SAINT LOUIS UNIVERSITY

Consolidated Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

SAINT LOUIS UNIVERSITY™

EST. 1818

KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

Independent Auditors' Report

The Board of Trustees
Saint Louis University:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Saint Louis University (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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, 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 the consolidated financial statements are 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

St. Louis, Missouri
October 23, 2023

SAINT LOUIS UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30,

(000's Omitted)

	2023	2022
Assets:		
Cash and cash equivalents	$ 111,804	$ 131,286
Accounts receivable, net	115,303	158,118
Prepaid expenses	9,096	6,197
Assets held for sale	2,453	168,064
Investments	1,761,469	1,351,238
Notes receivable	69,443	25,374
Unexpended bond proceeds	-	18,575
Funds held by trustees	63,359	76,305
Land, buildings, and equipment, net	728,833	712,701
Right of use assets - operating leases	2,183	2,796
Other assets, net	21,461	20,755
Total assets	$ 2,885,404	$ 2,671,409
Liabilities and Net Assets:		
Liabilities:		
Accounts payable	$ 32,317	$ 36,375
Accrued payroll and benefits	25,791	52,600
Deposits and deferred revenues	47,862	39,492
Liabilities held for sale	-	51,223
Other accrued liabilities	51,656	70,957
Lease liabilities - operating	403	734
Notes and bonds payable	472,223	493,083
U.S. government refundable grants	10,331	14,005
Total liabilities	640,583	758,469
Net assets:		
Without donor restrictions	1,556,755	1,244,902
With donor restrictions	688,066	668,038
Total net assets	2,244,821	1,912,940
Total liabilities and net assets	$ 2,885,404	$ 2,671,409

See Accompanying Notes to the Consolidated Financial Statements.

SAINT LOUIS UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(000's omitted)

	Without Donor Restrictions	With Donor Restrictions	2023 Total
Operating revenues and other support:			
Education and related activities:			
Tuition and fees	$ 280,402		$ 280,402
Government grants and contracts	48,758		48,758
Contributions and private grants	51,174	$ 5,513	56,687
Investment return designated for operations	83,366		83,366
Auxiliary enterprises	61,633		61,633
Other	50,464		50,464
Total education and related activities	575,797	5,513	581,310
Healthcare services revenue	53,775		53,775
Gain on Sale of SLU*Care*	249,258		249,258
Net assets released from restrictions	15,364	(15,364)	—
Total operating revenues and other support	894,194	(9,851)	884,343
Operating expenses:			
Salaries and benefits	376,296		376,296
Supplies, repairs, utilities, and other expenses	200,521		200,521
Depreciation and amortization	43,837		43,837
Interest expense	19,618		19,618
Total operating expenses	640,272	—	640,272
Net operating results	253,922	(9,851)	244,071
Nonoperating activities:			
Investment return net of amounts designated for operations	58,621	22,743	81,364
Nonoperating contributions and private grants	—	4,350	4,350
Other, net	(690)	2,786	2,096
Total nonoperating activities, net	57,931	29,879	87,810
Change in net assets	311,853	20,028	331,881
Net assets at beginning of year	1,244,902	668,038	1,912,940
Net assets at end of year	$ 1,556,755	$ 688,066	$ 2,244,821

See Accompanying Notes to the Consolidated Financial Statements.

SAINT LOUIS UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(000's omitted)

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Operating revenues and other support:			
Education and related activities:			
Tuition and fees	$ 269,660		$ 269,660
Government grants and contracts	52,545		52,545
Contributions and private grants	36,549	$ 95,320	131,869
Investment return designated for operations	64,983		64,983
Auxiliary enterprises	60,933		60,933
Other	30,982		30,982
Total education and related activities	515,652	95,320	610,972
Healthcare services revenue	427,628		427,628
Net assets released from restrictions	3,941	(3,941)	—
Total operating revenues and other support	947,221	91,379	1,038,600
Operating expenses:			
Salaries and benefits	618,797		618,797
Supplies, repairs, utilities, and other expenses	251,745		251,745
Depreciation and amortization	48,633		48,633
Interest expense	22,137		22,137
Total operating expenses	941,312	—	941,312
Net operating results	5,909	91,379	97,288
Nonoperating activities:			
Investment return net of amounts designated for operations	(110,480)	(67,130)	(177,610)
Nonoperating contributions and private grants	—	13,267	13,267
Other, net	(4,155)	(3,991)	(8,146)
Total nonoperating activities, net	(114,635)	(57,854)	(172,489)
Change in net assets	(108,726)	33,525	(75,201)
Net assets at beginning of year	1,353,628	634,513	1,988,141
Net assets at end of year	$ 1,244,902	$ 668,038	$ 1,912,940

See Accompanying Notes to the Consolidated Financial Statements.

SAINT LOUIS UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30,
(000's Omitted)

	2023	2022
Net cash flows from operating activities:		
Increase / (decrease) in net assets	$ 331,881	$ (75,201)
Adjustments to reconcile change in net assets:		
Net (gains) on disposition of property and equipment	(4,675)	(3,509)
Net (gains) on disposition of SLU*Care*	(249,258)	-
Depreciation and amortization	43,837	48,633
Decrease in accounts receivable, net	37,375	17,348
Increase / (decrease) in accounts payable	(6,493)	3,872
(Decrease) in accrued payroll and benefits	(18,343)	(10,408)
(Decrease) / increase in deposits and deferred revenues	10,870	(11,235)
(Decrease) / increase in other accrued liabilities	(12,000)	1,275
Increase / (decrease) in other assets	(376)	545
Other changes in assets and liabilities	(8,223)	3,439
Contributions restricted for permanent endowment	(9,252)	(13,267)
Contributions restricted for acquisitions of property and equipment	(8,592)	(18,390)
Investment income restricted for long-term investment	(2,040)	(179)
Net (gains) / losses on long-term investments	(133,426)	134,056
Net (gains) / losses on assets held by trustees	(216)	7,365
Net cash (used in) / provided by operating activities	(28,931)	84,344
Net cash flows from investing activities:		
Proceeds from sales and maturities of investments	1,101,007	697,530
Purchase of investments	(1,385,632)	(674,118)
Proceeds from disposition of property and equipment	10,518	-
Proceeds from disposition of SLU*Care*	316,156	5,068
Decrease in unexpended bond procceds	18,575	306
(Increase) / decrease in assets held by trustees, excluding net gains and losses	4,696	-
Purchase of property and equipment	(55,727)	(37,187)
Net cash provided by / (used in) investing activities	9,593	(8,401)
Net cash flows from financing activities:		
Issuance of notes receivable	(284)	(682)
Payments on notes receivable	1,607	2,723
Repayment on line of credit	-	(20,000)
Payments on notes and bonds payable	(20,689)	(13,555)
Payments on long-term finance leases	-	(303)
Decrease in cash overdrafts	(1,025)	(3,896)
Contributions restricted for permanent endowment	10,219	12,964
Contributions restricted for acquisitions of property and equipment	7,800	5,152
Investment income restricted for long-term investment	2,040	179
Net cash used in financing activities	(332)	(17,418)
Net (decrease) / increase in cash, cash equivalents and restricted cash	(19,670)	58,525
Cash, cash equivalents and restricted cash, beginning of year	132,816	74,291
Cash, cash equivalents and restricted cash, end of year	$ 113,146	$ 132,816

See Accompanying Notes to the Consolidated Financial Statements.

SAINT LOUIS UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30,

(000's Omitted)

		2023		2022
Supplemental data:				
Interest paid	$	19,538	$	22,214
Capital assets acquired through accounts payable		3,460		1,932
Operating cash flows from operating leases		(262)		(4,380)
Operating cash flows from financing leases		-		(1,535)
Gifts received in the form of stock		1,084		71,682
Cash and cash equivalents balance per Statement of Financial Position		111,804		131,286
Restricted cash included in Investments		1,342		1,530
Cash, cash equivalents and restricted cash, end of year	$	113,146	$	132,816

See Accompanying Notes to the Consolidated Financial Statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Saint Louis University (the University) was founded in 1818. The University is a coeducational institution offering undergraduate and graduate programs in a variety of curricula. Professional degree programs include medicine, law, business, social work, allied health, nursing, and advanced dentistry.

In addition to its higher education mission, the University devoted substantial resources, facilities, and personnel to providing healthcare services at participating locations in conjunction with the academic programs offered by the University. Until July 1, 2022, the University operated medical practices staffed by the faculty of the University's School of Medicine. The members of the faculty of the School of Medicine who provided medical services were referred to as SLUC*are*. As described in note 13, the University entered into an agreement with SSM Health Care Corporation, SSM Health Care St. Louis, SSM Health Care Group (SSM) for SSM to assume ownership of SLU*Care* effective July 1, 2022. See additional background in note 13.

(b) Presentation of Consolidated Financial Statements

The University's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (U.S. GAAP). The consolidated financial statements include, after elimination of all significant intercompany transactions, the accounts of Saint Louis University, SLUC*are* (through July 1, 2022, the date ownership transferred to SSM), Saint Louis University in Spain, and SLU Blocker.

(c) Tax Exempt Status

The University is generally exempt from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code).

The University recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The University has no uncertain tax positions that result in material unrecognized tax benefits as of June 30, 2023 and 2022.

(d) Measure of Operations

Net operating results (change in net assets without donor restrictions from operating activity) in the Consolidated Statements of Activities reflect all transactions that change net assets without donor restrictions, except for activity associated with consolidated endowment investments, gain or loss on swap agreements and certain other nonrecurring items. In accordance with the University's endowment spending policy, as described in note 9, only the portion of total investment return distributed under this policy to meet operating needs is included in operating revenue.

(e) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) Tuition and Fee Revenue

The University recognizes revenue from student tuition and fees within the fiscal year in which the academic term is predominantly conducted. Tuition and fees are reported net of scholarship allowances as these are considered a reduction of the tuition transaction price. A scholarship allowance represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Scholarship allowances were $253.9 million and $232.8 million for the years ended June 30, 2023 and 2022, respectively. Students who withdraw from a course or from the University within the first two weeks receive a full refund which is deducted from tuition revenue. Deposits and deferred revenues include advance tuition deposits and amounts billed to students for future years.

Net tuition and fees revenue consisted of the following at June 30:

		2023		2022
		(000's omitted)		
Undergraduate	$	156,695	$	157,871
Graduate		116,282		105,032
Other		7,425		6,757
Total	$	280,402	$	269,660

(g) Contributions

Contributions, including unconditional promises to give, are reported at fair value at the date the promise or gift is received. A promise to give is conditional based on whether the agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets must be determinable. A conditional promise to give becomes an unconditional promise to give when the barriers in the agreement are overcome and is then reported at fair value. The gifts are reported as increases in net assets without donor restrictions, unless there are donor-imposed purposes, or time restrictions. When a donor restriction expires, net assets are released to net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying consolidated financial statements. The University reports expirations of donor restrictions on donated, acquired, or constructed long lived assets when the assets are placed in service.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts, as well as changes in the allowance for doubtful accounts for the gifts are included in contributions and private grants revenue. The University does not recognize conditional promises with right of return until the condition is met.

For the years ended 2023 and 2022, the University received non-financial contributions of $3.1 million and $0.6 million, respectively. These gifts are included in contributions and private grants revenue.

(h) Sponsored Awards

The University receives sponsored program awards from various governmental and other sponsors. These agreements generally are considered non exchange transactions restricted by sponsors for certain purposes and are recognized as revenue when qualifying expenses are incurred and conditions under the agreements are met. Such revenues are recorded as either government grants and contracts or contributions and private grants. Conditional awards from governmental and other sponsors not yet recognized was $86.1 million as of June 30, 2023.

(i) Auxiliary Enterprises Revenue

Auxiliary enterprises consist of revenues of the University's residence halls, meal services, parking services, arena events, and miscellaneous. Room and board revenue included in this category was $44.5 million and $44.2 million for the years ended 2023 and 2022, respectively, and is recognized when performance obligations are met. The remaining revenue is recognized when the service is provided or when the event occurs. Discounts given to target upper classmen to live on campus of $0.7 million and $1.6 million for the years ended 2023 and 2022, respectively, are included as a reduction to the transaction price for auxiliary enterprises.

(j) Healthcare services revenue

Healthcare services revenue includes clinical as well as contract revenue for patient services related to clinical, administrative and graduate medical education with various partners. SLU*Care*, until ownership transferred to SSM effective July 1, 2022, represented the primary source of this revenue.

Healthcare services revenue is reported at the amount that reflects the consideration to which SLUC*are* expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (managed care and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. Performance obligations satisfied over time relate to inpatient acute care services. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and SLU*Care* does not believe it is required to provide additional goods or services to the patient.

SLU*Care* determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with SLU*Care's* policy, and/or implicit price concessions provided to uninsured patients. Estimates of contractual adjustments and discounts are based on contractual agreements, its discount policy (or policies), and historical experience. SLU*Care* determines its estimate of implicit price concessions are based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. Physician services are paid based upon established fee schedules.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge SLU*Care's* compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon SLU*Care*. In addition, contracts with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available) or as years are settled and are no longer subject to such audits, reviews, and investigations. During the years ended June 2023 and 2022, changes to prior year variable consideration resulted in an immaterial change in net patient service revenue from successful appeals, cost report settlements, and other adjustments to prior year.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. SLU*Care* estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

SLU*Care* provides care to patients regardless of their ability to pay. Therefore, SLU*Care* has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts SLU*Care* expects to collect based on its collection history with those patients.

Patients who meet SLU*Care* criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Patient service revenue net of all price concessions, implicit or explicit as of June 30:

	2023	2022
Medicare and Medicaid	$ —	$ 85,573
Managed care	—	71,976
Commerical and other	—	12,180
Self-pay	—	13,435
Total	$ —	$ 183,164

Healthcare service revenue recognized in the period by type of service and source is as follows as of June 30:

	2023	2022
	(000's omitted)	
Inpatient	$ —	$ 52,398
Outpatient/ambulatory	—	130,766
Net patient service revenue	—	183,164
Contract Revenue	—	195,528
Graduate Medical Education	53,775	48,936
Total healthcare service revenue (net of contractual allowances and discounts)	$ 53,775	$ 427,628

As ownership of SLU*Care* transferred to SSM effective July 1, 2022, the University did not earn net patient service revenue for the year ended June 30, 2023.

The current reimbursement model for physician practice is not impacted by service location for the majority of payors. SLU*Care* grants credit without collateral to its patients, most of whom are residents in the communities that it serves and are insured under third-party payor agreements. The mix of net patient accounts receivable by major payor consists of the following as of June 30:

	2023	2022
Medicare and Medicaid	— %	48
Managed care	—	30
Self-pay	49	12
Commerical and other	51	10
Total	100 %	100

Two managed care payors accounted for approximately 24.4% of net patient service revenue in 2022. Amounts due from these two managed care payors accounted for approximately 17.2% of net patient accounts receivable at June 30, 2022.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and temporary investments purchased with an initial maturity of three months or less. Cash and cash equivalents representing assets of endowment and similar funds are accounted for as investments and unexpended bond proceeds in the Consolidated Statements of Financial Position.

The University has $1.3 million and $1.5 million of restricted cash as of June 30, 2023 and 2022, respectively. This cash is from donations to the University and is awaiting investment at the Bank of New York. It is recorded as investments on the Consolidated Statements of Financial Position.

(l) Accounts Receivable, Net

Accounts receivable, net are stated at estimated net realizable amounts. Accounts receivable, net were composed of the following as of June 30:

		2023		2022
		(000's omitted)		
Healthcare services	$	14,465	$	57,834
Pledges, discounted (see table below)		27,048		35,666
Government/private grants		30,423		30,250
Student accounts		22,132		20,421
Anticipated insurance recoveries		2,313		2,578
Other		18,922		11,369
Total	$	115,303	$	158,118

As of June 30, the maturities of pledges were distributed as follows:

		2023		2022
Pledges scheduled to be collected in		(000's omitted)		
Less than one year	$	13,562	$	19,031
Between one year and five years		16,904		20,139
More than five years		1,846		2,769
Less: discount (rates range from 2.7% - 8.0%)		(1,727)		(2,170)
Pledges, discounted		30,585		39,769
Less: allowance for doubtful accounts		(3,537)		(4,103)
Total pledges	$	27,048	$	35,666

(m) Allowance for Doubtful Accounts

Patient care, student receivables and government grants are reduced by an allowance for doubtful accounts. The University evaluates the collectability of accounts receivable through historical trend analysis by major payor source. The University has not changed its charity care or uninsured discount policies during the years ended 2023 or 2022.

Bad debt expense was as follows June 30:

		2023		2022
		(000's omitted)		
Healthcare services	$	—	$	13,877
Student		3,810		1,587
Government Grants		—		1,200
Total	$	3,810	$	15,464

(n) Investments

Investments in equity securities, investments in debt securities, unexpended bond proceeds, and funds held by trustees, are reported at fair value. Absent a readily determinable fair value (RDFV), alternative investments are valued using per share net asset value (NAV) provided by external investment managers as a practical expedient in determining fair value. Because alternative investments may not be readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for the investments existed.

Alternative investments include certain amounts recorded as part of fixed maturity securities, equity securities, real estate investments/commodities, private equity/venture capital, and hedge funds.

(o) Derivative Financial Instruments

The derivative instruments held by the University (as discussed in notes 4 and 6) are recorded at fair value and included within other accrued liabilities. Gains and losses from changes in derivative fair values are recognized in the nonoperating investment return component of the Consolidated Statements of Activities.

(p) Notes Receivable

Notes receivable consisted of the following as of June 30:

	2023	2022
	(000's omitted)	
Federal government programs	$ 6,130	$ 8,464
Institutional programs	674	1,887
Student notes receivable, net	6,804	10,351
Construction loan	15,000	15,000
SSM promissory note	47,639	—
Other	—	23
Notes receivable	$ 69,443	$ 25,374

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Such notes receivable include federally-mandated repayment terms and interest rates ranging from 3% to 9%.

The University participates in the Perkins Federal Revolving Loan Program, Federal Primary Care Loan program, and Federal Nursing Student Loan program. 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 are ultimately refundable to the government and are classified as liabilities in the Consolidated Statements of Financial Position. Funds advanced were $10.3 million and $14.0 million as of June 30, 2023 and 2022, respectively.

As of June 30, 2023 and 2022, no reserves were recorded for the institutional program student loans. The federal government guarantees Perkins loans. Therefore, no reserves are taken on any past due balances under the program.

In 2019, the University entered into a construction loan agreement to aid in the construction of a 15-acre complex that offers food, retail, and entertainment. The loan has a maturity date of June 2030 or earlier based on certain events as stipulated in the agreement.

As described in note 13, the University entered into a promissory note with SSM effective July 1, 2022.

(q) Unexpended Bond Proceeds

Unexpended bond proceeds represent the amount of unspent revenue bond proceeds that remain available for their specific purpose and are reported at fair value based upon market quotes. These amounts are maintained in a trust and invested by the trustee in money market funds that invest in short-term U.S. Treasury securities. Under the terms of the trust, proceeds are not released to the University until expenditures related to the specific purpose of the bond indenture are incurred.

(r) Lease Assets and Liabilities

The University has operating leases primarily for campus facilities, student housing and office space. Variable leases payments based on an index or rate, such as consumer price index, are initially measured using the index or rate in effect at lease commencement. The University has elected the short-term lease exception for all leases and as such, leases with an initial term of 12 months or less are not recorded on the Consolidated Statement of Financial Position. The University recognizes leases expense for short-term leases on a straight-line basis over the lease term.

Operating right of use assets, primarily for various office leases, were $2.2 million and $2.8 million as of June 30, 2023 and 2022, respectively. Operating lease liabilities, primarily for various office leases, were $0.4 million and $0.7 million as of June 30, 2023 and 2022, respectively.

On March 17, 2020, the University entered into a lease with SSM to utilize a portion of their new Ambulatory Care Center. Due to the length of the lease (30 years) and the fact the present value is approximately equal to the net present value of the future lease payments, the lease is considered a financing lease. As a result, the right to use asset and lease liability of $31.2 million was recorded. The first payment on the lease was due August 31, 2020, and the University began recognizing expense in fiscal year 2022. In conjunction with the sale of SLUC*are* described in note 13, on July 1, 2022, this lease was assigned to SSM. No payment under this lease will be made by the University in future periods and the right of use asset and related lease liability is included in Assets Held for Sale and Liabilities Held for Sale as of June 30, 2022, in the Consolidated Statements of Financial Position. See note 13 for further information on Assets and Liabilities Held for Sale.

(s) Other Assets, Net

Other assets were composed of the following as of June 30:

	2023	2022
	(000's omitted)	
Collections of art	14,122	13,955
Cortex investment	5,226	4,873
Insurance policies	1,426	1,305
Inventories	541	372
Real estate	21	21
All other	125	229
Other assets	$ 21,461	$ 20,755

Collections of art are capitalized at cost if purchased, or at the fair market value at the date of the gift if contributed. None of the above assets are depreciated, but are subject to impairment review. The University generally displays artwork received. There have been no disposals from the collection in 2023 or 2022.

(t) Deposits and Deferred Revenue

Deposits and deferred revenue were composed of the following as of June 30:

	2023	2022
	(000's omitted)	
Student charges	$ 22,853	$ 23,408
Conditional grants	12,371	8,782
Arena	1,505	694
Insurance	5,344	—
Other	5,789	6,608
Deposits and deferred revenue	$ 47,862	$ 39,492

Student charges primarily represent fall medical school tuition and fees, and a portion of the summer session. Student charges and grants revenue is recognized as the performance obligation is satisfied. The Arena deposits on ticket revenue are recognized when the event takes place. Other includes various vendor agreements where revenue is recognized over the contract as obligations are fulfilled.

(u) Other Accrued Liabilities

Other accrued liabilities were composed of the following as of June 30:

		2023		2022
		(000's omitted)		
Fair value of derivative instruments (see note 4)	$	6,151	$	13,783
Actuarial estimated medical malpractice liability		29,946		40,723
Split-interest obligations		7,395		8,517
Asset retirement obligations (see note 5)		7,268		6,988
Other		896		946
Other accrued liabilities	$	51,656	$	70,957

(v) U.S. Government Refundable Grants

U.S. Government refundable grants consist of funds advanced by the federal government on the condition that the University administer various campus based student loan programs in compliance with federal regulations. Under certain conditions, the funds must be returned to the federal government. Accordingly, they are classified as liabilities in the Consolidated Statements of Financial Position.

(w) Net Assets

(i) Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use in general operations and are either not subject to donor-imposed restrictions, or have satisfied the donor-imposed restriction.

(ii) Net Assets With Donor Restrictions

Net assets with donor restrictions are those subject to donor-imposed restrictions. Donor-imposed restrictions may be temporary in nature, such as those that are limited for a specific period of time or a specific purpose. This category also includes donor-imposed restrictions that are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The income earned on such assets may be used to support the operations of a specific program or may be added back to the corpus, dependent upon the donor restrictions.

(x) Foreign Currency Translation

The process of translating the University's Spanish campus financial statements from euros to U.S. dollars results in currency translation adjustments due to fluctuations in the exchange rate. The cumulative change in assets without donor restrictions related to foreign currency translation adjustments was $(5.4) million and $(5.9) million as of June 30, 2023 and 2022, respectively.

(y) New Accounting Pronouncements

The University did not adopt any new accounting pronouncements during fiscal year ended June 30, 2023.

During 2022, The University adopted ASU 2020-07, *Presentation and Disclosure by Not for Profits for Contributed Nonfinancial Asset,* which required minor disclosure changes. The University also adopted ASU 2021-01 *Clarifying Interactions Between topic 321, Topic 323 and Topic 815* which had little to no impact to financial disclosures.

(z) Reclassification

Certain amounts in the 2022 consolidated financial statements have been reclassed to conform to the 2023 presentation.

(2) Financial Assets and Liquidity Resources

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	2023	2022
	(000's omitted)	
Cash and cash equivalents	$ 111,804	$ 131,286
Investments	1,761,469	1,351,238
Notes Receivable	69,443	25,374
Accounts receivable, net	115,303	158,118
Total	2,058,019	1,666,016
Less those unavailable for general expenditures within one year:		
Receivables scheduled to be collected in more than one year	(17,023)	(20,738)
Notes Receivable scheduled to be collected in more than one year	(45,276)	(25,374)
Contractual or donor-imposed restrictions:		
Endowment funds	(1,605,716)	(1,231,455)
Other donor restrictions with time or purpose restrictions	(75,745)	(77,076)
Investments held in charitable remainder trusts	(10,162)	(11,841)
Financial assets available to meet cash needs for general expenditures within one year	$ 304,097	$ 299,532

In addition to the University's cash and cash equivalents, short-term investments are used to cover season flucuations in cash flow due to the timing of the student billing cycle. At June 30, 2023, the University also has lines of credit of $79.3 million available if needed (see note 6).

(3) Investments

Investments were composed of the following:

	June 30	
	2023	2022
	(000's omitted)	
Cash and cash equivalents	$ 29,662	$ 23,434
Fixed maturity securities	232,012	173,463
Equity securities	1,041,928	703,382
Real estate securities	97,810	109,508
Real assets – commodities	73,994	80,419
Private equity/venture capital	285,606	260,293
Hedge funds	457	739
Total investments	$ 1,761,469	$ 1,351,238

The University designates only a portion of its cumulative investment return for support of current operations; the remainder is reinvested to support operations of future years. The amount computed under the spending policy for pooled long-term investments and certain investment income earned by investing cash in excess of daily requirements are used to support current operations. These amounts are recorded within Education and Related Activities operating revenue in the Consolidated Statement of Activities. Earnings on investments for which related purpose restrictions are met in the year earned are recorded as net assets without donor restrictions. Earnings on endowment net assets appropriated for current year expenditure are also recorded as net assets without donor restrictions.

Under the terms of certain limited partnership agreements, the University is obligated to periodically advance additional funding for private equity/venture capital and real estate investments. The University had commitments of approximately:

	June 30 2023	June 30 2022
	(000's omitted)	
Private equity/venture capital	$ 202,652	$ 207,633
Real asset/real estate	89,413	92,301
Total uncalled capital calls	$ 292,065	$ 299,934

Such commitments generally have fixed expiration dates or other termination clauses. The University maintains sufficient liquidity in its investment portfolio to cover such calls.

The following schedules summarize the investment return/(loss) net of amounts designated for current operations, and its classification in the Consolidated Statements of Activities excluding investments in irrevocable trusts that are included in funds held by trustees:

	Year ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
		(000's omitted)	
Dividends and interest	$ 26,980	$ 2,041	$ 29,021
Net realized and unrealized gains	105,092	20,702	125,794
Total return on investments	132,072	22,743	154,815
Unrealized gains on interest rate swap agreements, net	7,632	—	7,632
Cumulative investment return designated for current operations	(81,083)	—	(81,083)
Investment return (loss) net of amounts designated for current operations	$ 58,621	$ 22,743	$ 81,364

	Year ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
		(000's omitted)	
Dividends and interest	$ 19,594	$ 179	$ 19,773
Net realized and unrealized gains	(84,324)	(67,309)	(151,633)
Total return on investments	(64,730)	(67,130)	(131,860)
Unrealized gains on interest rate swap agreements, net	17,576	—	17,576
Cumulative investment return designated for current operations	(63,326)	—	(63,326)
Investment return (loss) net of amounts designated for current operations	$ (110,480)	$ (67,130)	$ (177,610)

The total (loss)/return on investments includes custodial and management fees of $15.9 and $21.8 million for the years ended June 30, 2023 and 2022, respectively.

The University invests in various securities. These securities are exposed to various risks including interest rate, market, and credit risks. Due to these risks, it is reasonably possible that changes in value could occur in the near term. Such changes could materially affect amounts reported in the Consolidated Statements of Financial Position.

(4) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The University follows this guidance in establishing a fair value hierarchy that prioritizes the inputs to valuation techniques 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 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). Three levels of inputs that may be used to measure fair value are as follows:

Level 1 includes observable inputs such as quoted prices in active markets that the University has the ability to access at the measurement date.

Level 2 includes inputs such as 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 includes unobservable inputs in cases where there is little or no market data. This requires the reporting entity to develop its own assumptions.

Management determines the University's valuation policies by utilizing information provided by investment advisors, third party pricing sources, and custodians. Management substantiates the reasonableness of third party pricing data through review of methods, assumptions, recently executed transactions, existing contracts, economic conditions, industry and market developments, and overall credit ratings.

The following discussion describes the valuation methodologies used for financial instruments measured at fair value. Additional information regarding valuation methodologies is included within other notes to the consolidated financial statements. The techniques utilized in estimating the fair values are affected by the assumptions used. Care should be exercised in deriving conclusions about the University's value or financial position based on the fair value information of financial instruments presented below. There have been no changes in the valuation methodologies used as of June 30, 2023 and 2022.

Fair market values of cash and cash equivalents are based on a share value price provided by the financial institution.

Fair values of fixed maturity securities and debt, excluding alternative investments, are based on prices provided by the University's investment managers and custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. These sources may include yields currently available on comparable securities of issuers with similar credit ratings, dealer -supplied prices or by discounting future principal and interest payments at prevailing interest rates. The fair value of holdings of mutual funds, common collective trusts and commingled funds are determined by reference to the funds' underlying assets, which are principally marketable fixed income securities with quotes on national exchanges.

Fair values of equity securities, excluding alternative investments and funds held by trustees are based on quoted market prices on national exchanges. To the extent that quoted market prices are not readily available, fair value may be determined based on broker or dealer quotations or alternate pricing sources with reasonable levels of price transparency.

Alternative investments include certain amounts recorded as part of fixed maturity securities, equity securities, private equity/venture capital, hedge funds, and real estate investments/commodities. The strategy of such alternative investments is as follows:

- Alternative investments in fixed maturity securities maintain a strategy to invest in a diversified portfolio of marketable bonds, and other bond-like securities designed to add value and diversify risk.
- Alternative investments in equity securities maintain a strategy to invest in both domestic and international marketable securities that offer the potential for investment return and diversify risk.
- Alternative investments in private equity/venture capital funds are longer-lived, and include an overall investment strategy designed to enhance return and diversify risk through investing in limited partnership interests and nonmarketable operating companies. Investment in such entities cannot be redeemed, yet the University receives distributions through the liquidation of the underlying assets of the fund.
- Alternative investments in hedge funds include allocations to diversify investment strategies, which include both marketable and nonmarketable securities, and include an overall investment strategy designed to enhance return, diversify risk and dampen volatility by management of the hedge funds having the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.
- Alternative investments in real estate include an overall investment strategy designed to enhance return and to diversify risk within the investment portfolio by investing in the form of limited partnerships in operating companies that invest in global real estate. This category also includes investments in commodities, which provide a hedge against inflation.

- Alternative investments in real assets – commodities have an overall investment strategy designed to enhance return and diversify risk within the investment portfolio by investing in liquid instruments of a wide array of commodity investments, which provide a hedge against inflation.

Absent a RDFV, alternative investments are valued using NAVs provided by external investment managers as a practical expedient in determining fair value. NAVs provided by external investment managers include estimates, appraisals, assumptions, and methods that are reviewed by management. It is possible that the redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the NAV of the funds and, consequently, the fair value of the University's interests in the funds.

Unexpended bond proceeds are invested in various securities based on expected risk, returns and maturities that mirror the anticipated timing of construction project payment needs. Fair values of unexpended bond proceeds securities are based on prices provided by the trustee bank. Unexpended bond proceeds include cash equivalents and fixed income securities where their fair values are based on observable market quotation prices. The trustee bank uses a variety of pricing sources to determine market valuations of fixed maturity securities. The specific pricing services or indexes for each sector of the market are based upon the provider's expertise. The fixed maturity securities are highly liquid, allowing the portfolio to be priced through pricing services.

The University's swap agreements are valued using observable market data, swap rates, and basis rates. These inputs are placed into proprietary models to calculate the Mark-to-Market value of the interest rate swaps. The Mark-to-Market pricing is validated by management of the University.

The following tables summarize the University's fair value hierarchy, investments valued using NAV, and redemption/ liquidity information:

Recurring financial assets:	**June 30, 2023**	**June 30, 2022**	**Redemption/ liquidation**
Level 1 Assets:	(000's omitted)		
Cash and cash equivalents	$ 111,804	$ 131,286	
Investments:			
Cash and cash equivalents	29,662	23,434	
Fixed maturity securities	232,012	173,463	
Domestic equity	556,597	387,449	
International equity	134,716	82,306	
Real estate securities	19,066	34,606	
Total Level 1 Investments	972,053	701,258	
Investments valued using NAV (1):			
Alternative investments-equity securities	350,616	233,627	Monthly
Alternative investments-private equity/venture capital	285,606	260,293	Illiquid
Alternative investments-hedge funds	457	738	Daily to > 1-year
Alternative investments-real asset commodities	73,993	80,419	Illiquid
Alternative investments-real estate investments	78,744	74,903	Illiquid
Total NAV Investments	789,416	649,980	
Total investments	1,761,469	1,351,238	
Unexpended bond proceeds (Level 1)	—	18,575	
Funds held by trustees (Level 3)	63,359	76,305	Illiquid
Total recurring assets	$ 1,936,632	$ 1,577,404	
Recurring financial liabilities (Level 2):			
Swap agreements	$ 6,151	$ 13,783	

NOTES

(1) Certain investments that are measured at fair value using NAV as a practical expedient have not been categorized in the fair value hierarchy.

Certain alternative investments include gates or other redemption restrictions. Such restrictions were immaterial as of June 30, 2023 and 2022. Certain private equity/venture capital and real estate investments cannot be redeemed with the investee, but the University receives distributions through the liquidation of underlying assets.

(5) Land, Buildings and Equipment, net

Physical properties consisted of the following:

	June 30	
	2023	2022
	(000's omitted)	
Land	$ 67,825	$ 66,270
Buildings and building improvements	1,110,321	1,084,833
Equipment	151,761	150,051
Construction in progress	42,835	17,702
Land, buildings, and equipment	1,372,742	1,318,856
Less accumulated depreciation	(643,909)	(606,155)
Land, buildings, and equipment, net	$ 728,833	$ 712,701

Buildings and equipment are stated at cost, less accumulated depreciation. Land is stated at cost at the date of acquisition or estimated fair value at date of contribution. Maintenance, repairs, and minor renewals are expensed as incurred. Depreciation is calculated on the straight-line basis. Depreciable lives are estimated as 40-50 years for buildings, 10-35 years for building improvements, and 3-15 years for equipment.

Construction in progress consists of construction expenditures for physical properties that have not yet been placed in service. The University has entered into construction contracts with unrelated parties in the amount of $127.5 million (including change orders), for the construction or rehabilitation of various real properties. At June 30, 2023, $38.9 million of such contract commitments had not yet been incurred.

(6) Debt Agreements

Outstanding balances of notes and bonds payable are summarized below:

Description	June 30 2023	June 30 2022
	(000's omitted)	
Twenty-five year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series B 1999. Interest rate is variable (4.0% at June 30, 2023), with a maximum of 12.0%.	$ 16,085	$ 23,625
Thirty year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series 2002. Interest rate is variable (3.6% at June 30,2023), with a maximum of 12.0%.	1,910	2,675
Twenty-seven year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series 2008 B1 and B2. Interest rates are variable (3.6% and 3.6% at June 30, 2023) with a maximum of 12.0%.	67,175	71,175
Twenty-seven year Health and Educational Facilities Revenue Bonds – Series 2015A. Interest rates range from 4.0 to 5.0%.	57,435	57,435
Thirty year Taxable Health and Educational Facilities Revenue Bonds – Series 2015B. Interest rate 4.76%.	40,360	40,360
Nineteen year Health and Education Facilities Revenue Bonds - Series 2016 A1 and A2. Interest rates are variable (4.7% at June 30, 2023) with a maximum of 12.0%.	63,905	64,600
Thirty year Health and Education Facilities Revenue Bonds - Series 2017 A. Interest rates range from 3.75% to 5.0%.	68,765	76,455
Thirty year Health and Education Facilities Revenue Bonds - Series 2019 A. Interest rates range from 3.375% to 5.0%.	93,705	93,705
Thirty-one year taxable Health and Education Facilities Revenue Bonds - Series 2019 B Interest rate 4.2%.	50,660	50,660
SLH Vista, Inc., unsecured promissory note Interest free, maturing August 31, 2025	4,000	4,000
Notes and bonds payable, par	464,000	484,690
Net unamortized original bond issue premium/discount	10,528	10,850
Unamortized debt issuance cost	(2,305)	(2,457)
	$ 472,223	$ 493,083

The University's Health and Educational Facilities Series 1999, Series 2002, Series 2008 B1 and B2, Series 2015A and B, Series 2016 A1 and A2, Series 2017A, Series 2019A and B bonds are parity obligations that are not secured by a pledge or security interest in any specific property of the University other than the security interest in any funds deposited and held by either the applicable bond trustee or the Master Trustee under the University's Master Trust Indenture. The University is required to comply with certain restrictive covenants under these bond agreements. The University is in compliance with these covenants as of June 30, 2023. Certain bonds are subject to early redemptions at the option of the University.

Note and bond principal payments amount to $11.4 million, $11.9 million $13.5 million, $10.9 and $11.3 million for fiscal years 2024 through 2028, respectively. Certain debt obligations require the maintenance of bond and interest sinking funds. Interest paid was $19.6 million and $22.2 million during fiscal years 2023 and 2022, respectively.

The University has entered into various interest rate swap agreements which are recorded at fair value within other accrued liabilities in the amount of $6.2 million and $13.8 million, as of June 30, 2023 and 2022, respectively. Gains in the amount of $7.6 million and $17.6 million were recognized related to the swap agreements for the years ended June 30, 2023 and 2022, respectively. Additionally, the impact within operating activities of the Consolidated Statements of Cash Flows was $(0.8) and $(5.1) million for the years ended June 30, 2023 and 2022, respectively.

The University holds these derivative instruments for the fixed interest rate certainty they provide. Therefore, the University entered into interest rate swap agreements to fix the rate of interest on the Health and Education Facilities Variable Rate Demand Revenue Bonds as follows, as of June 30, 2023:

Revenue bonds		Notional amount	Maturity date	Weighted average interest rate (%)
		($ in millions)		
Series 1999	$	16.1	2024	3.80
Series 2002		1.9	2026	3.10
Series 2008 B1		11.7	2026	3.04
Series 2008 B2		56.6	2035	3.61
Series 2016 A1 & A2		64.3	2035	3.25

The University has a standby bond purchase agreement with a maximum principal amount of $1.9 million to provide liquidity for the outstanding balance related to the Series 2002 Health and Educational Facilities Variable Rate Demand Revenue Bonds. This standby bond purchase agreement expires on September 27, 2023, has been extended with a new expiration date of February 5, 2026. In the event the remarketing agent is unable to remarket the bonds, the bank would draw on the standby bond purchase agreement to purchase the bonds. Any liquidity advances would require repayment over 90 days. The University has irrevocable letters of credit with a maximum principal amount of $83.3 million to provide liquidity for the outstanding balances related to the Series 1999 and 2008B Health and Educational Facilities Variable Rate Demand Revenue Bonds. The letter of credit for the Series 1999 has an expiration date of April 18, 2025. The letters of credit for Series 2008 B1 and 2008 B2 have expiration dates of October 28, 2025 and September 27, 2023, respectively. Series 2008 B2 was renewed and has a new expiration date of August 28, 2026. Series 2008A was refunded by Series 2016 on October 21, 2016.

The University has lines of credit totaling $80.0 million and had no outstanding borrowings as of June 30, 2023 ($40 million expires on March 31, 2024 and $40 million expires on August 30, 2024). The University has established letters of credit in the amount of $0.7 million which reduces the line of credit borrowing capacity to $79.3 million as of June 30, 2023.

(7) Analysis of Expense

The University's classifications of expenses in the Consolidated Statements of Activities are combined by functional category as follows:

	Year Ended June 30, 2023 (000's omitted)				
	Salaries & Benefits	Supplies & Services	Depreciation	Interest	Total
Healthcare Service	$ 49,759	$ 679	$ 98		$ 50,536
Instruction	158,110	33,780	13,763		205,653
Institutional Support	51,332	61,621	7,807	$ 19,618	140,378
Auxiliaries	16,095	31,901	6,129		54,125
Academic Support	37,287	16,456	6,045		59,788
Research	26,638	21,264	4,741		52,643
Student Services	16,700	13,637	2,490		32,827
Operation & Maint of Plant	14,196	20,180	1,631		36,007
Public Service	6,179	1,003	1,133		8,315
	$ 376,296	$ 200,521	$ 43,837	$ 19,618	$ 640,272

	Year Ended June 30, 2022 (000's omitted)				
	Salaries & Benefits	Supplies & Services	Depreciation	Interest	Total
Healthcare Service	$ 319,444	$ 86,103	$ 4,676		$ 410,223
Instruction	146,268	18,873	13,714		178,855
Institutional Support	48,541	40,252	7,671	$ 22,137	118,601
Auxiliaries	14,752	30,344	6,212		51,308
Academic Support	31,436	12,708	6,252		50,396
Research	24,173	14,849	4,667		43,689
Student Services	14,936	17,441	2,577		34,954
Operation & Maint of Plant	12,648	26,056	1,697		40,401
Public Service	6,599	5,119	1,167		12,885
	$ 618,797	$ 251,745	$ 48,633	$ 22,137	$ 941,312

The University's primary activities programs are instruction, healthcare service, research, and public service. Academic support, student services, institutional support, operation and maintenance of plant and auxiliary services are considered integral to the delivery of these programs. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocations such as time and effort spent or square footage utilized. Fundraising expenses included within institutional support were $8.8 million and $7.9 million as of June 30, 2023 and 2022, respectively.

(8) Net Assets

The Universities net assets are available for the following purposes:

	June 30 2023	June 30 2022
	(000's omitted)	
Net assets:		
Without donor restrictions:		
Net investment in plant	$ 254,679	$ 293,127
Designated by the board	1,159,302	803,427
Undesignated	142,774	148,348
Net assets without donor restrictions:	1,556,755	1,244,902
With donor restrictions:		
Donor restricted endowments	529,704	497,853
Perpetual trusts	42,275	42,529
Purpose restricted	92,305	98,608
Time restricted	23,782	29,048
Net assets with donor restrictions	688,066	668,038
Total net assets	$ 2,244,821	$ 1,912,940

	June 30 2023	June 30 2022
	(000's omitted)	
Designated by the board:		
Scholarships and fellowships	$ 42,522	$ 40,839
Other institutional activities	1,116,780	762,588
Total designated by the board	$ 1,159,302	$ 803,427

	June 30 2023	June 30 2022
	(000's omitted)	
Net assets with donor restrictions:		
Donor restricted endowments subject to spending policy, and appropriation, to support the following purposes (including net accumulated earnings of $172,060 and $154,090 as of June 30, 2023 and 2022, respectively):		
Scholarships and fellowships	$ 218,739	$ 198,868
Other institutional activities	295,440	272,711
Underwater endowments	15,525	26,274
Perpetual trusts, distributions available to support the following purposes:		
Scholarships and fellowships	22,491	23,220
Other institutional activities	19,784	19,309
Subject to expenditures for specific purposes:		
Capital projects	10,628	9,700
Other institutional activities	81,677	88,908
Subject to the passage of time	23,782	29,048
Total net assets with donor restrictions	$ 688,066	$ 668,038

(9) Endowment Funds

(a) Interpretation of Relevant Law

The University follows accounting rules outlined in "Endowments of Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" which provides guidance on the net asset classification of donor restricted endowment funds for not-for-profit organizations. The University's governing board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Missouri as allowing the University to appropriate for expenditure or accumulate as much of an endowment fund as the University determines is prudent for the uses, benefits, purposes and direction for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the University classifies net assets with donor restrictions (a) the original value of the gifts donated to the permanent 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.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the University and the donor-restricted endowment
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the University
7. The investment policies of the University

(b) Endowment Spending Policy

The University's spending policy annually allocates the amount of the total returns which can be spent and reinvested for future earnings. The spending rate, which is annually approved by the Board of Trustees, is 5% of the average market value per unit for a twelve quarter period for the Pooled Endowment for June 30, 2023 and 2022.

The Annual Spending Rate per Unit (ASRU) is calculated as of each December 31 by multiplying the current spending rate by the average market value per unit for the previous twelve quarters. The ASRU is then multiplied by the number of units owned by each endowment fund to determine the spending budget for each fund for the following fiscal year. The spending is credited to the appropriate operating fund at the beginning of the next fiscal year.

The difference between the actual total return and return designated for current operations is classified as nonoperating income or expense in the Consolidated Statements of Activities.

(c) Endowment Investment Policy

The University has adopted investment and spending policies for endowment assets that will preserve and enhance the real (inflation-adjusted) purchasing power of the pooled endowment while providing an increasing stream of real funding for the annual University budget in the future. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-restricted period(s) as well as quasi endowment funds. Under this policy, the University's return objectives and risk parameters attempt to achieve the highest long-term total investment return on investment assets that is compatible with the University's risk tolerance and time horizons consistent with prudent investment practices. The primary investment objective is to provide a net annual return equal to the spending rate, plus the rate of inflation, plus 1% – 2%. To achieve its investment objective, the Pooled Endowment fund is allocated among investments that are further characterized as "Equity", "Alternative", and "Fixed Income". The primary objective of the allocation between these three major asset classes is to provide a strategic mix that produces the highest risk adjusted return through a responsible and disciplined investment approach.

(d) Endowment Funds with Deficiencies and Other Matters

From time to time, the fair value of the assets associated with individual donor -restricted endowment funds may fall below the level that is required to retain as a fund of perpetual duration. Deficiencies of this nature recorded in net assets with donor restrictions were $(.9) million and $(1.7) million as of June 30, 2023 and June 30, 2022, respectively. These deficiencies resulted from unfavorable market fluctuations. The following table presents endowment net asset composition by fund type:

	Without Donor Restrictions	With Donor Restrictions: Original Gift & Additions	With Donor Restrictions: Accumulated Gains (Losses)	With Donor Restrictions: Market Value	Total
			(000's omitted)		
			June 30, 2023		
Quasi / Board-designated endowment funds	$ 1,159,302	$ -	$ -	$ -	$ 1,159,302
Underwater endowments	-	16,461	(936)	15,525	15,525
Other funds	-	355,262	201,193	556,455	556,455
Total funds	$ 1,159,302	$ 371,723	$ 200,257	$ 571,980	$ 1,731,282
			June 30, 2022		
Quasi / Board-designated endowment funds	$ 803,427	$ -	$ -	$ -	$ 803,427
Underwater endowments	-	28,023	(1,749)	26,274	26,274
Other funds	-	330,194	183,914	514,108	514,108
Total funds	$ 803,427	$ 358,217	$ 182,165	$ 540,382	$ 1,343,809

Endowment income, including endowment investment return, appropriated for expenditure within the same fiscal year in accordance with the University's annual spending rate are reported within endowment net assets without donor restrictions. There are no additional restrictions on the spending of underwater endowments. The following table rolls forward the balance of endowment net assets:

	Without Donor Restrictions	With Donor Restrictions	Total
		(000's omitted)	
Endowment net assets, June 30, 2021	$ 927,003	$ 597,489	$ 1,524,492
Investment return:			
Investment income	19,772	249	20,021
Investment / other income - non pooled	1,771	—	1,771
Net realized / unrealized (losses)	(85,423)	(66,345)	(151,768)
Contributions	—	13,225	13,225
Endowment assets appropriated for expenditure	(62,232)	—	(62,232)
Reclassification based on donor intent	—	1,701	1,701
Gain (loss) on other assets	—	—	—
Transfers to create board-designated funds	2,536	(5,937)	(3,401)
Endowment net assets, June 30, 2022	$ 803,427	$ 540,382	$ 1,343,809
Investment return:			
Investment income	20,262	186	20,448
Investment / other income - non pooled	2,113	—	2,113
Net realized / unrealized gains	104,778	20,179	124,957
Contributions	—	9,252	9,252
Endowment assets appropriated for expenditure	(77,872)	—	(77,872)
Reclassification based on donor intent	—	1,162	1,162
Gain on other assets	—	819	819
Transfers to create board-designated funds	306,594	—	306,594
Endowment net assets, June 30, 2023	$ 1,159,302	$ 571,980	$ 1,731,282

(10) Insurance Programs

The University has insurance coverage for medical malpractice and health insurance claims which is subject to certain aggregate, per claim, and self-insurance- retention limits. The University participates with other universities in self-insurance- risk pools which provide some of the University's workers' compensation, general liability, and property coverage. Whenever the pools' actual losses exceed estimates, the University can be required to contribute additional funds. Management believes that any such additional contributions would not have a material effect on the University's financial position or changes in net assets.

(11) Retirement Benefits

Retirement benefits for University employees are provided through the Teachers Insurance and Annuity Association (TIAA) and Fidelity Investments. As of July 1, 2021, the University employee matches were frozen as part of a cost saving initiative. Beginning on January 1, 2022, a two to one matching contribution was reinstated up to a maximum of 8% as the University's contribution. Beginning on January 1, 2023 a two to one matching contribution was reinstated up to a maximum of 10% as the University's contribution. The University's share of the cost of these benefits were $15.9 million and $14.0 million for the fiscal year ended June 30, 2023 and 2022 respectively.

(12) Governmental Grants and Contracts

The University has recovered indirect costs under certain grants and contracts with federal agencies for both the 2023 and 2022 fiscal years. These recoveries are reported as revenue without donor restrictions. Indirect cost rates vary according to the terms of the grant award or the contract. Most rates are based on modified total direct costs. Certain research grants and contracts allow indirect costs based on an indirect cost research rate that is negotiated with the Department of Health and Human Services.

(13) Hospital Affiliations and Assets and Liabilities Held for Sale

On September 1, 2015, the University entered into a fifty-year Academic Affiliation and Services Agreement with SSM, SSM Cardinal Glennon Children's Hospital, and SSM-SLUH, Inc. Under this agreement, the University receives funding to cover the University's costs for: professional clinical services, administrative and other purchased services, faculty recruitment, supervision of residents, research support and education/academic training. The University invoices SSM monthly, quarterly, and semi-annually under this agreement. The University and SSM also have master lease agreements through which either entity may lease space to or from the other. On March 17, 2020 the University entered into a 30 year finance lease with SSM to utilize a portion of their new Ambulatory Care Center (for additional information, see note 1(r)). In accordance with a Member's Agreement of SSM Health Care St. Louis, the University repurchased Saint Louis University Hospital from Tenet and contributed the Hospital to SSM-SLUH, Inc., a wholly owned subsidiary of SSM Health Care St. Louis, in exchange for a 15% financial interest and governance rights in SSM Health Care St. Louis. The University does not exercise significant influence over operating and financial policies, nor does the University have a controlling financial interest in SSM Health Care St. Louis.

Revenue associated with the above described 2015 hospital affiliation transactions for the fiscal year ended June 30, 2022 is $224.5 million. These revenues are comprised of payment for professional clinical services, administrative and other purchased services, faculty recruitment, supervision of residents, research support and education/academic training. Hospital affiliation revenue is included as a component of healthcare service revenue within the Consolidated Statement of Activities. Expenses associated with the above affiliated transactions for the fiscal year ended June 30, 2022 is $10.6 million. Expenses are included as components of supplies, purchased services, and other administrative expenses within the Consolidated Statements of Activities.

On July 1, 2022, the sale of SLU*Care* to SSM closed. See below Sale of SLU*Care* and Assets and Liabilities Held for Sale for additional information. The Academic Affiliation and Service Agreement with SSM discussed above was amended and restated effective July 1, 2022. Under the amended agreement, the University receives funding to cover the University's costs for certain purchased services, research and mission support and education/academic training, including funding to support clinical residents through June 30,2023. The University invoices SSM monthly, quarterly and semi-annually under this agreement. Revenue associated with the above described 2022 hospital affiliation transactions for the fiscal year ended June 30, 2023 is $62.1 million. These revenues are comprised of payments for mission support, research, supervision of residents, professional dental services, administrative and other services. Hospital affiliation revenue of $15.0 million, $43.7 million, and $3.4 million, is included as a component of contributions and private grants, healthcare service revenue, and other, respectively. Expenses associated with the above affiliated transactions for the fiscal year ended June 30, 2023 is $14.2 million. These expenses are comprised of the purchase of teaching and research time from SLU*Care* physicians, personnel leases, and other administrative expenses. Expenses are included as a component of supplies, purchased services, and other administrative expenses within the Consolidated Statements of Activities.

Amounts due from SSM as of June 30, 2023 and 2022, were $13.6 million and $23.2 million, respectively, and are included as components of accounts receivable, net within the Consolidated Statements of Financial Position. Amounts due to SSM as of June 30, 2023 and 2022, were $1.6 million and $1.4 million, respectively. These amounts are included as components of accounts payable and other accrued liabilities within the Consolidated Statement of Financial Position.

Sale of SLUCare and Assets and Liabilities Held for Sale

On May 6, 2022, the University and SSM signed an agreement for SSM to assume ownership of SLU*Care* and the 15% financial interest and governance rights in SSM Health Care St. Louis for a purchase price of $292.0 million effective July 1, 2022. Cash of $292.0 million was received on July 1, 2022 and a gain of $249.3 million was within the Consolidated Statements of Activities.

In addition, effective July 1, 2022, the University also sold certain real estate to SSM for $72.5 million and non-monetary consideration of real estate fair valued at $4.3 million. The non-monetary consideration and $24.2 million was transferred by SSM to the University upon closing. A promissory note for the remaining $48.3 million of the purchase price was entered into by the University and SSM to be paid by SSM over fiscal year 2023 and 2024.

A reciprocal lease agreement was entered into between the parties on July 1, 2022. Revenue associated with this lease agreement for the fiscal year ended June 30, 2023 is $1.7 million and is a component of other revenue within the Consolidated Statements of Activities. Expense associated with this lease agreement for the fiscal year ended June 30, 2023 is $0.2 million and a component of supplies, repairs, utilities and other expenses within the Consolidated Statement of Activities. Further, a transition services agreement was entered by the parties to provide certain transition services for a period of time to each party. Revenue associated with this agreement for the fiscal year ended June 30, 2023 is $9.7 million and is a component of other revenue within the Consolidated Statements of Activities.

SLU*Care* assets and liabilities and the real estate sold to SSM effective July 1, 2022, were classified as Assets Held for Sale and Liabilities Held for Sale on the Consolidated Statements of Financial Position as of June 30, 2022. The detail for these assets and liabilities are:

		2022 (000's omitted)
Assets:		
Prepaid expenses	$	102
Land, buildings, and equipment, net		54,220
Right of use assets - operating		14,467
Right of use assets - financing		32,445
Other - Investment in SSM Health Care St. Louis		65,440
Other assets, net		1,390
Total assets held for sale	$	168,064
Liabilities:		
Accrued payroll and benefits	$	1,133
Deposits and deferred revenues		125
Long-term lease liabilities - operating		15,023
Long-term lease liabilities - financing		34,942
Total liabilities held for sale	$	51,223

(14) Legal Matters – Contingencies, Commitments and Other

There are various lawsuits and legal proceedings against the University which are in varying states of review and may proceed for protracted periods of time. Management is of the opinion that the ultimate disposition of such litigation will not have a material adverse effect on the University's financial position or changes in net assets.

(15) Related Parties

The University recognized contribution revenue, a component of contributions and private grants in the accompanying Consolidated Statements of Activities, totaling approximately $0.8 million and $4.0 million from members of its Board of Trustees and their related entities during the years ended June 30, 2023 and 2022, respectively. Approximately $11.7 million and $14.0 million of related party contribution receivables were included in pledges, discounted within accounts receivables, net at June 30, 2023 and 2022, respectively, in the accompanying Consolidated Statements of Financial Position.

Members of the University's Board of Trustees, committee members and management, from time to time, are associated, either directly or indirectly, with companies doing business with the University. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the University, including requiring that such transactions be conducted at arm’s length, for good and sufficient consideration, based on terms that are fair and reasonable. The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. The Consolidated Statements of Activities include $0.4 million and $0.7 million of legal expense, included as a component of supplies, repairs, utilities and other expenses, from legal firms affiliated with certain members of the Board of Trustees for the years ended June 30, 2023 and 2022. The Consolidated Statements of Activities also include $0.7 million and $0.7 million of other goods and services expense, included as a component of supplies, repairs, utilities and other expenses, from companies affiliated with members of the Board of Trustees for the years ended June 30, 2023 and 2022.

(16) Subsequent Events

In connection with the preparation of the consolidated financial statements, the University evaluated subsequent events through October 23, 2023, which was the date the consolidated financial statements were issued.