elected to adopt the same 4% draw for board-designated quasi-endowment funds. The board approved a 4% draw for the upcoming June 30, 2024, fiscal year.

SALUS UNIVERSITY AND ITS FOUNDATION
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NOTE 19 ENDOWMENTS (CONTINUED)

Endowment Fund Activity

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets - June 30, 2021	\$ 47,873,580	\$ 9,534,330	\$ 57,407,910
Investment Return:			
Investment Income	642,536	156,885	799,421
Net Unrealized and Realized Losses	<u>(7,471,324)</u>	<u>(1,475,265)</u>	<u>(8,946,589)</u>
Net Investment Return	(6,828,788)	(1,318,380)	(8,147,168)
Contributions	-	574,092	574,092
Additional Board Support	3,000,000	-	3,000,000
Additional Program Support	(268,236)	-	(268,236)
Appropriation of Endowment Asset for Expenditure (Draw)	<u>(1,579,584)</u>	<u>(214,577)</u>	<u>(1,794,161)</u>
Net Assets - June 30, 2022	42,196,972	8,575,465	50,772,437
Investment Return:			
Investment Income	687,302	142,647	829,949
Net Unrealized and Realized Gains	<u>2,952,970</u>	<u>616,191</u>	<u>3,569,161</u>
Net Investment Return	3,640,272	758,838	4,399,110
Contributions	346,902	196,401	543,303
Additional Program Support	735,385	-	735,385
Appropriation of Endowment Asset for Expenditure (Draw)	<u>(1,720,308)</u>	<u>(224,589)</u>	<u>(1,944,897)</u>
Net Assets - June 30, 2023	<u>\$ 45,199,223</u>	<u>\$ 9,306,115</u>	<u>\$ 54,505,338</u>

SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 19 ENDOWMENTS (CONTINUED)

Endowment Fund Activity (Continued)

The University's endowment net assets were classified as follows as of June 30:

	Without Donor Restrictions	2023 With Donor Restrictions	Total
Unrestricted and Board-Designated Endowment Funds	\$ 45,199,223	\$ -	\$ 45,199,223
Donor-Restricted Endowment Funds:			
Time or Purpose Restrictions	-	3,837,176	3,837,176
Held in Perpetuity	-	5,468,939	5,468,939
Total	<u>\$ 45,199,223</u>	<u>\$ 9,306,115</u>	<u>\$ 54,505,338</u>
		2022	
	Without Donor Restrictions	With Donor Restrictions	Total
Unrestricted and Board-Designated Endowment Funds	\$ 42,196,972	\$ -	\$ 42,196,972
Donor-Restricted Endowment Funds:			
Time or Purpose Restrictions	-	3,340,652	3,340,652
Held in Perpetuity	-	5,234,813	5,234,813
Total	<u>\$ 42,196,972</u>	<u>\$ 8,575,465</u>	<u>\$ 50,772,437</u>

NOTE 20 COMMITMENTS AND CONTINGENCIES

The University is involved in litigation and regulatory investigations arising in the ordinary course of business. Based on the information currently available, in the opinion of management, all such matters are adequately covered by commercial insurance or by accruals, and if not so covered, are of such kind, or involve such amounts as would not have a material adverse effect on the financial position, changes in net assets, or cash flows of the University.

**SALUS UNIVERSITY AND ITS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 21 FUNCTIONAL EXPENSES

Expenses reported in the consolidated financial statements are classified among program services and management and general services for the year ended June 30, 2023 as follows:

	PROGRAM SERVICES						MANAGEMENT AND GENERAL SERVICES						
	Academic		Student	Research	Patient Care	Scholarships and Fellowships	Subtotal	Management and General	Institutional Advancement	Auxiliary	Foundation	Subtotal	Total
	Instruction	Support	Services										
Salaries and Benefits	\$ 19,817,598	\$ 2,182,295	\$ 2,487,102	\$ 434,897	\$ 4,099,221	\$ -	\$ 29,021,113	\$ 5,659,808	\$ 667,446	\$ -	\$ -	\$ 6,327,254	\$ 35,348,367
Services and Professional Fees	1,303,943	24,368	808,555	40,611	1,550,803	-	3,728,280	1,188,932	204,809	184,418	-	1,578,159	5,306,439
Supplies and Travel	551,759	51,276	146,230	30,510	473,582	-	1,253,357	201,708	59,973	10,092	-	271,773	1,525,130
Cost of Goods Sold	-	-	-	-	247,010	-	247,010	-	-	502,363	-	502,363	749,373
Rent	102,449	-	-	-	236,201	-	338,650	-	-	-	-	-	338,650
Insurance	-	-	-	-	295,596	-	295,596	273,209	-	31,700	-	304,909	600,505
Technology and Equipment	203,572	499,773	73,111	8,826	659,916	-	1,445,198	1,433,631	36,396	117,890	-	1,587,917	3,033,115
Other	(21,222)	41,367	147,380	108,612	156,487	-	432,624	390,222	128,282	328,233	17,436	864,173	1,296,797
Plant Operations - Facilities	1,108,300	216,660	178,689	140,873	290,109	-	1,934,631	846,243	-	115,869	-	962,112	2,896,743
Depreciation	976,064	159,575	130,319	125,000	561,170	-	1,952,128	707,447	-	302,321	-	1,009,768	2,961,896
Interest	98,952	21,989	18,241	12,494	27,764	-	179,440	98,202	-	-	-	98,202	277,642
Grants and Contributions	268,580	99,837	377,639	582,949	342,100	-	1,671,105	-	-	-	-	-	1,671,105
PA DHS Appropriation	-	-	-	-	-	-	-	1,000,080	-	-	-	1,000,080	1,000,080
COVID-19 Student Support	-	-	-	-	-	371,582	371,582	-	-	-	-	-	371,582
Total	<u>\$ 24,409,995</u>	<u>\$ 3,297,140</u>	<u>\$ 4,367,266</u>	<u>\$ 1,484,772</u>	<u>\$ 8,939,959</u>	<u>\$ 371,582</u>	<u>\$ 42,870,714</u>	<u>\$ 11,799,482</u>	<u>\$ 1,096,906</u>	<u>\$ 1,592,886</u>	<u>\$ 17,436</u>	<u>\$ 14,506,710</u>	<u>\$ 57,377,424</u>

Expenses reported in the consolidated financial statements are classified among program services and management and general services for the year ended June 30, 2022 as follows:

	PROGRAM SERVICES						MANAGEMENT AND GENERAL SERVICES						
	Academic		Student	Research	Patient Care	Scholarships and Fellowships	Subtotal	Management and General	Institutional Advancement	Auxiliary	Foundation	Subtotal	Total
	Instruction	Support	Services										
Salaries and Benefits	\$ 19,054,852	\$ 1,952,302	\$ 2,318,633	\$ 460,685	\$ 3,456,181	\$ -	\$ 27,242,653	\$ 5,147,009	\$ 684,610	\$ -	\$ -	\$ 5,831,619	\$ 33,074,272
Services and Professional Fees	1,214,448	47,219	806,866	56,861	1,427,708	-	3,553,102	851,947	128,782	175,128	-	1,155,857	4,708,959
Supplies and Travel	369,245	11,324	138,957	22,741	445,311	-	987,578	(29,008)	18,218	12,089	-	1,299	988,877
Cost of Goods Sold	-	-	-	-	332,576	-	332,576	-	-	-	-	-	332,576
Rent	-	-	-	-	87,792	-	87,792	-	-	-	-	-	87,792
Insurance	-	-	-	-	273,180	-	273,180	200,632	-	33,504	-	234,136	507,316
Technology and Equipment	79,493	559,175	40,341	39,281	730,244	-	1,448,534	1,318,322	26,843	114,795	-	1,459,960	2,908,494
Other	41,286	21,189	(43,404)	(173,640)	137,347	-	(17,222)	274,457	110,345	286,314	34,617	705,733	688,511
Tuition and Trainee Stipends	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant Operations - Facilities	1,236,035	246,871	198,419	148,759	442,784	-	2,272,868	843,148	-	105,206	-	948,354	3,221,222
Depreciation	945,959	171,274	137,019	126,479	587,601	-	1,968,332	666,650	-	283,625	-	950,275	2,918,607
Interest	108,150	27,316	22,020	13,937	30,971	-	202,394	107,314	-	-	-	107,314	309,708
Grants and Contributions	396,144	77,652	344,478	526,135	292,448	-	1,636,857	364,583	-	-	-	364,583	2,001,440
COVID-19 Student Support	-	-	-	-	-	1,041,765	1,041,765	-	-	-	-	-	1,041,765
Total	<u>\$ 23,445,612</u>	<u>\$ 3,114,322</u>	<u>\$ 3,963,329</u>	<u>\$ 1,221,238</u>	<u>\$ 8,244,143</u>	<u>\$ 1,041,765</u>	<u>\$ 41,030,409</u>	<u>\$ 9,745,054</u>	<u>\$ 968,798</u>	<u>\$ 1,010,661</u>	<u>\$ 34,617</u>	<u>\$ 11,759,130</u>	<u>\$ 52,789,539</u>