



The Methodist University, Inc.

Consolidated Financial Statements
and Reports and Schedules Required by
Government Auditing Standards and the
Uniform Guidance
Years Ended June 30, 2023 and 2022

The Methodist University, Inc.

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Years Ended June 30, 2023 and 2022

The Methodist University, Inc.

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Independent Auditor's Report

Financial Affairs Committee
The Methodist University, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Methodist University, Inc. (the University), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 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) 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the University as a whole. The accompanying financial responsibility ratio supplemental schedule, consolidated statements of financial position - AICPA Audit Guide Fund Group Disaggregation, consolidating schedules of financial position, and consolidating schedules of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare



the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 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.

BDO USA, P.C.

December 15, 2023

Consolidated Financial Statements

The Methodist University, Inc.

Consolidated Statements of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 4,130,871	\$ 7,640,790
Cash and investments held to fund endowments, donor restrictions and debt service	4,481,913	3,915,523
Receivables:		
Students, net	551,000	463,947
Contributions, net	1,102,247	1,496,205
Other	1,087,872	1,061,994
Prepaid expenses and other assets	487,801	475,271
Investments	44,984,642	37,398,214
Student loans receivable, net	118,147	165,527
Right-of-use asset - operating leases	439,419	134,884
Property and equipment, net	78,066,270	79,515,883
Total assets	\$ 135,450,182	\$ 132,268,238
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,276,965	\$ 2,024,678
Deferred revenues	1,766,827	1,669,191
Student deposits	353,800	377,950
Other liabilities	780,727	1,179,603
Lease liabilities	605,617	572,156
Debt, net	25,182,956	27,337,394
U.S. Government advances for student loans	-	11,113
Total liabilities	30,966,892	33,172,085
Net assets:		
Net assets without donor restrictions	70,709,669	72,212,198
Net assets with donor restrictions	33,773,621	26,883,955
Total net assets	104,483,290	99,096,153
Total liabilities and net assets	\$ 135,450,182	\$ 132,268,238

See notes to accompanying consolidated financial statements.

The Methodist University, Inc.

Consolidated Statement of Activities

<i>Year ended June 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues, gains and other support:			
Tuition and fees, net of grants and scholarships of \$25,292,936	\$ 31,709,694	\$ -	\$ 31,709,694
Government contracts and grants	1,657,353	57,520	1,714,873
Contributions and private grants of cash and other financial assets	760,124	1,002,015	1,762,139
Investment return designated for current operations	60,098	729,984	790,082
Other income	695,058	-	695,058
Sales and services of auxiliary enterprises	9,784,751	-	9,784,751
Net assets released from restrictions	1,621,326	(1,621,326)	-
Total revenues, gains and other support	46,288,404	168,193	46,456,597
Expenses:			
Educational and general instruction	19,464,377	-	19,464,377
Academic support	2,291,754	-	2,291,754
Student services	10,696,379	-	10,696,379
Institutional support	8,147,512	-	8,147,512
Auxiliary enterprises	8,030,050	-	8,030,050
Total expenses	48,630,072	-	48,630,072
Change in net assets from operations	(2,341,668)	168,193	(2,173,475)
Other changes:			
Contributions and private grants of cash and other financial assets	-	4,953,536	4,953,536
Investment return less than amounts designated for current operations	799,291	1,761,818	2,561,109
Net income of MUDC	50,093	-	50,093
Net assets released from restrictions	87,925	(87,925)	-
Loss on sale of property and equipment	(4,126)	-	(4,126)
Unrealized gain on interest rate swap agreements	-	-	-
Transfers	(94,044)	94,044	-
Change in net assets	(1,502,529)	6,889,666	5,387,137
Net assets:			
Beginning	72,212,198	26,883,955	99,096,153
Ending	\$ 70,709,669	\$ 33,773,621	\$ 104,483,290

See notes to accompanying consolidated financial statements.

The Methodist University, Inc.

Consolidated Statement of Activities

<i>Year ended June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues, gains and other support:			
Tuition and fees, net of grants and scholarships of \$24,751,963	\$ 33,711,029	\$ -	\$ 33,711,029
Government contracts and grants	3,684,013	-	3,684,013
Contributions and private grants of cash and other financial assets	3,137,475	793,833	3,931,308
Investment return designated for current operations	62,206	643,124	705,330
Other income	535,001	-	535,001
Sales and services of auxiliary enterprises	10,107,806	-	10,107,806
Net assets released from restrictions	1,322,581	(1,322,581)	-
Total revenues, gains and other support	52,560,111	114,376	52,674,487
Expenses:			
Educational and general instruction	19,472,619	-	19,472,619
Academic support	2,097,224	-	2,097,224
Student services	10,073,928	-	10,073,928
Institutional support	7,385,852	-	7,385,852
Auxiliary enterprises	7,957,323	-	7,957,323
Total expenses	46,986,946	-	46,986,946
Change in net assets from operations	5,573,165	114,376	5,687,541
Other changes:			
Federal aid for students - COVID-19	2,608,540	-	2,608,540
Federal aid disbursed for students - COVID-19	(2,608,540)	-	(2,608,540)
Contributions and private grants of cash and other financial assets	-	8,611,204	8,611,204
Investment loss less than amounts designated for current operations	(1,234,717)	(3,523,141)	(4,757,858)
Net income of MUDC	47,073	-	47,073
Net assets released from restrictions	568,584	(568,584)	-
Gain on sale of property and equipment	5,600	-	5,600
Unrealized gain on interest rate swap agreements	131,627	-	131,627
Transfers	(136,413)	136,413	-
Change in net assets	4,954,919	4,770,268	9,725,187
Net assets:			
Beginning	67,257,279	22,113,687	89,370,966
Ending	\$ 72,212,198	\$ 26,883,955	\$ 99,096,153

See notes to accompanying consolidated financial statements.

The Methodist University, Inc.

Consolidated Statements of Functional Expenses

Year ended June 30, 2023

	Educational and General	Academic Support	Student Services	Plant Operations and Management	Institutional Support			Auxiliary Enterprises	Total
					Administration	Fundraising	Total		
Salaries and wages	\$ 12,303,925	\$ 975,073	\$ 5,404,764	\$ 2,514,845	\$ 3,248,275	\$ 465,231	\$ 3,713,506	\$ 384,544	\$ 25,296,657
Employee benefits	2,338,235	176,998	1,102,196	687,703	788,625	124,054	912,679	77,171	5,294,982
Insurance	-	240	274,656	413,380	135,381	3,360	138,741	2,530	829,547
Miscellaneous	131,760	59	84,177	76,164	242,340	4,461	246,801	67,971	606,932
Supplies and services	946,731	426,930	1,357,926	478,362	1,293,487	139,647	1,433,134	1,952,747	6,595,830
Travel and employee development	270,600	5,739	607,603	1,745	61,782	24,610	86,392	1,011	973,090
Utilities and repairs	148,007	43,408	103,999	3,140,821	785,483	48,527	834,010	124,402	4,394,647
Depreciation and amortization	374,791	172,891	175,364	1,921,650	482,766	-	482,766	696,758	3,824,220
Interest, bond fees and amortization	225,117	37,452	120,985	47,385	19,866	3,012	22,878	360,350	814,167
Operations and maintenance	2,725,211	452,964	1,464,709	(9,282,055)	240,405	36,200	276,605	4,362,566	-
Total functional expenses	\$ 19,464,377	\$ 2,291,754	\$ 10,696,379	\$ -	\$ 7,298,410	\$ 849,102	\$ 8,147,512	\$ 8,030,050	\$ 48,630,072

Year ended June 30, 2022

	Educational and General	Academic Support	Student Services	Plant Operations and Management	Institutional Support			Auxiliary Enterprises	Total
					Administration	Fundraising	Total		
Salaries and wages	\$ 12,256,368	\$ 849,203	\$ 5,047,687	\$ 2,306,623	\$ 3,248,411	\$ 326,003	\$ 3,574,414	\$ 449,399	\$ 24,483,694
Employee benefits	2,704,087	179,567	1,131,318	723,653	859,827	62,489	922,316	96,946	5,757,887
Insurance	-	2,043	279,143	370,805	131,700	2,402	134,102	2,415	788,508
Miscellaneous	126,664	71	81,131	78,143	170,235	5,410	175,645	55,896	517,550
Supplies and services	830,385	401,234	1,233,067	394,841	1,104,196	108,303	1,212,499	2,041,198	6,113,224
Travel and employee development	178,907	2,905	517,079	2,866	31,289	18,336	49,625	1,197	752,579
Utilities and repairs	124,234	16,399	85,405	2,821,635	701,660	39,334	740,994	109,199	3,897,866
Depreciation and amortization	434,685	177,490	184,911	1,876,169	290,269	-	290,269	691,135	3,654,659
Interest, bond fees and amortization	282,301	46,965	151,717	59,421	24,912	3,778	28,690	451,885	1,020,979
Operations and maintenance	2,534,988	421,347	1,362,470	(8,634,156)	223,625	33,673	257,298	4,058,053	-
Total functional expenses	\$ 19,472,619	\$ 2,097,224	\$ 10,073,928	\$ -	\$ 6,786,124	\$ 599,728	\$ 7,385,852	\$ 7,957,323	\$ 46,986,946

See notes to accompanying consolidated financial statements.

The Methodist University, Inc.
Consolidated Statements of Cash Flows

<i>Years ended June 30,</i>	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 5,387,137	\$ 9,725,187
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,914,773	3,912,425
Loss (gain) on sales of property and equipment	4,126	(5,600)
Gifts of property and equipment	(22,542)	(3,500)
Contributions restricted for long-term investment	(4,953,536)	(8,611,204)
Realized and unrealized (gains) losses on investments	(1,695,141)	4,506,952
Unrealized gains on interest rate swap agreement	-	(131,627)
Changes in assets and liabilities:		
(Increase) decrease in:		
Student accounts receivable	(87,053)	(226,941)
Contributions receivable	393,958	(434,503)
Other receivables	(25,878)	189,522
Student loans receivable, net	47,380	76,393
Prepaid expenses and other assets	(12,530)	44,120
Increase (decrease) in:		
Accounts payable and accrued liabilities	252,287	(483,663)
Deferred revenues	97,636	132,508
Student deposits	(24,150)	48,990
Other liabilities	(398,876)	(327,622)
Net cash provided by operating activities	2,877,591	8,411,437
Cash flows from investing activities:		
Proceeds from sale of assets	2,633	5,600
Purchases of property and equipment	(2,745,769)	(3,582,492)
Purchases of investments	(35,873,341)	(43,388,078)
Proceeds from sale of investments	29,982,054	26,956,852
Net cash used in investing activities	(8,634,423)	(20,008,118)
Cash flows from financing activities:		
Proceeds from long-term debt	306,146	2,072,035
Payments on long-term debt	(2,435,266)	(3,050,098)
Contributions restricted for long-term investment	4,953,536	8,611,204
Decrease in U.S. Government advances for student loans	(11,113)	(13,967)
Net cash provided by (used in) financing activities	2,813,303	7,619,174
Net (decrease) increase in cash and cash equivalents	(2,943,529)	(3,977,507)
Cash and cash equivalents:		
Beginning	11,556,313	15,533,820
Ending	\$ 8,612,784	\$ 11,556,313

The Methodist University, Inc.

Consolidated Statements of Cash Flows (continued)

<i>Years ended June 30,</i>		2023		2022
Presented on consolidated statements of financial position as:				
Cash and cash equivalents	\$	4,130,871	\$	7,640,790
Cash held to fund donor restrictions and debt service		4,481,913		3,915,523
Total cash and cash equivalents	\$	8,612,784	\$	11,556,313
Supplemental disclosures of cash flow information:				
Cash paid for interest	\$	1,049,756	\$	1,012,034

See notes to accompanying consolidated financial statements.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

1. Nature of Activities

The Methodist University, Inc. (the University) is a private, co-educational, liberal arts university located in Fayetteville, North Carolina with approximately 1,900 students. Established in 1956, the purpose of the University is to provide an undergraduate and graduate education firmly grounded in the liberal arts tradition that nurtures moral values and ethical decision making; to provide distinctive professional and graduate programs that complement the undergraduate programs; to provide educational and cultural services and resources to the community; and to prepare students for a variety of careers and educational pursuits.

2. Significant Accounting Policies

A summary of the University's significant accounting policies follows:

Principles of Consolidation

The consolidated financial statements include the accounts of Methodist University Development Corporation (MUDC), a wholly owned subsidiary of the University established in May 1996 to develop and lease certain commercial real estate owned by the University. All significant inter-organization balances and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and are presented in accordance with the Not-for-Profit Entities Topic (Topic 958) of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). In preparing its financial statements, net assets and revenues, expenses, gains, and losses are classified based on existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the mission of the University. All revenues, gains, and losses that are not restricted by donors are included in this classification. These net assets may be used at the discretion of the University's management and the Board of Trustees. The use of some net assets without donor restrictions may be further limited by board designations, including quasi- endowment or other designations.

Net Assets with Donor Restrictions

Net assets subject to stipulations imposed by donors. Some donor stipulations may be temporary in nature; met either by actions of the University and/or the passage of time. Other donor stipulations are perpetual in nature including the portion of time restricted perpetual endowment funds that are subject to an enacted version of the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) and donor-imposed stipulations on net assets that are to be used for a specific purpose, preserved and not sold, or if sold, reinvested in other similar assets. Such assets primarily include the University's endowment funds.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless use is restricted by donor stipulations or law.

Cash and Cash Equivalents

Cash includes currency and deposits or other accounts with financial institutions that may be deposited or withdrawn without any restrictions or penalties. Cash equivalents include resources invested in money market funds and certificates of deposit with original maturities of three months or less. The University maintains its cash and cash equivalents with several financial institutions covered by the Federal Depository Insurance Corporation (FDIC). At June 30, 2023 and 2022, deposits maintained within these financial institutions exceeded the FDIC-insured limit by approximately \$8,034,000 and \$11,011,000 respectively. Management believes the risk associated with these bank accounts is minimal.

Cash and Investments Held to Fund Endowments, Donor Restrictions and Debt Service

Cash and investments held to fund endowments, donor restrictions and debt service consist of amounts to fund board designated endowments, and amounts collected that remain unspent from donor contributions for building construction, scholarships and awards, and future program expenses, as well as debt service reserve funds held by bond trustee. This line item includes a guaranteed investment contract of approximately \$3,023,000.

Receivables

Student accounts receivable include obligations from students in the normal course of operations, including tuition billing, and related fees. Student receivables are stated at the amount billed, less an allowance for doubtful accounts, and are uncollateralized. New semester charges are due approximately three weeks prior to the start of classes each semester. The University offers various credit plans to its students allowing payment terms over extended months, or a one-half payment by the initial due date, and one-half thirty days later. On occasion, other similar payment arrangements may be structured at the discretion of the Director of Student Accounts. Late payment fees are assessed at designated dates based on semester terms. The carrying amounts of student receivables were \$551,000 and \$463,947 at June 30, 2023 and 2022, respectively, and include valuation allowances that reflect management's best estimate of the amounts that will not be collected of \$563,573 and \$785,942 at June 30, 2023 and 2022, respectively. The allowance is determined based on historical experience applied to an aging of accounts. Student receivables are written-off when deemed uncollectible. Recoveries of student receivables previously written off are recorded when received.

Contributions receivable are stated at present value, net of an allowance for uncollectible contributions receivable. The allowance is based on an analysis of specific promises made and upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. Contributions to be received after one year are discounted at 5% for each of the years ended June 30, 2023 and 2022. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

Other receivables include amounts due from grantor agencies, the North Carolina Department of Revenue for sales tax refunds, and other outside entities as appropriate. Management estimates amounts to be fully collectible, and therefore no allowance has been recorded. Further details of other receivables are disclosed in Note 6.

Investments

Investments are generally reported at fair value based upon quoted market prices. 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. Investments received by gift are recorded at fair value at the date of donation. In the case of certain less marketable investments, fair value is established by using the net asset value (NAV) of each investment fund as provided by the investment fund manager.

The University's investments include various types of investment securities which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term could materially affect the University's investment balance reported in the consolidated statements of financial position.

Securities Transactions, Interest and Dividends

Securities transactions are recorded on a trade-date basis. Realized gains and losses on securities transactions, determined on a specific identification basis and the difference between the cost and fair value of investments are included in the total return on investments and are included in excess (deficiency) of actual investment return over (under) spending rate policy and other investment income (loss) in the accompanying consolidated statements of activities. Interest income is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

Student Loans Receivable, Net

Student loans receivable, net includes amounts due under the Federal Perkins Loan Program. Federal Perkins loans are low- interest federally funded student loans that participating schools make to eligible undergraduate students. Interest on these loans is computed at an annual rate of 5%. The loans are unsecured. At June 30, 2023, the Perkins federal revolving loan program was in the process of being liquidated.

Also included in student loans receivable, net are notes due from students provided institutional loans under the University's MU Mile loan program.

Property and Equipment, Net

It is the University's policy to capitalize property and equipment valued over \$1,000. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with explicit restrictions on use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. In the absence of donor stipulations regarding how long donated assets must be maintained, the University reports expirations of donor

The Methodist University, Inc.

Notes to Consolidated Financial Statements

restrictions when the donated or acquired assets are placed in service. The University reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets (3 to 50 years).

The University evaluates, on an ongoing basis, the carrying value of property and equipment based on estimated future undiscounted cash flows. In the event such cash flows are not expected to be sufficient to cover the carrying value of the assets, the assets are written down to fair value.

Debt Issuance Costs

Accounting principles generally accepted in the United States of America (GAAP) requires that bond issue costs be capitalized and amortized to expense using the effective interest method. Amortization is recorded within interest expense. Debt issuance costs are presented net of debt.

Deferred Revenues

Deferred revenues include payments received in advance for tuition and golf shop tournament advance payments and sales. The balance of deferred revenues relating to advance tuition for the years ended June 30, 2023 and 2022, were \$1,753,302 and \$1,653,602, respectively. The balance of deferred revenues relating to golf shop tournament advance payments and sales for the years ended June 30, 2023 and 2022, were \$5,834 and \$8,125, respectively. Also included in deferred revenues are payments received in advance for rent, totaling \$7,691 and \$7,464 for the years ended June 30, 2023 and 2022, respectively.

Student Deposits

Student deposits represent tuition and dorm reservation fees of \$285,400 and \$308,650 for the years ended June 30, 2023 and 2022, and key, mattress and dormitory damage deposits of \$68,400 and \$69,300 for the years ended June 30, 2023 and 2022, respectively.

Operating and Nonoperating Activities

The consolidated statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues consist of substantially all of the activity of the University except for certain items specifically considered to be of a nonoperating nature. Nonoperating activities include contributions restricted for capital expenditures and donor-restricted endowment contributions, investment return not used in current operations, net assets released from restrictions for capital expenditures and significant items of an unusual or nonrecurring nature.

Contributions

Unconditional contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional contributions are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions, on which the donor imposes no restrictions, are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

At the time donor-imposed restrictions are met, restricted contributions are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has passed, when the stipulated purpose has been fulfilled, or both. Contributions received with donor-imposed restrictions are reported as without donor restrictions when the donor-imposed restriction are satisfied in the same reporting period as the receipt of the contribution. Contributions of long-lived assets or contributions restricted for acquisition of long-lived assets are released from restrictions when the asset is acquired or placed in service.

During the fiscal years ended June 30, 2023 and 2022, one significant donor contributed approximately 92% and 96% of the total contributions respectively.

Functional Allocation and Natural Classification of Expenses

Expenses are primarily reported in the consolidated statements of activities in categories recommended by the National Association of College and University Business Officers. The University's primary program service is instruction. Expenses reported as academic support, student services, plant operations and management, institutional support and auxiliary enterprises are incurred in support of this primary program service.

The consolidated statements of functional expenses report certain natural expense classifications that are attributable to one or more functional expense categories. Depreciation of property and equipment, interest expense and maintenance and certain other expenses are allocated to program and supporting activities based on periodic inventories of facilities. Costs of certain other expenses were allocated based on estimates of time and effort.

Income Taxes

The University is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code (IRC). Management evaluated the University's tax positions and concluded that the University had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provision of the Income Taxes Topic of the FASB ASC. The University files a Form 990-T in accordance with applicable U.S. federal regulations.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

The University has evaluated subsequent events through December 15, 2023, the date through which the consolidated financial statements were available to be issued.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

3. Liquidity and Availability

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

<i>June 30,</i>	2023	2022
Total assets at year-end	\$ 135,450,182	\$ 132,268,238
Less amounts not available to be used for general expenditures within one year:		
Non-financial assets	(79,708,201)	(81,325,018)
Endowments subject to donor restrictions	(32,216,815)	(25,411,720)
Board designated endowments	(3,964,161)	(3,573,652)
Net assets subject to purpose restrictions	(1,458,494)	(1,472,235)
Cash-restricted for debt service	(3,023,419)	(3,023,469)
Cash-restricted for the Perkins loan program	-	(1,523)
Total financial assets available to meet general expenditures within one year	\$ 15,079,092	\$ 17,460,621

The University's cash flow has seasonal variations during the year attributable to tuition billing and annual bond principal payments. In addition, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The university regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable securities and a line of credit.

As of June 30, 2023 and 2022, board-designated quasi-endowment totaled \$3,964,161 and \$3,573,652, respectively. Although the University does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary, at the discretion of the Board.

Financial assets available to meet general expenditures within one year consist of the following:

<i>June 30,</i>	2023	2022
Cash and cash equivalents	\$ 4,130,871	\$ 6,947,757
Contributions receivable, net	229,705	249,316
Accounts receivable, net	1,664,828	1,525,941
Investments not encumbered by donor or board restrictions	9,053,688	8,737,606
Total financial assets available to meet general expenditures within one year	\$ 15,079,092	\$ 17,460,621

The Methodist University, Inc.

Notes to Consolidated Financial Statements

4. Fair Value Measurements

The University follows the provisions of the Fair Value Measurement Topic of the FASB ASC for financial assets and liabilities. This Topic applies to all financial assets and liabilities that are being measured and reported on a fair value basis, establishes a framework for measuring fair value of assets and liabilities and expands disclosures about fair value measurements. The Fair Value Measurement Topic requires that fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments determined using prices for recently traded financial instruments with similar underlying terms, as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

In determining the appropriate levels, the University performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. 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 investment. Valuation techniques used must maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

The University has established valuation processes and procedures for Level 3 investments to ensure proper reporting within the fair value hierarchy and in accordance with GAAP. The University's management is responsible for the valuation processes and procedures of the Level 3 investments, including the development of written valuation policies and procedures, conducting periodic reviews of the valuation policies and determining the proper and consistent application of the valuation policies. Management's involvement with the valuation process consists of individuals who report to the University's Finance and Investment Committee.

A description of the valuation techniques applied to the University's major categories of assets and liabilities measured at fair value on a recurring basis follows:

Money market funds, equity securities, equity funds, bond funds and exchange traded funds: Securities traded on a national securities exchange (or reported on the NASDAQ global market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Certain foreign securities may be measured at fair value using a pricing service that considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments, such as American Depositary Receipts, financial futures, exchange traded funds and the movement of certain indices of securities based on a statistical analysis of the historical relationship and are categorized in Level 2. Preferred stock and other equities traded in active markets or valued by reference to similar instruments are also categorized in Level 2.

Private real estate: The University's privately held real estate is valued at an estimated market value, which approximates fair value and are categorized in Level 3.

Level 1 instruments carried at fair value, and Level 2 and Level 3 instruments carried at estimated fair value, are comprised of the following at June 30, 2023:

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Financial assets:				
Investments:				
Cash and cash equivalents	\$ 1,015,965	\$ -	\$ -	\$ 1,015,965
Domestic equities	9,103,686	-	-	9,103,686
Global equities	7,778,349	-	-	7,778,349
International equities	8,461,343	-	-	8,461,343
Fixed Income	15,511,254	-	-	15,511,254
Private real estate	-	-	97,500	97,500
Measured at NAV *:				
Real estate investment trust				1,406,825
Fund of funds				113,211
Private equity				1,496,509
Total	\$ 41,870,597	\$ -	\$ 97,500	\$ 44,984,642

The Methodist University, Inc.

Notes to Consolidated Financial Statements

Level 1 instruments carried at fair value, and Level 2 and Level 3 instruments carried at estimated fair value, are comprised of the following at June 30, 2022:

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Financial assets:				
Investments:				
Cash and cash equivalents	\$ 421,693	\$ -	\$ -	\$ 421,693
Domestic equities	16,884,269	-	-	16,884,269
Global equities	3,083,773	-	-	3,083,773
International equities	536,703	-	-	536,703
Fixed Income	12,141,252	-	-	12,141,252
Private real estate	-	-	147,547	147,547
Measured at NAV *:				
Real estate investment trust				2,541,837
Fund of funds				604,009
Private equity				1,037,131
Total	\$ 33,067,690	\$ -	\$ 147,547	\$ 37,398,214

*In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The following sets forth attributes related to the nature and risk of investment funds whose fair value is estimated using NAV per share as of June 30, 2023 and 2022:

Investment	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Restrictions	Notice Period
	2023	2022				
Real estate investment trust	\$ 1,406,825	\$ 2,541,837	\$ -	Monthly	2% of NAV per month and 5% aggregate per quarter	15 Days
Fund of funds	113,211	604,009	523,000	None	N/A	N/A
Private equity	1,496,509	1,037,131	1,476,000	None	N/A	N/A
Total	\$ 3,016,545	\$ 4,182,977				

The Methodist University, Inc.

Notes to Consolidated Financial Statements

5. Contributions Receivable

Contributions receivable, net are summarized as follows:

The payment timing of outstanding contributions receivable at June 30, 2023, is estimated to be:

	Without Donor Restrictions	With Donor Restrictions	Total
One year or less	\$ 235,463	\$ 114,944	\$ 350,407
One to five years	815,000	104,848	919,848
Total	1,050,463	219,792	1,270,255
Less:			
Discount for future cash flows	(125,975)	(12,675)	(138,650)
Allowance for uncollectible pledges	(16,752)	(12,606)	(29,358)
Contributions receivable, net	\$ 907,736	\$ 194,511	\$ 1,102,247

The payment timing of outstanding contributions receivable at June 30, 2022, is estimated to be:

	Without Donor Restrictions	With Donor Restrictions	Total
One year or less	\$ 283,729	\$ 455,453	\$ 739,182
One to five years	830,015	43,630	873,645
More than five years	200,000	-	200,000
Total	1,313,744	499,083	1,812,827
Less:			
Discount for future cash flows	(178,774)	(4,755)	(183,529)
Allowance for uncollectible pledges	(120,423)	(12,670)	(133,093)
Contributions receivable, net	\$ 1,014,547	\$ 481,658	\$ 1,496,205

The Methodist University, Inc.

Notes to Consolidated Financial Statements

6. Other Accounts Receivable

Accounts receivable - other consists of the following at June 30, 2023 and 2022:

<i>June 30,</i>	2023	2022
Sales and use tax	\$ 159,825	\$ 150,611
Accrued interest receivable	34,871	336
Grants receivable	473,493	174,708
Other miscellaneous receivables	398,374	734,103
Payroll and travel advances	2,490	100
Conferences and camps	18,819	2,136
Total	\$ 1,087,872	\$ 1,061,994

7. Investments

Investments consist of the following at June 30, 2023 and 2022:

<i>June 30,</i>	2023	2022
Cash and cash equivalents	\$ 1,015,965	\$ 421,693
Mutual funds:		
Domestic equities	9,103,686	16,884,269
Global equities	7,778,349	3,083,773
International equities	8,461,343	536,703
Fixed income	15,511,254	12,141,252
Private real estate	97,500	147,547
Alternative investments:		
Real estate investment trust	1,406,825	2,541,837
Fund of funds	113,211	604,009
Private equity	1,496,509	1,037,131
Total	\$ 44,984,642	\$ 37,398,214

All investments are subject to risk of loss or decline in value. As such, it is at least reasonably possible that changes in the values of investments will occur in the near term, and that such changes could materially affect the amount reported in the University's consolidated financial statements.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

The following summarizes the investment return:

<i>Years ended June 30,</i>	2023	2022
Interest and dividends	\$ 1,807,606	\$ 577,474
Net realized and unrealized gains (losses)	1,695,141	(4,506,952)
Investment fees	(151,556)	(123,050)
Investment income (loss)	3,351,191	(4,052,528)
Investment return under spending rate policy	(790,082)	(705,330)
Investment return (loss) less amounts designated for operations	\$ 2,561,109	\$ (4,757,858)

8. Endowment and Similar Funds

The University's endowment consists of approximately 220 individual funds established for a variety of educational purposes. The endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by 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 Board of Trustees of the University have interpreted the North Carolina enacted version of the Uniform Prudent Management of Institutional Funds Acts (NC UPMIFA) 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, the University retains in perpetuity: (a) the original value of 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 that is not retained in perpetuity is subject to appropriation 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 purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

The University has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). External investment managers are employed to oversee the endowment and tasked with the objective to achieve a total rate of return that is above the median performance of a universe of similarly managed funds over a one year and moving annualized three, five and ten-year time period. Toward this end, these firms target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has implemented a spending policy designed to stabilize annual spending levels while preserving the real value of the endowment over time. In accordance with the University's investment policy, a predetermined endowment-spending rate consistent with the University's total return objective has been established and approved by the Board of Trustees. Should endowment yields in any given year prove to be insufficient to support this policy, the Board of Trustees, at its discretion, may direct university reserves be utilized to fund the spending policy rather than endowment returns. Endowment yields exceeding the amounts necessary to maintain this objective are reinvested in the endowment. The endowment-spending rate for the years ended June 30, 2023 and 2022, was 4.5%. The spending rate is calculated as a percentage of the endowment fund's average fair value over the prior twelve quarters through December 31 of the preceding fiscal year in which the distribution is planned.

Endowment fund compositions as of June 30, 2023 and 2022, consist of the following:

<i>June 30,</i>	2023	2022
Cash and cash equivalents	\$ 322,394	\$ 3,411,726
Contributions receivable, net	73,452	20,910
Investments	44,861,186	37,300,713
Cash surrender value of life insurance	202,526	192,526
Total	\$ 45,459,558	\$ 40,925,875

<i>June 30,</i>	2023	2022
Designated by the board for endowment	\$ 3,964,161	\$ 3,573,652
With donor restrictions, endowed	32,216,815	25,411,720
Total endowed funds	36,180,976	28,985,372
Without donor restrictions, pooled with endowed funds	9,278,582	11,940,503
Total	\$ 45,459,558	\$ 40,925,875

The Methodist University, Inc.

Notes to Consolidated Financial Statements

Changes in endowment net assets during the years ending June 30, 2023 and 2022, are as follows:

	2023		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Changes in endowment net assets:			
Beginning endowment net assets:	\$ 15,514,155	\$ 25,411,720	\$ 40,925,875
Reclassifications	(94,044)	94,044	-
Contributions	-	4,949,234	4,949,234
Investment income	379,805	1,232,275	1,612,080
Net realized and unrealized gain	435,615	1,259,526	1,695,141
Spending policy	(60,098)	(729,984)	(790,082)
Transfers	(2,932,690)	-	(2,932,690)
<hr/>			
Ending endowment net assets, including other funds pooled with endowed funds	\$ 13,242,743	\$ 32,216,815	\$ 45,459,558

As of June 30, 2023, endowed funds with donor restrictions consisted of funds restricted in perpetuity (in original gifts) of \$28,645,282 and accumulated earnings of \$3,571,533.

	2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Changes in endowment net assets:			
Beginning endowment net assets:	\$ 14,306,706	\$ 20,357,849	\$ 34,664,555
Reclassifications	(136,413)	136,413	-
Contributions	-	8,440,599	8,440,599
Investment income	146,861	355,241	502,102
Net realized and unrealized loss	(1,271,694)	(3,235,258)	(4,506,952)
Spending policy	(62,206)	(643,124)	(705,330)
Transfers	2,530,901	-	2,530,901
<hr/>			
Ending endowment net assets, including other funds pooled with endowed funds	\$ 15,514,155	\$ 25,411,720	\$ 40,925,875

As of June 30, 2022, endowed funds with donor restrictions consisted of funds restricted in perpetuity (in original gifts) of \$23,551,962 and accumulated earnings of \$1,859,758.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

From time to time, declines in the fair value of endowment fund investments may result in the fair value of an individual endowment fund being less than its principal amount as determined using the historic dollar cost method. These funds are classified as underwater endowments. These deficiencies amounted to \$55,662 and \$553,623 at June 30, 2023 and 2022, respectively. In accordance with GAAP, deficiencies of this nature reduce net assets with donor restrictions. The University has interpreted UPMIFA to permit spending from underwater endowments. Accordingly, the University will continue to make funds available to spend from these underwater endowments as calculated based on the spending policy. Should endowment yields in any given year prove to be insufficient to support this policy, the Board of Trustees, at its discretion, may direct university reserves be utilized to fund the spending policy rather than endowment returns.

9. Financing Receivables, Students

The University makes uncollateralized loans to students based on financial need through a federal government loan program and institutional resources. The University participates in the Perkins federal revolving loan program, wherein the university acts as an agent for the federal government in administering the loan program. Funds advanced by the federal government for use in this program are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position (U.S. government advances for student loans). 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, 2023, the Perkins federal revolving loan program was in the process of being liquidated.

The University provides uncollateralized institutional loans to students with a demonstrated need through the MU Mile loan program. Allowances for doubtful accounts are established by considering a variety of factors including prior collection experience, analysis of past due loans, the financial condition of specific borrowers and other current economic factors which could influence the ability of loan recipients to repay amounts due. Institutional loan balances are written-off only when they are deemed to be permanently uncollectible.

At June 30, 2023 and 2022, student loans are as follows:

<i>June 30,</i>	2023	2022
Federal Perkins loan program	\$ -	\$ 5,695
Institutional loans	323,968	328,255
Total student loans receivable	323,968	333,950
Less allowance for doubtful accounts:		
Beginning of the year	(168,423)	(120,472)
Increase	(37,398)	(47,951)
End of year	(205,821)	(168,423)
Student loans receivable, net	\$ 118,147	\$ 165,527

The Methodist University, Inc.

Notes to Consolidated Financial Statements

10. Property and Equipment

Property and equipment at June 30, 2023 and 2022, consists of the following:

<i>June 30,</i>	Useful Life (in years)	2023	2022
Land	N/A	\$ 1,518,601	\$ 1,518,601
Land improvements	15-25	11,445,188	11,369,332
Lease improvements	10	7,980	7,980
Buildings	50	85,095,605	85,095,605
Building improvements	25	20,591,233	19,541,067
Commercial building and improvements	5-50	1,730,996	1,730,996
Vehicles	5	1,044,413	1,209,161
Library books	12	2,376,237	2,367,701
Plant equipment	5-10	13,014,143	12,546,985
Computer equipment	3-5	6,778,490	6,200,517
Works of Art	N/A	164,614	164,614
Construction in progress	N/A	1,849,767	1,678,558
Total property and equipment		145,617,267	143,431,117
Accumulated depreciation		(67,550,997)	(63,915,234)
Total property and equipment - net		\$ 78,066,270	\$ 79,515,883

Construction in progress at June 30, 2023 and 2022, consists of the following:

Project Description	Estimated Date of Completion	2023	2022
Reeves Renovation/Worship Center	Various	\$ 1,420,505	\$ 1,418,515
Others	Various	429,262	260,043
Total		\$1,849,767	\$1,678,558

Depreciation and amortization expense totaled \$3,914,773 and \$3,912,425 for the years ended June 30, 2023 and 2022, respectively.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2023 and 2022, are as follows:

<i>June 30,</i>	2023	2022
Accounts payable	\$ 677,478	\$ 509,367
Accrued interest	318,733	344,267
Salaries and wages, benefits and payroll taxes	430,505	273,415
Faculty Early Retirement Plan	-	16,720
Accrued vacation	850,249	880,909
Total	\$ 2,276,965	\$ 2,024,678

Faculty Early Retirement Plan

For the year ended June 30, 2020, the University offered a Faculty Early Retirement Plan (FERP) that enabled tenured faculty, who had attained a minimum age of 62 and whose age plus years of full-time service at the University equaled at least 72, to apply for early retirement. For those faculty members that entered into a contractual agreement with the University under the FERP, the University will provide a one-time benefit of 70% of the faculty member's base salary as of June 30 of the calendar year immediately preceding the date of separation, in addition to certain benefits. For the year ended June 30, 2021, the University extended the FERP offer with the provision for a one-time benefit of 50% of the faculty member's base salary as of June 30 of the calendar year immediately preceding the date of separation, in addition to certain benefits. As of June 30, 2023 and 2022, the FERP liability was \$0 and \$16,720, respectively.

Compensated Absences

Eligibility for vacation is based on continuous service with the University. Employees earn vacation based on their employment status and length of service. The maximum number of accumulated vacation days an employee may accrue is 22. Vacation time may be used or paid at time of separation.

The University also provides two additional paid days off each year, which are designated as personal leave or float days. The personal leave days must be used within the calendar year and will not carry over into the next calendar year. Since the University has no obligation for the accumulated personal leave until it is taken, no liability for unpaid personal leave has been recorded in the consolidated financial statements.

Sick leave is provided at the rate of one day per month. The University's sick leave policy allows the accumulation of sick leave without limit. Sick leave does not vest. Since the University has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been recorded in the consolidated financial statements.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

12. Other Liabilities

Other liabilities at June 30, 2023 and 2022, are as follows:

<i>June 30,</i>		2023		2022
Agency obligations	\$	107,387	\$	213,505
Refundable advances - exchange transactions		672,532		965,940
Income taxes payable		808		157
Total other liabilities	\$	780,727	\$	1,179,602

Agency Obligations

Agency obligations arise from the collection or acceptance of cash or other assets for the account of third parties, such as clubs or other University affiliated groups. These balances result from transactions processed on behalf of the third parties and have no effect on net assets.

Refundable Advances - Exchange Transactions

On July 3, 2013, the University entered into an exchange transaction with a supplier for cafeteria services effective May 12, 2013. Under the agreement, the University consented to a 10-year contract with the service provider. The contract was modified in September 2017 to extend the contract an additional five years. Under the exchange agreement, the supplier made a financial commitment to the University in an amount of \$2,720,737 with the stipulation that the monies be expended on specific capital purchases. The financial commitment was made in three segments: (i) \$1,470,737 expended in the Summer 2013; (ii) \$44,712 expended in the Summer 2017, and (iii) \$1,205,288 expended in the Summer 2018. The financial commitments for segments (i) and (ii) shall be amortized on a straight-line basis over a period equal to the number of months remaining until June 30, 2023. The financial commitment for segment (iii) shall be amortized on a straight-line basis over a period equal to the number of months remaining until June 30, 2028. The agreement further stipulates that should either party terminate the agreement before the expiration of the contract term, the University will return the unamortized portion of the financial commitment, plus all accrued but unbilled interest, as of the date of expiration or termination. At June 30, 2023 and 2022, the unamortized balance of these refundable advances was \$618,469 and \$895,627, respectively.

On June 22, 2017, the University entered into an exchange transaction with a supplier for exclusive rights to product sales effective July 1, 2017. Under the agreement, the University consented to a 10-year contract with the supplier in exchange for a financial commitment of \$100,000. At June 30, 2023 and 2022, the unamortized balance of these refundable advances was \$40,000 and \$50,000, respectively.

On March 29, 2017, the University entered into an exchange transaction with a supplier for bookstore services effective March 30, 2017. Under the agreement, the University consented to a five-year contract with the service provider in exchange for a financial commitment of \$50,000. At June 30, 2023 and 2022, the unamortized balance of these refundable advances was \$14,063 and \$20,313, respectively.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

13. Operating Lease Commitments

The University leases a variety of equipment under operating leases that will expire in various years through 2024. The University's lease liability was \$439,419 and \$134,884 as of June 30, 2023 and 2022, respectively. This liability is based on the present value of the remaining minimum rental payments using a discount rate that is based on the University's incremental borrowing rate. The lease asset was \$439,419 and \$134,884 as of June 30, 2023 and 2022, respectively. This asset includes right of use assets equaling the lease liability, net of prepaid rent and deferred rents that existed as of the adoption of the new lease standard.

At June 30, 2023, the future minimum lease commitments under non-cancelable operating leases are as follows:

<i>Years ending June 30,</i>		<i>Amount</i>
2024	\$	152,078
2025		137,465
2026		115,755
2027		34,121
Total	\$	439,419

Total lease expense for 2023 and 2022 totaled \$253,061 and \$264,525, respectively.

14. Obligations Under Finance Leases

The University has entered into various lease agreements for computers and other equipment. The leases expire at various dates through June 30, 2025 with lease obligations recorded in other liabilities in the statements of financial position. For financial reporting purposes, minimum lease payments have been capitalized.

Property held under finance leases at June 30, 2023 and 2022, is as follows:

<i>June 30,</i>	2023	2022
Computers and equipment	\$ 311,786	\$ 752,517
Less accumulated amortization	(145,588)	(315,245)
Total	\$ 166,198	\$ 437,272

Amortization of assets under finance leases is included in depreciation and amortization expense and amount to \$62,223 and \$107,918 for the years ended June 30, 2023, and 2022, respectively.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

At June 30, 2023, future minimum lease payments under finance leases and the net present value of the future minimum lease payments for the next five years are as follows:

<i>Years ending June 30,</i>		<i>Amount</i>
2024	\$	71,097
2025		43,934
2026		33,417
2027		17,750
Total	\$	166,198

Total interest cost incurred related to the obligation under finance leases totaled \$15,714 and \$21,278 for the years ended June 30, 2023 and 2022, respectively.

15. Long-Term Debt

Series 2021 Educational Facilities Revenue Bond: The University issued its Series 2021 Fixed Rate Educational Facilities Revenue Bonds on December 8, 2021. The purpose of the Series 2021 Bond issue was to refund the Series 2012 and Series 2014 Bonds, to fund a debt service reserve fund, and to pay certain expenses incurred in connection with the issuance of the 2021 Bonds. The original purpose of the Series 2012 and 2014 Bond issues included refinancing the Series 2005 Bonds and to fund the costs of constructing improvements on the University's campus and construction costs for a Health Sciences Building. The par amount of the bonds was \$28,055,000. The Series 2021 Bonds have defined interest rate of 4.0%, payable semiannually, and mature at various dates through 2034. B.C.Ziegler and Company d/b/a Ziegler Capital Markets Group served as the underwriter. Truist Bank serves as trustee. Collateral for the bond is a deed of trust on the University campus. The total outstanding balance at June 30, 2023 was \$23,905,000.

The proceeds of the bond were used to finance the Series 2012 and Series 2014 Educational Facilities Revenue Bonds and a note payable with Truist Bank. The total debt refinanced amounted to \$27,595,000. Proceeds were also used to fund a debt service reserve fund in the amount of \$3,023,419 and issuance costs of \$593,577.

In connection with the issuance of bonds, the University has agreed to certain restrictive covenants, including the attainment of various financial ratios. If the Long-Term Debt Service Coverage Ratio of the University is less than 1.20, the University is required to retain an Independent Consultant. As long as an Independent Consultant is retained, the Long-Term Debt Service Coverage Ratio is at least 1.00 to 1, and the University doesn't fail to meet the 1.20 Long-Term Debt Service Coverage Ratio for two consecutive years, then there is no Event of Default. At June 30, 2023, the University did not meet the 1.20 Long-Term Debt Service Coverage Ratio. As the University's Long-Term Debt Service Coverage Ratio did not fall below 1.00 to 1 and an independent consultant was retained by the University, there is no event of default.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

Balances outstanding at June 30 consist of:

<i>June 30,</i>	2023	2022
Series 2021 Educational Facilities Revenue Bonds	\$ 23,905,000	\$ 25,820,000
Vehicle loans - Ford Motor Credit / Kia	1,479	10,155
Total debt	23,906,479	25,830,155
Plus unamortized bond premium	1,777,378	2,098,693
Less unamortized bond issue costs	(500,901)	(591,454)
Debt, net	\$25,182,956	\$27,337,394

At June 30, 2023, principal requirements relating to total debt for the next five years are approximately as follows:

<i>Years ending June 30,</i>	Amount
2024	\$ 2,026,479
2025	2,145,000
2026	2,265,000
2027	2,390,000
2028	2,525,000
Thereafter	12,555,000
Total	\$ 23,906,479

Total interest costs incurred related to bonds and notes payable were \$686,193 and \$719,079 for the years ended June 30, 2023 and 2022, respectively.

Bond administrative costs and fees totaled \$21,706 and \$22,855 for the years ended June 30, 2023 and 2022, respectively. Amortization of debt issuance costs totaled \$90,553 and \$257,766 for the years ended June 30, 2023 and 2022, respectively.

16. Obligation under Interest Rate Swap Agreement

In connection with the Series 2014 Educational Facilities Revenue Bond, the University hedged its interest rate exposure by investing in two long-term interest rate swap agreements with Bank of America and Truist Bank. The University selected the combination of a variable rate bond issue and long-term interest rate swap agreements to obtain fixed rate financing at the lowest available cost at the time of the transactions. The net settlement amount incurred on the swaps is included in interest expense. The fair value of the interest rate swaps is the estimated amount the University would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

The original notional value of the swap with Bank of America at the effective date of March 21, 2000 was \$9,940,000. The University received 70% of LIBOR and made payments of 5.085% settling with Bank of America on a quarterly basis, until the maturity of the swap agreement on March 1, 2020. The swap expired in 2020. The original notional value of the swap with Truist Bank at the effective date of October 23, 2014 was \$6,535,500. The University receives 67% of LIBOR and makes payments of 2.76% settling with Truist Bank on a semi-annual basis through the maturity of the swap agreement on March 1, 2024. The Truist Bank swap had a current notional value of \$0 and \$0 at June 30, 2023 and 2022, respectively. The swap was terminated and satisfied in full in conjunction with the Series 2021 Fixed Rate Educational Facilities Revenue Bond issuance on December 8, 2021.

17. Net Assets

Net assets without donor restrictions at June 30, 2023 and 2022, are as follows:

<i>June 30,</i>	2023	2022
Undesignated	\$ 14,467,811	\$ 17,032,213
Net investment in plant	52,277,697	51,606,333
Designated by the Board for endowment	3,964,161	3,573,652
Total net assets without donor restrictions	\$ 70,709,669	\$ 72,212,198

Net assets with donor restrictions at June 30, 2023 and 2022, are as follows:

<i>June 30,</i>	2023	2022
Endowment funds restricted in perpetuity	\$ 28,645,282	\$ 23,519,963
Endowment funds, accumulated gains and other	3,571,533	1,891,757
Contributions and grants for scholarships, operations and construction projects	1,385,042	990,577
Contributions receivable, net	171,764	481,658
Total net assets with donor restrictions	\$ 33,773,621	\$ 26,883,955

The Methodist University, Inc.

Notes to Consolidated Financial Statements

18. Net Assets Released from Restrictions

The following schedule summarizes restricted net assets used in accordance with donor-imposed restrictions for the University's operations:

<i>Years ended June 30,</i>	2023		2022	
Scholarships	\$	892,800	\$	831,690
Awards		77,028		98,165
Construction projects		163,993		568,584
Program expenses and other		575,430		392,726
Total net assets released from restrictions	\$	1,709,251	\$	1,891,165
Reconciliation to statement of activities:				
Release to net assets from operations	\$	1,621,326	\$	1,322,581
Release to net assets from nonoperating activity		87,925		568,584
Total net assets released from restrictions	\$	1,709,251	\$	1,891,165

19. Auxiliary Enterprises

The University's auxiliary enterprise operations for the years ended June 30, 2023 and 2022, are summarized as follows:

	2023				
	Residence		Commercial		Total
	Halls	Cafeteria	Leasing (MUDC)	Other	
Revenues	\$ 5,790,848	\$ 3,646,086	\$ 91,836	\$ 255,981	\$ 9,784,751
Expenses:					
Direct expenses	485,134	1,947,334	21,869	156,039	2,610,376
Depreciation and amortization	556,173	100,881	39,284	420	696,758
Allocation of interest	310,930	26,053	-	23,367	360,350
Allocation of plant operations	3,763,873	315,590	-	283,103	4,362,566
Total expenses	5,116,110	2,389,858	61,153	462,929	8,030,050
Net auxiliary income (loss)	\$ 674,738	\$ 1,256,228	\$ 30,683	\$ (206,948)	\$ 1,754,701

The Methodist University, Inc.

Notes to Consolidated Financial Statements

	2022					Total
	Residence		Commercial		Other	
	Halls	Cafeteria	Leasing (MUDC)			
Revenues	\$ 5,944,307	\$ 3,807,414	\$ 86,343	\$ 269,742	\$ 10,107,806	
Expenses:						
Direct expenses	519,772	2,033,816	22,587	180,075	2,756,250	
Depreciation	549,512	101,822	39,284	517	691,135	
Allocation of interest	389,912	32,671	-	29,302	451,885	
Allocation of plant operations	3,501,150	255,571	-	301,332	4,058,053	
Total expenses	4,960,346	2,423,880	61,871	511,314	7,957,323	
Net auxiliary income (loss)	\$ 983,961	\$ 1,383,534	\$ 24,472	\$ (241,572)	\$ 2,150,483	

20. Retirement Plan

The University has a defined contribution retirement plan for academic and nonacademic personnel. The plan has no post service benefits or further liabilities beyond the periodic contribution for each participating employee. Total contributions by the University were \$401,336 and \$196,436 for the years ended June 30, 2023 and 2022, respectively. After one year of service, the University contributes a discretionary percentage of the employee's salary to the Teachers Insurance and Annuity Association Retirement and College Retirement Equities Fund (TIAA-CREF) or other approved retirement funds. The University's contribution was 2% for the years ended June 30, 2023 and 2022, respectively. The employee has the option of contributing an additional amount up to the maximum allowed by the law. There is no vesting period.

21. Net Tuition and Sales and Services of Auxiliary Enterprises

Tuition revenue and discounts: Tuition and fees for instruction, net of scholarships and fellowships are substantially billed and collected prior to the end of each semester. Revenues are earned and recognized over the course of each semester as educational services are delivered. Accounts and notes receivable from students from services provided from contracts are disclosed in the consolidated financial statements. The portion of tuition revenue for the summer terms that is earned subsequent to the years ended June 30, 2023 and 2022, is recognized as tuition revenue in the following fiscal year. Tuition revenue earned for summer courses, which cross fiscal year-end, is immaterial to the consolidated financial statements.

Student financial aid in the form of scholarships and fellowships is reflected as contra-tuition revenue in the consolidated statements of activities.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

Disaggregated information concerning tuition and fees by type of student is as follows:

<i>Years ended June 30,</i>	2023	2022
Undergraduate (net of scholarships and fellowships of \$25,256,932 in 2023 and \$24,720,481 in 2022)	\$ 20,125,857	\$ 21,612,654
Graduate (net of scholarships and fellowships of \$11,016 in 2023 and \$17,338 in 2022)	4,490,029	4,310,422
Doctoral (net of scholarships and fellowships of \$24,988 in 2023 and \$14,144 in 2022)	7,093,808	7,787,953
Total tuition and fees (net of scholarships and fellowships of \$25,292,936 in 2023 and \$24,751,963 in 2022)	\$ 31,709,694	\$ 33,711,029

Sales and services of auxiliary enterprises: The University's sales and services of auxiliary enterprises consist principally of goods and services to the campus community, such as residence and dining halls, retail food services, campus store operations, facility rental, and camps and conferences. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Charges to students for campus residence and dining services are substantially billed and collected prior to the end of each semester. Associated revenues are earned and recognized over the course of each semester as these services are delivered. Accounts receivable from students for these services are reported in the consolidated financial statements.

Disaggregated information concerning sales and services of auxiliary enterprises by type of goods and/or service is as follows:

<i>Years ended June 30,</i>	2023	2022
Residence halls	\$ 5,790,848	\$ 5,944,307
Food service and vending	3,646,085	3,807,414
Campus store	129,959	159,998
Camps and conferences	36,023	19,744
Rental income	181,836	176,343
Total sales and services of auxiliary enterprises	\$ 9,784,751	\$ 10,107,806

The Methodist University, Inc.

Notes to Consolidated Financial Statements

22. Financial Aid (Tuition Discount)

The University awards financial aid on the basis of academic merit, need and leadership. Gross tuition discounts were 44.4% and 42.3% for the years ended June 30, 2023 and 2022, respectively. The unfunded discount rate was 42.5% and 40.6% for each of the years ended June 30, 2023 and 2022, respectively. Funded tuition discounts are derived from endowment, private gifts and federal and state aid. Unfunded tuition discounts are derived from the general operating revenues of the University.

	2023		2022	
	Dollars	Percentage	Dollars	Percentage
Unfunded discount	\$ 24,192,834	42.4%	\$ 23,735,303	40.6%
Funded discount	1,100,102	1.9%	1,016,660	1.7%
Total	\$ 25,292,936	44.3%	\$ 24,751,963	42.3%
Gross tuition	\$ 57,002,630		\$ 58,462,992	

23. Related Party Transactions

Contributions revenue from trustees during the fiscal years ended June 30, 2023 and 2022 amounted to \$260,578 and \$181,267, respectively.

Contributions receivable from trustees at June 30, 2023 and 2022, amounted to \$96,074 and \$456,698, respectively.

The University leases certain copier equipment from a company owned by one of the University's trustees. Payments under these leases totaled \$164,664 and \$145,580 for the years ended June 30, 2023 and 2022, respectively.

24. Commitments and Contingencies

The University is involved in various legal actions occurring in the normal course of activities. While the final outcomes cannot be determined at this time, management is of the opinion that the resolution of these matters will not have a material adverse effect on the University's financial position.

The University has entered revenue sharing agreements with two outside organizations. The agreement with the first organization is to help improve the University's student retention rates. The University has agreed to share 25% of the incremental revenue earned due to any increases in student retention rates. Revenue share amounts paid to this organization totaled \$68,816 and \$32,547 for the years ended June 30, 2023 and 2022, respectively.

The Methodist University, Inc.

Notes to Consolidated Financial Statements

The agreement with the second organization is to partner with the University to launch fully Online Programs. The services provided by this outside organization include marketing, program coordination services, recruitment services, enrollment coordination services, and others. The University has agreed to share 48% of the net tuition revenues for programs offered on the online platform. Revenue share amounts paid to this organization totaled \$1,107,311 and \$534,966 for the years ended June 30, 2023 and 2022, respectively.

Certain federal and state funded financial programs are subject to special audit. In accordance with specific regulatory requirements these examinations are conducted by the auditors for the University. The reports on said examinations are submitted to both the University and the U.S. Department of Education, which has the authority to determine liabilities as well as to limit, suspend, or terminate federal and state student aid programs.

Other federal and state programs are also subject to audit. Such audits could result in claims against the resources of the University. No provision has been made for any liabilities, which may arise from such audits since the amounts, if any, cannot be determined at this date.

Supplementary Information

The Methodist University, Inc.

Financial Responsibility Ratio Supplemental Schedule

Year Ended June 30, 2023

Financial Statement and Financial Statement Line Item or Footnote Disclosure	Expendible Net Assets	Financial Statement Line Item Amount	Amount Used for Ratio
Primary Reserve Ratio			
Consolidated Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions	\$	70,709,669
Consolidated Statement of Financial Position - Net assets without donor restrictions	Net assets with donor restrictions		33,773,621
Note 17 to the Consolidated Financial Statements - Net Assets	Net assets with donor restrictions; restricted in perpetuity		28,645,282
N/A	Annuities with donor restrictions		-
N/A	Term endowments with donor restrictions		-
N/A	Life income funds with donor restrictions		-
Note 23 to the Consolidated Financial Statements - Related Party Transactions	Secured and unsecured related party receivable	\$ 96,074	
Note 23 to the Consolidated Financial Statements - Related Party Transactions	Unsecured related party receivable		96,074
Consolidated Statement of Financial Position - Property and equipment, net	Property, plant and equipment, net, including construction in progress	78,066,270	
Note 10 to the Consolidated Financial Statements - Property and Equipment	Property, plant and equipment; pre-implementation, leases grandfathered		66,090,004
Note 15 to the Consolidated Financial Statements - Long-Term Debt	Property, plant and equipment; post-implementation - with outstanding debt for acquisition		179,190
Note 10 to the Consolidated Financial Statements - Property and Equipment	Property, plant and equipment: post- implementation - without outstanding debt for acquisition		9,947,309
Note 10 to the Consolidated Financial Statements - Property and Equipment	Construction in progress		1,849,767
Consolidated Statement of Financial Position - ROU asset - operating leases	Lease right of use assets, net	439,419	
N/A	Lease right of use assets; pre-implementation, leases are grandfathered		-
Consolidated Statement of Financial Position - ROU asset - operating leases	Lease right of use assets; post-implementation		439,419
Note 15 to the Consolidated Financial Statements - Long Term Debt	Intangible assets		500,901
N/A	Post-employment and pension liabilities		-
Consolidated Statement of Financial Position - Debt, net	Long-term debt; for long term purposes	25,182,956	
Consolidated Statement of Financial Position - Debt, net	Long-term debt; for long term purposes pre-implementation, debt grandfathered		25,182,956
Consolidated Statement of Financial Position - Debt, net	Long-term debt; for long term purposes post-implementation		-
N/A	Line of credit for construction in progress		-
Consolidated Statement of Financial Position - Lease liabilities	Right of use asset lease obligation	605,617	
N/A	Right of use asset lease obligation; pre- implementation, leases grandfathered		-
Consolidated Statement of Financial Position - Lease liabilities	Right of use asset lease obligation; post- implementation		605,617
Total Expendable Net Assets		\$	22,523,917

The Methodist University, Inc.

Financial Responsibility Ratio Supplemental Schedule

Year Ended June 30, 2023

Financial Statement and Financial Statement Line Item or Footnote Disclosure	Expendible Net Assets	Financial Statement Line Item Amount	Amount Used for Ratio
Expenses and Losses			
Consolidated Statement of Activities -			
Total expenses	Total expenses without donor restrictions		48,630,072
N/A	Investment loss, net investment return appropriated for spending	-	
N/A	Other components of net periodic pension costs	-	
N/A	Change in value of split interest agreements	-	
Consolidated Statements of Activities -			
Transfers and loss on sale of property and equipment	Other losses	98,170	
N/A	Pension-related changes other than net periodic pension costs	-	
	Non-operating and net investment loss		98,170
N/A	Investment loss, net investment return appropriated for spending		-
	Pension-related changes other than net periodic costs		-
Total expenses and losses			\$ 48,728,242
Equity Ratio			
Modified Net Assets			
Consolidated Statement of Financial			
Position - Net assets without donor restrictions	Net assets without donor restrictions		70,709,669
Consolidated Statement of Financial			
Position - Net assets with donor restrictions	Net assets with donor restrictions		33,773,621
Note 15 to the Consolidated Financial			
Statements - Long Term Debt	Intangible assets		500,901
Note 23 to the Consolidated Financial			
Statements - Related Party Transactions	Secured and Unsecured related party receivable	96,074	
Note 23 to the Consolidated Financial			
Statements - Related Party Transactions	Unsecured related party receivable		96,074
Total modified net assets			\$ 103,886,315
Modified Assets			
Consolidated Statement of Financial			
Position - Total assets	Total assets		\$ 135,450,182
Consolidated Statement of Financial			
Position - ROU asset - operating leases	Lease right-of-use asset; pre-implementation, leases grandfathered		439,419
Consolidated Statement of Financial			
Position - Lease liabilities	Lease right-of-use liability; pre-implementation, leases grandfathered		605,617
Note 15 to the Consolidated Financial			
Statements - Long Term Debt	Intangible assets		500,901
Note 23 to the Consolidated Financial			
Statements - Related Party Transactions	Secured and Unsecured related party receivable	96,074	
Note 23 to the Consolidated Financial			
Statements - Related Party Transactions	Unsecured related party receivable		96,074
Total modified assets			\$ 135,019,405

The Methodist University, Inc.

Financial Responsibility Ratio Supplemental Schedule

Year Ended June 30, 2023

Financial Statement and Financial Statement Line Item or Footnote Disclosure	Expendible Net Assets	Financial Statement Line Item Amount	Amount Used for Ratio
Net Income Ratio			
Change in Net Assets Without Donor Restrictions			
Consolidated Statements of Activities - Change in net assets	Change in Net Assets Without Donor Restrictions; increase (decrease)		\$ (1,502,529)
Total Revenue and Gains			
Consolidated Statement of Activities - Total revenue and gains and net assets released from restrictions	Total revenue without donor restrictions, including net assets released from restrictions	46,376,329	
Consolidated Statement of Activities - Investment return designated for current operations	Net investment return appropriated for spending	60,098	
Consolidated Statement of Activities - operations and investment return in excess of amounts designated for current operations	Total net investment return, including investment return appropriated for spending	799,291	
N/A	Change in value of split-interest agreements	-	
Consolidated Statement of Activities - Net income of MUDC	Other gains	50,093	
N/A	Pension-related changes other than net periodic pension	-	
Total revenues and gains without donor restrictions			\$ 47,165,615

The Methodist University, Inc.

Consolidated Schedules of Financial Position - AICPA Audit Guide Fund Group Disaggregation June 30, 2023

(With Comparative Totals for June 30, 2022)

	Current Funds	Endowment and Similar Funds	Plant Funds	2023	2022
Assets					
Cash and cash equivalents	\$ 1,787,919	\$ 1,834,778	\$ 508,174	\$ 4,130,871	\$ 7,640,790
Restricted cash and cash equivalents	1,458,494	-	3,023,419	4,481,913	3,915,523
Amounts due from other funds	1,512,384	-	-	1,512,384	1,010,836
Receivables:					
Students, net	551,000	-	-	551,000	463,947
Contributions, net	1,028,795	73,452	-	1,102,247	1,496,205
Other	1,050,002	-	37,870	1,087,872	1,061,994
Prepaid expenses and other assets	246,306	202,526	38,969	487,801	475,271
Investments	25,956	44,861,186	97,500	44,984,642	37,398,214
Student loans receivable, net	118,147	-	-	118,147	165,527
Right-of-use asset - operating leases	439,419	-	-	439,419	134,884
Property and equipment, net	-	-	78,066,270	78,066,270	79,515,883
Total assets	\$ 8,218,422	\$ 46,971,942	\$ 81,772,202	\$ 136,962,566	\$ 133,279,074
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,958,232	\$ -	\$ 318,733	\$ 2,276,965	\$ 2,024,678
Amounts due to other funds	-	1,512,384	-	1,512,384	1,010,836
Deferred revenues	1,759,136	-	7,691	1,766,827	1,669,191
Student deposits	353,800	-	-	353,800	377,950
Other liabilities	107,387	-	673,340	780,727	1,179,603
Obligations under capital leases	439,419	-	166,198	605,617	572,156
Debt, net	-	-	25,182,956	25,182,956	27,337,394
U.S. Government advances for student loan	-	-	-	-	11,113
Total liabilities	4,617,974	1,512,384	26,348,918	32,479,276	34,182,921
Net assets:					
Net assets without donor restrictions	2,043,642	13,242,743	55,423,284	70,709,669	72,212,198
Net assets with donor restrictions	1,556,806	32,216,815	-	33,773,621	26,883,955
Total net assets	3,600,448	45,459,558	55,423,284	104,483,290	99,096,153
Total liabilities and net assets	\$ 8,218,422	\$ 46,971,942	\$ 81,772,202	\$ 136,962,566	\$ 133,279,074

The Methodist University, Inc.
Consolidating Schedules of Financial Position
June 30, 2023

	2023				2022			
	The Methodist University, Inc.	Methodist University Development Corp.	Eliminations	Total	The Methodist University, Inc.	Methodist University Development Corp.	Eliminations	Total
Assets								
Cash and cash equivalents	\$ 3,676,887	\$ 453,984	\$ -	\$ 4,130,871	\$ 7,276,879	\$ 363,911	\$ -	\$ 7,640,790
Restricted cash and cash equivalents	4,481,913	-	-	4,481,913	3,915,523	-	-	3,915,523
Receivables:								
Students, net	551,000	-	-	551,000	463,947	-	-	463,947
Contributions, net	1,102,247	-	-	1,102,247	1,496,205	-	-	1,496,205
Other	1,087,872	-	-	1,087,872	1,061,994	-	-	1,061,994
Prepaid expenses and other assets	448,832	38,969	-	487,801	436,484	38,787	-	475,271
Investments	46,001,441	-	(1,016,799)	44,984,642	38,364,919	-	(966,705)	37,398,214
Student loans receivable, net	118,147	-	-	118,147	165,527	-	-	165,527
Right-of-use asset - operating leases	439,419	1,961,206	(1,961,206)	439,419	134,884	1,773,336	(1,773,336)	134,884
Property and equipment, net	77,533,925	532,345	-	78,066,270	78,944,254	571,629	-	79,515,883
Total assets	\$ 135,441,683	\$ 2,986,504	\$ (2,978,005)	\$ 135,450,182	\$ 132,260,616	\$ 2,747,663	\$ (2,740,041)	\$ 132,268,238
Liabilities and Net Assets								
Liabilities:								
Accounts payable and accrued liabilities	\$ 2,276,965	\$ -	\$ -	\$ 2,276,965	\$ 2,024,678	\$ -	\$ -	\$ 2,024,678
Deferred revenues	1,759,136	7,691	-	1,766,827	1,661,727	7,464	-	1,669,191
Student deposits	353,800	-	-	353,800	377,950	-	-	377,950
Other liabilities	779,919	808	-	780,727	1,179,445	158	-	1,179,603
Obligations under capital leases	605,617	1,961,206	(1,961,206)	605,617	572,156	1,773,336	(1,773,336)	572,156
Debt, net	25,182,956	-	-	25,182,956	27,337,394	-	-	27,337,394
U.S. Government advances for student loans	-	-	-	-	11,113	-	-	11,113
Total liabilities	30,958,393	1,969,705	(1,961,206)	30,966,892	33,164,463	1,780,958	(1,773,336)	33,172,085
Net assets:								
Net assets without donor restrictions	70,709,669	1,016,799	(1,016,799)	70,709,669	72,212,198	966,705	(966,705)	72,212,198
Net assets with donor restrictions	33,773,621	-	-	33,773,621	26,883,955	-	-	26,883,955
Total net assets	104,483,290	1,016,799	(1,016,799)	104,483,290	99,096,153	966,705	(966,705)	99,096,153
Total liabilities and net assets	\$ 135,441,683	\$ 2,986,504	\$ (2,978,005)	\$ 135,450,182	\$ 132,260,616	\$ 2,747,663	\$ (2,740,041)	\$ 132,268,238

The Methodist University, Inc.

Consolidating Schedules of Activities

<i>Year ended June 30, 2023</i>	The Methodist University, Inc.	Methodist University Development Corp.	Eliminations	Total
Operating revenues, gains and other support:				
Tuition and fees, net of scholarships of \$25,292,936	\$ 31,709,694	\$ -	\$ -	\$ 31,709,694
Government contracts and grants	1,714,873	-	-	1,714,873
Contributions and private grants of cash and other financial assets	1,762,139	-	-	1,762,139
Investment return designated for current operations	790,082	-	-	790,082
Other income	694,946	112	-	695,058
Sales and services of auxiliary enterprises	9,692,915	277,836	(186,000)	9,784,751
Total revenues, gains and other support	46,364,649	277,948	(186,000)	46,456,597
Operating expenses and losses:				
Educational and general instruction	19,567,930	-	(103,553)	19,464,377
Academic support	2,308,966	-	(17,212)	2,291,754
Student services	10,752,035	-	(55,656)	10,696,379
Institutional support	8,158,023	-	(10,511)	8,147,512
Auxiliary enterprises	7,967,965	227,855	(165,770)	8,030,050
Total operating expenses and losses	48,754,919	227,855	(352,702)	48,630,072
Change in net assets from operations	(2,390,270)	50,093	166,702	(2,173,475)
Other changes:				
Federal aid for students - CARES Act	-	-	-	-
Federal aid disbursed for students - CARES Act	-	-	-	-
Contributions and private grants of cash and other financial assets	4,953,536	-	-	4,953,536
Investment return less than amounts designated for current operations	2,777,904	-	(216,795)	2,561,109
Net income of MUDC	50,093	-	-	50,093
Gain on sale of fixed assets	(4,126)	-	-	(4,126)
Unrealized gain on interest rate swap agreements	-	-	-	-
Change in net assets	5,387,137	50,093	(50,093)	5,387,137
Net assets:				
Beginning	99,096,153	966,706	(966,706)	99,096,153
Ending	\$ 104,483,290	\$ 1,016,799	\$ (1,016,799)	\$ 104,483,290

The Methodist University, Inc.

Consolidating Schedules of Activities

<i>Year ended June 30, 2022</i>	The Methodist University, Inc.	Methodist University Development Corp.	Eliminations	Total
Operating revenues, gains and other support:				
Tuition and fees, net of scholarships of \$24,751,963	\$ 33,711,029	\$ -	\$ -	\$ 33,711,029
Government contracts and grants	3,684,013	-	-	3,684,013
Contributions and private grants of cash and other financial assets	3,931,308	-	-	3,931,308
Investment return designated for current operations	705,330	-	-	705,330
Other income	534,994	7	-	535,001
Sales and services of auxiliary enterprises	10,021,463	272,343	(186,000)	10,107,806
Total revenues, gains and other support	52,588,137	272,350	(186,000)	52,674,487
Operating expenses and losses:				
Educational and general instruction	19,575,204	-	(102,585)	19,472,619
Academic support	2,114,275	-	(17,051)	2,097,224
Student services	10,129,064	-	(55,136)	10,073,928
Institutional support	7,396,265	-	(10,413)	7,385,852
Auxiliary enterprises	7,896,267	225,277	(164,221)	7,957,323
Total operating expenses and losses	47,111,075	225,277	(349,406)	46,986,946
Change in net assets from operations	5,477,062	47,073	163,406	5,687,541
Other changes:				
Federal aid for students - CARES Act	2,608,540	-	-	2,608,540
Federal aid disbursed for students - CARES Act	(2,608,540)	-	-	(2,608,540)
Contributions and private grants of cash and other financial assets	8,611,204	-	-	8,611,204
Investment return less than amounts designated for current operations	(4,547,379)	-	(210,479)	(4,757,858)
Net income of MUDC	47,073	-	-	47,073
Gain on sale of fixed assets	5,600	-	-	5,600
Unrealized gain on interest rate swap agreements	131,627	-	-	131,627
Change in net assets	9,725,187	47,073	(47,073)	9,725,187
Net assets:				
Beginning	89,370,966	919,633	(919,633)	89,370,966
Ending	\$ 99,096,153	\$ 966,706	\$ (966,706)	\$ 99,096,153

Reports and Schedules Required by *Government Auditing Standards* and the Uniform Guidance



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*

Financial Affairs Committee
The Methodist University, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The Methodist University, Inc. (the University), which comprise the University's consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

December 15, 2023



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Financial Affairs Committee
The Methodist University, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Methodist University, Inc.'s (the University) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2023. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, P.C.

December 15, 2023

The Methodist University, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Grantor/Pass-Through Grantor/Program Title/Cluster	Federal Listing Number	Federal Programs
U.S. Department of Education:		
Student Financial Assistance Cluster:		
Federal Direct Student Loans	84.268	\$ 21,583,400
Federal Pell Grant Program	84.063	3,016,530
Federal Work-Study Program	84.033	158,863
Federal Supplemental Educational Opportunity Grants	84.007	231,257
Federal Perkins Loan - Federal Capital Contributions (Note 4)	84.038	-
Total Student Financial Assistance Cluster		24,990,050
COVID -19 Education Stabilization Fund:		
GEER pass through (075574434) from North Carolina Office of State Budget and Management	84.425C	123,442
Total U.S. Department of Education		25,113,492
Department of Health and Human Services:		
Nurse Education Practice Quality Retention Simulation Education Training	93.359	171,726
Total Department of Health and Human Services		171,726
Total Expenditures of Federal Awards		\$ 25,285,218

See notes to the schedule of expenditures of federal awards.

The Methodist University, Inc.

Notes to Schedule of Expenditures of Federal and State Awards Disclosures Year Ended June 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Methodist University (the University) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.

Also, the grants reflect transactions that occurred during the year ended June 30, 2023, irrespective of the year of grant award and, accordingly, the Schedule does not include a full year's activity for grants awarded or terminated on dates not coinciding with the aforementioned fiscal year.

2. Summary of Significant Accounting Policies for Federal Award Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Expenditures for student financial aid programs are recognized as incurred and include the federal share of students' FSEOG program and FWS program earnings, Federal Pell grants, certain other federal financial aid grants for students, loan disbursements and administrative cost allowances, where applicable.

3. Indirect Cost Rate

The University has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Loans Activity

At June 30, 2023, the University had no Perkins loan balances outstanding and no Perkins loans were made during fiscal year 2023 as fiscal year 2018 was the last year that loans could be made. In fiscal year 2023, the University began liquidating its Federal Perkins Revolving Loan Fund and assigned all eligible outstanding loans to the Department of Education.

5. Subrecipients

There were no program funds passed through the University to subrecipients during the year ended June 30, 2023.

6. State Awards

During the year ended June 30, 2023, the University awarded \$3,086,923 in North Carolina Need Based Scholarships, which is funding received from the State of North Carolina. Such funds were considered direct and material to the University.

The Methodist University, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes No

Identification of major federal programs:

CFDA Number(s)

84.007, 84.033, 84.038, 84.063,
84.268

Name of Federal Program or Cluster

Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

The Methodist University, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II—Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements related to the financial statements for which *Government Auditing Standards* require reporting.

No financial statement audit findings that are required to be reported were identified.

The Methodist University, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Section III—Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by 2 CFR 200.516(a) (for example, significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs and material abuse).

FINDING 2023-001

Federal Program Information: Federal Pell Grant Program (ALN 84.063)

Criteria or Specific Requirement: *L. Reporting - Common Origination and Disbursement System Reporting:* Institutions submit Federal Direct Loan Program, Federal Pell Grant Program, and TEACH Grant origination records and disbursement records to the Common Origination and Disbursement (COD) system. Origination records can be sent well in advance of any disbursements, as early as the institution chooses to submit them for any student the institution reasonably believes will be eligible for a payment. An institution follows up with a disbursement record for that student no earlier than (1) seven calendar days prior to the disbursement date under the Advance or Heightened Cash Monitoring 1 payment methods, or (2) the date of the disbursement under the Reimbursement or Heightened Cash Monitoring 2 Payment Method. The disbursement record reports the actual disbursement date and the amount of the disbursement. The U.S. Department of Education (the “ED”) processes origination and/or disbursement records and returns acknowledgments to the institution. The acknowledgments identify the processing status of each record: Rejected, Accepted with Corrections, or Accepted. Institutions must report student disbursement data within 15 calendar days after the institution makes a disbursement or becomes aware of the need to make an adjustment to previously reported student disbursement data or expected student disbursement data. Institutions may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Condition: Certain student disbursements were not reported to COD within 15 calendar days as required.

Cause: Administrative oversight.

Effect or Potential Effect: The University was not in compliance with the COD reporting requirements.

Questioned Costs: None.

Context: For 1 of 25 Pell disbursement records tested, the disbursement was not reported to COD within 15 calendar days.

The Methodist University, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Identification as a Repeat Finding: There was no similar finding identified during the prior year.

Recommendation: We recommend the University enhance its procedures over disbursement record submissions to ensure timely and accurate reporting to COD.

Views of Responsible Officials: The student that was not reported within 15 calendar days as required had several outliers making it difficult to determine Pell amounts. The student had attended another university Summer 2022 and this particular university awarded the student's Pell Grant off of the 22-23 award year. While this is an accepted practice, it can affect the student's 22-23 Pell Grant eligibility if they transfer to another institution. This student did transfer to Methodist University (MU) Fall 2022 and attended Fall 2022, Spring 2023, and Summer 2023. The student still had Pell eligibility remaining to be awarded Pell Grant at MU for Summer 23, but there was a rounding issue (PowerFAIDS rounds up) and this caused a POP (Potential Pell Overpayment) situation with MU and the prior university. The adjustment was processed outside of the required timeframe with COD; however, the award amounts were appropriately addressed and corrected. This is a unique situation and happens rarely. The Office of Financial Aid will review more carefully when awarding Pell Grant for rounding issues.

The Methodist University, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

FINDING 2023-002

Federal Program Information: Federal Pell Grant Program (ALN 84.063), Federal Direct Student Loans (ALN 84.268)

Criteria or Specific Requirement: *N. Special Tests and Provisions - Enrollment Reporting -* Institutions are required to report enrollment information under the Pell grant and the Direct and Federal Family Education Loan (FFEL) loan programs via the National Student Loan Data System (NSLDS) (OMB No. 1845-0035), although FFEL loans are no longer made or a part of the Student Financial Assistance Cluster, a student may have a FFEL loan from previous years that would require enrollment reporting for that student (Pell, 34 CFR 690.83(b)(2); FFEL, 34 CFR 682.610; Direct Loan, 34 CFR 685.309). The administration of the Title IV programs depends heavily on the accuracy and timeliness of the enrollment information reported by institutions. Institutions must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website which the financial aid administrator can access for the auditor. The data on the institution's Enrollment Reporting Roster, or Enrollment Maintenance page, is what NSLDS has as the most recently certified enrollment information. There are two categories of enrollment information, "Campus Level" and "Program Level," both of which need to be reported accurately and have separate record types. The NSLDS Enrollment Reporting Guide provides the requirements and guidance for reporting enrollment details using the NSLDS Enrollment Reporting Process.

Campus Level: Institutions are responsible for accurately reporting certain significant data elements under the Campus-Level Record that the U.S. Department of Education considers high risk, including enrollment status, which is the student's enrollment status as of the reporting date; full-time (F), three-quarter time (Q), half-time (H), less than half-time (L), leave of absence (A), graduated (G), withdrawn (W), deceased (D), never attended (X) and record not found (Z).

The Methodist University, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Program Level: Institutions are responsible for accurately reporting certain significant data elements under the Program Level Record that the U.S. Department of Education considers high risk, including CIP Code - The Classification of Instructional Programs (CIP) is a set of codes that define fields of study. CIP Codes are maintained by ED's National Center for Education Statistics (NCES). They were most recently updated in 2020 and are usually updated every ten years.

Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. Institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway (SAIG) (OMB No. 1845-0002) mailboxes sent by ED via NSLDS. After the institution submits the Enrollment Reporting roster to NSLDS, NSLDS evaluates the Enrollment Reporting roster and provides the institution an Error/Acknowledgement file. If errors are identified, institutions have 10 days to correct the errors and resubmit to NSLDS.

Condition: *Campus Level:* Certain students' enrollment status changes were reported outside of the required timeframe.

Additionally, error records were not corrected within the required timeframe.

Cause: Administrative oversight.

Effect or Potential Effect: The University was not in compliance with the enrollment reporting requirements.

Questioned Costs: None.

Context: For 1 of 25 campus level records tested, the University did not certify the students' enrollment data within 60 days.

Population of errors identified in Error/Acknowledgement files included 3 errors that repeated and were thus not corrected within the 10-day timeframe.

Identification as a Repeat Finding: There was no similar finding identified during the prior year.

Recommendation: We recommend the University enhance its procedures over enrollment reporting to ensure students' enrollment statuses are reported accurately and timely to NSLDS, and that all errors are corrected within the required timeframe.

The Methodist University, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Views of Responsible Officials:

We manually reported a student as withdrawn on 2/17/2023. The status change came in as an error on the 3/16/2023 submission (the following month) and we manually updated the status and status start date for the student again. However, it looks like the student's status reverted to Three-Quarter time on the final transmission on 5/1/2023. We will commit to closer monitoring of withdrawals submitted manually by our office on subsequent enrollment transmissions through the Clearinghouse.



**Summary Schedule of Prior Year Findings
Year Ended June, 2023**

FINDING 2022-001

Type of Finding: Federal award finding

Federal Program: Federal Financial Assistance Cluster (Various ALNs)

Summary of Prior Year Finding:

N. Special Test and Provisions - Disbursements To or On Behalf of Students - Direct Loan - If a student received financial aid while attending one or more other institutions, schools are required to request financial aid history using the National Student Loan Data System (NSLDS) Student Transfer Monitoring Process. Under this process, a school informs NSLDS about its transfer students. NSLDS will “monitor” those students on the school’s “inform” list and “alert” the school of any relevant financial aid history changes. A school must wait 7 days after it “informs” NSLDS about a transfer student before disbursing Title IV aid to that student (34 CFR 668.19). 1 instance of a transfer student that was not added to the NSLDS Transfer Monitoring list as required.

Status of finding as of June 30, 2023:

Corrective action was not taken.



Management's Corrective Action Plan
Year Ended June 30, 2023

FINDING 2023-001

Contact Person: Bonnie Adamson, Director of Financial Aid

Corrective Action: The student that was not reported within 15 calendar days as required had several outliers making it difficult to determine Pell amounts. The student had attended another university Summer 2022 and this particular university awarded the student's Pell Grant off of the 22-23 award year. While this is an accepted practice, it can affect the student's 22-23 Pell Grant eligibility if they transfer to another institution. This student did transfer to Methodist University (MU) Fall 2022 and attended Fall 2022, Spring 2023, and Summer 2023. The student still had Pell eligibility remaining to be awarded Pell Grant at MU for Summer 23, but there was a rounding issue (PowerFAIDS rounds up) and this caused a POP (Potential Pell Overpayment) situation with MU and the prior university. The adjustment was processed outside of the required timeframe with COD; however, the award amounts were appropriately addressed and corrected. This is a unique situation and happens rarely. The Office of Financial Aid will review more carefully when awarding Pell Grant for rounding issues.

Anticipated Completion Date: December 15, 2023

FINDING 2023-002

Contact Person: Kasi Turner, Registrar

Corrective Action: We manually reported a student as withdrawn on 2/17/2023. The status change came in as an error on the 3/16/2023 submission (the following month) and we manually updated the status and status start date for the student again. However, it looks like the student's status reverted to Three-Quarter time on the final transmission on 5/1/2023. We will commit to closer monitoring of withdrawals submitted manually by our office on subsequent enrollment transmissions through the Clearinghouse.

Anticipated Completion Date: December 15, 2023