

# The Methodist University, Inc.

Consolidated Financial Statements and  
Reports Required by *Government Auditing  
Standards* and the Uniform Guidance  
Years Ended June 30, 2025 and 2024

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



## **The Methodist University, Inc.**

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Consolidated Financial Statements and Reports Required  
by *Government Auditing Standards* and the Uniform Guidance  
Years Ended June 30, 2025 and 2024

# The Methodist University, Inc.

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Tel: 919-754-9370  
Fax: 919-754-9369  
www.bdo.com

421 Fayetteville Street  
Suite 300  
Raleigh, NC 27601

## **Independent Auditor's Report**

Financial Affairs Committee  
The Methodist University, Inc.

### ***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, 2025 and 2024, and the related 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, 2025 and 2024, and the change 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 issued or available 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 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 schedule 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 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 November 25, 2025 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.

November 25, 2025

## **Consolidated Financial Statements**

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# The Methodist University, Inc.

## Consolidated Statements of Financial Position

<i>June 30,</i>	2025	2024
<b>Assets</b>		
Cash and cash equivalents	\$ 4,025,315	\$ 3,013,185
Cash held to fund donor restrictions and debt service	9,574,291	7,900,537
Receivables:		
Students, net	802,981	713,631
Contributions, net	2,872,569	4,424,022
Other	1,927,977	1,022,625
Prepaid expenses and other assets	612,250	793,621
Investments	51,647,416	49,160,378
Property and equipment, net	80,311,255	76,469,671
<b>Total assets</b>	<b>\$ 151,774,054</b>	<b>\$ 143,497,670</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 3,378,618	\$ 2,635,942
Deferred revenues	1,471,424	1,752,493
Student deposits	377,000	365,700
Other liabilities	1,864,115	3,010,579
Debt, net	20,602,280	22,942,829
<b>Total liabilities</b>	<b>27,693,437</b>	<b>30,707,543</b>
<b>Net assets:</b>		
Net assets without donor restrictions	76,439,358	71,032,405
Net assets with donor restrictions	47,641,259	41,757,722
<b>Total net assets</b>	<b>124,080,617</b>	<b>112,790,127</b>
<b>Total liabilities and net assets</b>	<b>\$ 151,774,054</b>	<b>\$ 143,497,670</b>

*See notes to accompanying consolidated financial statements.*

# The Methodist University, Inc.

## Consolidated Statement of Activities

<i>Year ended June 30, 2025</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues, gains and other support:			
Tuition and fees, net of grants and scholarships of \$27,875,285	\$ 35,077,176	\$ -	\$ 35,077,176
Government contracts and grants	1,715,704	-	1,715,704
Contributions and private grants of cash and other financial assets	6,905,649	3,988,543	10,894,192
Investment return designated for current operations	54,879	1,124,435	1,179,314
Other income	1,180,729	-	1,180,729
Sales and services of auxiliary enterprises	10,828,514	-	10,828,514
Net assets released from restrictions	2,627,739	(2,627,739)	-
<b>Total revenues, gains and other support</b>	<b>58,390,390</b>	<b>2,485,239</b>	<b>60,875,629</b>
Expenses:			
Educational and general instruction	22,104,346	-	22,104,346
Academic support	3,792,684	-	3,792,684
Student services	12,545,031	-	12,545,031
Institutional support	9,883,447	-	9,883,447
Research and development	120,853	-	120,853
Auxiliary enterprises	9,186,215	-	9,186,215
<b>Total expenses</b>	<b>57,632,576</b>	<b>-</b>	<b>57,632,576</b>
<b>Change in net assets from operations</b>	<b>757,814</b>	<b>2,485,239</b>	<b>3,243,053</b>
Other changes:			
Federal aid for students - Hurricane Helene Relief	4,000	-	4,000
Federal aid disbursed for students - Hurricane Helene Relief	(4,000)	-	(4,000)
Government contracts and grants	3,065,420	-	3,065,420
Contributions and private grants of cash and other financial assets	-	771,549	771,549
Investment return less amounts designated for current operations	1,468,898	2,685,435	4,154,333
Net income of MUDC	56,135	-	56,135
Net assets released from restrictions	221,843	(221,843)	-
Transfers	(163,157)	163,157	-
<b>Change in net assets</b>	<b>5,406,953</b>	<b>5,883,537</b>	<b>11,290,490</b>
Net assets:			
Beginning	71,032,405	41,757,722	112,790,127
Ending	\$ 76,439,358	\$ 47,641,259	\$ 124,080,617

See notes to accompanying consolidated financial statements.

# The Methodist University, Inc.

## Consolidated Statement of Activities

<i>Year ended June 30, 2024</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenues, gains and other support:</b>			
Tuition and fees, net of grants and scholarships of \$27,397,321	\$ 32,908,408	\$ -	\$ 32,908,408
Government contracts and grants	981,946	5,619	987,565
Contributions and private grants of cash and other financial assets	3,319,323	5,676,925	8,996,248
Investment return designated for current operations	46,160	926,789	972,949
Other income	698,206	-	698,206
Sales and services of auxiliary enterprises	10,757,900	-	10,757,900
Net assets released from restrictions	1,886,661	(1,886,661)	-
<b>Total revenues, gains and other support</b>	<b>50,598,604</b>	<b>4,722,672</b>	<b>55,321,276</b>
<b>Expenses:</b>			
Educational and general instruction	19,987,515	-	19,987,515
Academic support	3,259,443	-	3,259,443
Student services	11,636,632	-	11,636,632
Institutional support	8,665,829	-	8,665,829
Research and development	-	-	-
Auxiliary enterprises	8,333,044	-	8,333,044
<b>Total expenses</b>	<b>51,882,463</b>	<b>-</b>	<b>51,882,463</b>
<b>Change in net assets from operations</b>	<b>(1,283,859)</b>	<b>4,722,672</b>	<b>3,438,813</b>
<b>Other changes:</b>			
Federal aid for students - Hurricane Helene Relief	-	-	-
Federal aid disbursed for students - Hurricane Helene Relief	-	-	-
Contributions and private grants of cash and other financial assets	-	451,658	451,658
Investment return less amounts designated for current operations	1,424,807	2,989,550	4,414,357
Net income of MUDC	2,009	-	2,009
Net assets released from restrictions	220,134	(220,134)	-
Transfers	(40,355)	40,355	-
<b>Change in net assets</b>	<b>322,736</b>	<b>7,984,101</b>	<b>8,306,837</b>
<b>Net assets:</b>			
Beginning	70,709,669	33,773,621	104,483,290
Ending	\$ 71,032,405	\$ 41,757,722	\$ 112,790,127

See notes to accompanying consolidated financial statements.

# The Methodist University, Inc.

## Consolidated Statements of Functional Expenses

Year ended June 30, 2025

	Educational and General	Academic Support	Student Services	Plant Operations and Management	Institutional Support			Research and Development	Auxiliary Enterprises	Total
					Administration	Fundraising	Total			
Salaries and employee benefits	\$16,740,937	\$2,475,199	\$7,873,550	\$3,362,082	\$4,954,610	\$573,781	\$5,528,391	\$71,853	\$398,165	\$36,450,177
Insurance	-	124	231,840	456,132	177,262	630	177,892	-	3,348	869,336
Miscellaneous	130,134	8,261	71,590	98,969	385,692	8,938	394,630	-	62,439	766,023
Supplies and services	861,014	552,705	1,575,349	512,905	1,165,097	139,286	1,304,383	49,000	2,663,402	7,518,758
Travel and employee development	440,182	32,991	721,983	1,183	50,239	49,514	99,753	-	-	1,296,092
Utilities and repairs	193,213	12,842	115,256	4,086,294	1,465,993	58,142	1,524,135	-	30,612	5,962,352
Depreciation and amortization	421,734	159,185	172,623	2,107,729	517,555	-	517,555	-	718,143	4,096,969
Interest, bond fees and amortization	186,048	30,952	99,988	39,161	16,418	2,490	18,908	-	297,812	672,869
Operations and maintenance	3,131,084	520,425	1,682,852	(10,664,455)	276,209	41,591	317,800	-	5,012,294	-
<b>Total functional expenses</b>	<b>\$ 22,104,346</b>	<b>\$ 3,792,684</b>	<b>\$ 12,545,031</b>	<b>\$ -</b>	<b>\$ 9,009,075</b>	<b>\$ 874,372</b>	<b>\$ 9,883,447</b>	<b>\$ 120,853</b>	<b>\$ 9,186,215</b>	<b>\$ 57,632,576</b>

Year ended June 30, 2024

	Educational and General	Academic Support	Student Services	Plant Operations and Management	Institutional Support			Research and Development	Auxiliary Enterprises	Total
					Administration	Fundraising	Total			
Salaries and employee benefits	\$15,163,273	\$2,145,197	\$7,149,643	\$3,319,497	\$4,471,668	\$566,759	\$ 5,038,427	\$ -	\$445,963	\$ 33,262,000
Insurance	-	180	274,786	453,809	151,660	2,067	153,727	-	2,987	885,489
Miscellaneous	112,301	159	138,722	81,921	314,331	7,714	322,045	-	118,416	773,564
Supplies and services	879,712	439,754	1,552,973	484,659	1,244,891	136,841	1,381,732	-	2,313,384	7,052,214
Travel and employee development	334,804	19,192	682,060	547	73,241	39,558	112,799	-	-	1,149,402
Utilities and repairs	161,466	4,460	102,635	2,648,107	795,590	49,153	844,743	-	98,448	3,859,859
Depreciation and amortization	428,490	167,205	173,155	2,016,767	517,221	-	517,221	-	699,542	4,002,380
Interest, bond fees and amortization	248,174	41,288	133,377	52,238	21,900	3,321	25,221	-	397,257	897,555
Operations and maintenance	2,659,295	442,008	1,429,281	(9,057,545)	234,590	35,324	269,914	-	4,257,047	-
<b>Total functional expenses</b>	<b>\$ 19,987,515</b>	<b>\$ 3,259,443</b>	<b>\$ 11,636,632</b>	<b>\$ -</b>	<b>\$ 7,825,092</b>	<b>\$ 840,737</b>	<b>\$ 8,665,829</b>	<b>\$ -</b>	<b>\$ 8,333,044</b>	<b>\$ 51,882,463</b>

See notes to accompanying consolidated financial statements.

# The Methodist University, Inc.

## Consolidated Statements of Cash Flows

Years ended June 30,	2025	2024
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 11,290,490	\$ 8,306,837
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,096,969	4,002,380
Amortization of bond fees	76,735	83,837
Amortization of bond premiums	(272,284)	(297,484)
Losses on disposal of property and equipment	77,562	-
Contributions restricted for long-term investment	(771,549)	(451,658)
Realized and unrealized gains on investments	(3,660,678)	(3,197,051)
Changes in assets and liabilities:		
(Increase) decrease in:		
Student accounts receivable	(89,350)	(44,484)
Contributions receivable	1,551,453	(3,321,775)
Other receivables	(905,352)	65,247
Prepaid expenses and other assets	181,371	133,599
Increase (decrease) in:		
Accounts payable and accrued liabilities	742,676	358,977
Deferred revenues	(281,069)	(14,334)
Student deposits	11,300	11,900
Other liabilities	(1,146,464)	1,624,235
<b>Net cash provided by operating activities</b>	<b>10,901,810</b>	<b>7,260,226</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(8,016,115)	(2,405,781)
Purchases of investments	(25,610,669)	(64,895,391)
Proceeds from sale of investments	26,784,309	63,916,706
<b>Net cash used in investing activities</b>	<b>(6,842,475)</b>	<b>(3,384,466)</b>
<b>Cash flows from financing activities:</b>		
Payments on long-term debt	(2,145,000)	(2,026,480)
Contributions restricted for long-term investment	771,549	451,658
<b>Net cash used in financing activities</b>	<b>(1,373,451)</b>	<b>(1,574,822)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,685,884</b>	<b>2,300,938</b>
Cash and cash equivalents:		
Beginning	10,913,722	8,612,784
Ending	\$ 13,599,606	\$ 10,913,722

# The Methodist University, Inc.

## Consolidated Statements of Cash Flows (continued)

<i>Years ended June 30,</i>	2025	2024
Presented on consolidated statements of financial position as:		
Cash and cash equivalents	\$ 4,025,315	\$ 3,013,185
Cash held to fund donor restrictions and debt service	9,574,291	7,900,537
<b>Total cash and cash equivalents</b>	<b>\$ 13,599,606</b>	<b>\$ 10,913,722</b>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 881,776	\$ 1,113,749

*See notes to accompanying consolidated financial statements.*

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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### 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 1,800 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.

The University has entered into an affiliation agreement with Cape Fear Valley Health System (CFVHS) to develop an M.D. degree-granting school of medicine with an MU off-campus instructional site located on CFVHS's corporate medical campus in Fayetteville, North Carolina. The Methodist University Cape Fear Valley School of Medicine (SOM) held a groundbreaking ceremony on September 10, 2024, at the school's future site on the Cape Fear Valley Health System campus. On October 17, 2024, the SOM received the official candidacy designation from The Liaison Committee on Medical Education. On October 16, 2025, the University received its preliminary accreditation and began accepting application fees in preparation for the anticipated program start date of July 2026.

### 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) and Methodist University Cape Fear Valley Health School of Medicine, Inc. (School of Medicine). MUDC is a wholly owned subsidiary of the University established in May 1996 to develop and lease certain commercial real estate owned by the University. Methodist University Cape Fear Valley Health School of Medicine, Inc. (School of Medicine), a wholly owned subsidiary of the University, established in March 2024 to promote health, education, and science through the establishment and support of a school of medicine. 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

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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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.

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 times, deposits maintained within these financial institutions may be in excess of the FDIC-insured limit. Management believes the risk associated with these bank accounts is minimal.

### ***Cash Held to Fund Donor Restrictions and Debt Service***

Cash held to fund donor restrictions and debt service consists of amounts to fund 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.

### ***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 are based on original invoice amounts and include allowances for credit losses that reflect management's best estimate of the amounts that will not be collected. Student receivables are written-off when deemed uncollectible. Recoveries of student receivables previously written off are recorded when received. During the years ended June 30, 2025 and 2024, write offs,

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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recoveries, and provisions for credit losses were immaterial to the consolidated financial statements.

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, 2025 and 2024. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

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.

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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### ***Property and Equipment, Net***

Beginning on July 1, 2023, the University changed its capitalization policy for property and equipment to values over \$1,500. Before this date the capitalization policy was \$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 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, 2025 and 2024, were \$1,455,620 and \$1,737,813, respectively. The balance of deferred revenues relating to golf shop tournament advance payments and sales for the years ended June 30, 2025 and 2024, were \$7,882 and \$6,989, respectively. Also included in deferred revenues are payments received in advance for rent, totaling \$7,922 and \$7,691 for the years ended June 30, 2025 and 2024, respectively.

### ***Student Deposits***

Student deposits represent tuition and dorm reservation fees of \$300,000 and \$294,300 for the years ended June 30, 2025 and 2024, and key, mattress and dormitory damage deposits of \$77,000 and \$71,400 for the years ended June 30, 2025 and 2024, respectively.

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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### ***Operating and Nonoperating Activities***

The consolidated statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues, gains and other support 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 government contracts and grants restricted for capital expenditure, contributions restricted for capital expenditures and donor-restricted endowment contributions, investment return not appropriated for 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.

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.

### ***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 when required.

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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### *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 consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### *Reclassifications*

Certain amounts in the accompanying financial statements for the year ended June 30, 2024, have been reclassified to conform with the 2025 presentation, with no effect on change in net assets or net assets.

### **3. Liquidity and Availability**

As of June 30, 2025 and 2024, 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>	<b>2025</b>	<b>2024</b>
Total assets at year-end	\$ 151,774,054	\$ 143,497,670
Less amounts not available to be used for general expenditures within one year:		
Non-financial assets	(83,353,368)	(77,263,292)
Endowments subject to donor restrictions	(39,032,700)	(35,558,170)
Board designated endowments	(5,195,966)	(4,581,723)
Net assets subject to purpose restrictions	(5,834,676)	(6,567,590)
Cash-restricted for debt service	(3,023,419)	(3,023,419)
Total financial assets available to meet general expenditures within one year	\$ 15,333,925	\$ 16,503,476

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, and marketable securities.

As of June 30, 2025 and 2024, board-designated quasi-endowment totals \$5,195,966 and \$4,581,723, 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.

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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

<i>June 30,</i>	<b>2025</b>	<b>2024</b>
Cash and cash equivalents	\$ 5,011,897	\$ 3,013,185
Contributions receivable, net	202,253	216,213
Student and other receivables, net	2,505,958	1,736,256
Investments not encumbered by donor or board restrictions	7,613,817	11,537,822
Total financial assets available to meet general expenditures within one year	\$ 15,333,925	\$ 16,503,476

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#### 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

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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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 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:

**Fixed income, 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.

# 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, 2025:

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Financial assets:				
Investments:				
Cash and cash equivalents	\$ 3,386,080	\$ -	\$ -	\$ 3,386,080
Domestic equities	21,292,907	-	-	21,292,907
Global equities	4,136,992	-	-	4,136,992
International equities	3,751,912	-	-	3,751,912
Fixed income	14,989,342	-	-	14,989,342
Private real estate	-	-	97,500	97,500
Measured at NAV *:				
Real estate investment trust	-	-	-	848,716
Fund of funds	-	-	-	2,034,548
Private equity	-	-	-	1,109,419
<b>Total</b>	<b>\$ 47,557,233</b>	<b>\$ -</b>	<b>\$ 97,500</b>	<b>\$ 51,647,416</b>

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, 2024:

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Financial assets:				
Investments:				
Cash and cash equivalents	\$ 1,870,292	\$ -	\$ -	\$ 1,870,292
Domestic equities	24,713,836	-	-	24,713,836
Global equities	3,943,334	-	-	3,943,334
International equities	1,259,147	-	-	1,259,147
Fixed income	13,701,676	-	-	13,701,676
Private real estate	-	-	97,500	97,500
Measured at NAV *:				
Real estate investment trust	-	-	-	678,914
Fund of funds	-	-	-	1,000,000
Private equity	-	-	-	1,895,679
<b>Total</b>	<b>\$ 45,488,285</b>	<b>\$ -</b>	<b>\$ 97,500</b>	<b>\$ 49,160,378</b>

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

\*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, 2025 and 2024:

Investment	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Restrictions	Notice Period
	2025	2024				
Real estate investment trust	\$ 848,716	\$ 678,914	\$ -	Monthly	2% of NAV per month and 5% aggregate per quarter	15 Days
Fund of funds	2,034,548	1,000,000	-	None	N/A	N/A
Private equity	1,109,419	1,895,679	1,632,137	None	N/A	N/A
<b>Total</b>	<b>\$ 3,992,683</b>	<b>\$ 3,574,593</b>				

# 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, 2025, is estimated to be:

	Without Donor Restrictions	With Donor Restrictions	Total
One year or less	\$ 202,253	\$ 550,254	\$ 752,507
One to five years	400,000	2,168,286	2,568,286
More than five years	-	-	-
<b>Total</b>	<b>602,253</b>	<b>2,718,540</b>	<b>3,320,793</b>
Less:			
Discount for future cash flows	(5,575)	(116,816)	(122,391)
Allowance for uncollectible pledges	(45,826)	(280,007)	(325,833)
<b>Contributions receivable, net</b>	<b>\$ 550,852</b>	<b>\$ 2,321,717</b>	<b>\$ 2,872,569</b>

The payment timing of outstanding contributions receivable at June 30, 2024, is estimated to be:

	Without Donor Restrictions	With Donor Restrictions	Total
One year or less	\$ 216,213	\$ 833,237	\$ 1,049,450
One to five years	600,000	3,617,181	4,217,181
More than five years	-	5,000	5,000
<b>Total</b>	<b>816,213</b>	<b>4,455,418</b>	<b>5,271,631</b>
Less:			
Discount for future cash flows	(81,286)	(503,821)	(585,107)
Allowance for uncollectible pledges	(7,696)	(254,806)	(262,502)
<b>Contributions receivable, net</b>	<b>\$ 727,231</b>	<b>\$ 3,696,791</b>	<b>\$ 4,424,022</b>

Contributions to be received after one year are discounted at 5%.

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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### 6. Other Accounts Receivable

Accounts receivable - other consists of the following at June 30, 2025 and 2024:

<i>June 30,</i>	<b>2025</b>	<b>2024</b>
Sales and use tax	\$ 409,682	\$ 109,526
Accrued interest receivable	34,289	59,168
Grants receivable	606,881	531,985
Other miscellaneous receivables	876,525	320,521
Payroll and travel advances	600	1,425
<b>Total</b>	<b>\$ 1,927,977</b>	<b>\$ 1,022,625</b>

### 7. Investments

Investments consist of the following at June 30, 2025 and 2024:

<i>June 30,</i>	<b>2025</b>	<b>2024</b>
Cash and cash equivalents	\$ 3,386,080	\$ 1,870,292
Mutual funds:		
Domestic equities	21,292,907	24,713,836
Global equities	4,136,992	3,943,334
International equities	3,751,912	1,259,147
Fixed income	14,989,342	13,701,676
Private real estate	97,500	97,500
Alternative investments:		
Real estate investment trust	848,716	678,914
Fund of funds	2,034,548	1,000,000
Private equity	1,109,419	1,895,679
<b>Total</b>	<b>\$ 51,647,416</b>	<b>\$ 49,160,378</b>

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

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The following summarizes the investment return:

<i>Years ended June 30,</i>	<b>2025</b>	<b>2024</b>
Interest and dividends	\$ 1,865,090	\$ 2,350,789
Net realized and unrealized gains	3,660,679	3,197,051
Investment fees	(192,122)	(160,534)
Investment income, net	5,333,647	5,387,306
Investment return designated for current operations	(1,179,314)	(972,949)
Investment return less amount designated for current operations	\$ 4,154,333	\$ 4,414,357

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### **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 was 4.5% for the years ended June 30, 2025 and 2024. 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, 2025 and 2024, consist of the following:

<i>June 30,</i>	<b>2025</b>	<b>2024</b>
Cash and cash equivalents	\$ 474,741	\$ 1,145,528
Contributions receivable, net	32,591	64,466
Other receivable	225,000	-
Investments	51,548,735	47,762,878
Cash surrender value of life insurance	207,862	212,526
Due to operating fund	(743,946)	(979,332)
<b>Total</b>	<b>\$ 51,744,983</b>	<b>\$ 48,206,066</b>

<i>June 30,</i>	<b>2025</b>	<b>2024</b>
Designated by the Board for endowment	\$ 5,195,966	\$ 4,581,723
With donor restrictions, endowed	39,032,700	35,558,170
Total endowed funds	44,228,666	40,139,893
Without donor restrictions, pooled with endowed funds	7,516,317	8,066,173
<b>Total</b>	<b>\$ 51,744,983</b>	<b>\$ 48,206,066</b>

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

Changes in endowment net assets during the years ending June 30, 2025 and 2024, are as follows:

	2025		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Changes in endowment net assets:			
Beginning endowment net assets:	\$ 12,647,896	\$ 35,558,170	\$ 48,206,066
Reclassifications	(163,157)	163,157	-
Contributions	-	625,938	625,938
Investment income, net	552,160	991,117	1,543,277
Net realized and unrealized gains	841,926	2,818,753	3,660,679
Spending policy	(54,879)	(1,124,435)	(1,179,314)
Transfers	(1,111,663)	-	(1,111,663)
<hr/>			
Ending endowment net assets, including other funds pooled with endowed funds	\$ 12,712,283	\$ 39,032,700	\$ 51,744,983

As of June 30, 2025, endowed funds with donor restrictions consisted of funds restricted in perpetuity (in original gifts) of \$29,868,717 and accumulated earnings of \$9,163,983.

	2024		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Changes in endowment net assets:			
Beginning endowment net assets:	\$ 13,242,743	\$ 32,216,815	\$ 45,459,558
Reclassifications	(40,355)	40,355	-
Contributions	35,399	311,451	346,850
Investment income, net	749,307	1,302,749	2,052,056
Net realized and unrealized gains	583,462	2,613,589	3,197,051
Spending policy	(46,160)	(926,789)	(972,949)
Transfers	(1,876,500)	-	(1,876,500)
<hr/>			
Ending endowment net assets, including other funds pooled with endowed funds	\$ 12,647,896	\$ 35,558,170	\$ 48,206,066

As of June 30, 2024, endowed funds with donor restrictions consisted of funds restricted in perpetuity (in original gifts) of \$29,031,864 and accumulated earnings of \$6,526,306.

# 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 \$0 and \$9,914 at June 30, 2025 and 2024, 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. Property and Equipment

Property and equipment at June 30, 2025 and 2024, consists of the following:

<i>June 30,</i>	<b>Useful Life (in years)</b>	<b>2025</b>	<b>2024</b>
Land	N/A	\$ 1,518,601	\$ 1,518,601
Land improvements	15-25	12,261,842	11,945,718
Lease improvements	10	-	7,980
Buildings	50	83,696,356	85,095,605
Building improvements	25	21,842,894	21,142,083
Commercial building and improvements	5-50	2,179,691	1,730,996
Vehicles	5	1,278,640	1,277,655
Library books	12	686,910	2,377,525
Plant equipment	5-10	13,443,726	13,724,512
Computer equipment	3-5	4,104,653	6,984,767
Works of art	N/A	169,214	164,614
Construction in progress	N/A	6,760,743	1,994,226
		<b>147,943,270</b>	<b>147,964,282</b>
Accumulated depreciation		<b>(67,632,015)</b>	<b>(71,494,611)</b>
<b>Total property and equipment - net</b>		<b>\$ 80,311,255</b>	<b>\$ 76,469,671</b>

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

Construction in progress at June 30, 2025 and 2024, consists of the following:

Project Description	Estimated Date of Completion	2025	2024
Reeves Renovation/Worship Center	Various	\$ 1,420,505	\$ 1,420,505
Stream Restoration	2026	3,159,812	284,580
Berns Student Center Renovation	2026	1,108,016	-
Others	Various	1,072,410	289,141
<b>Total</b>		<b>\$ 6,760,743</b>	<b>\$ 1,994,226</b>

Depreciation and amortization expense totaled \$4,096,969 and \$4,002,380 for the years ended June 30, 2025 and 2024, respectively.

### 10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2025 and 2024, are as follows:

<i>June 30,</i>	2025	2024
Accounts payable	\$ 1,771,405	\$ 1,159,536
Accrued interest	263,133	291,733
Salaries and wages, benefits and payroll taxes	539,077	339,024
Accrued vacation	805,003	845,649
<b>Total</b>	<b>\$ 3,378,618</b>	<b>\$ 2,635,942</b>

### *Compensated Absences*

Effective, February 1, 2024, the University transitioned from a traditional vacation and sick leave model to a Flexible Paid Time Off (PTO) model. Eligibility for PTO is based on continuous service with the University. Employees earn PTO based on their employment status and length of service. The maximum number of accumulated PTO days an employee may accrue is 52. PTO may be used or paid at time of separation, up to a maximum of 80 hours.

At the time of transition, up to 10 days of employees' available vacation leave balances were converted to PTO. Any remaining leave balances were banked for future use or payout. Remaining vacation balances will be paid out over a 5-year period.

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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### 11. Other Liabilities

Other liabilities at June 30, 2025 and 2024, are as follows:

<i>June 30,</i>	<b>2025</b>	<b>2024</b>
Agency obligations	\$ 91,908	\$ 95,256
Refundable advances - exchange transactions	1,396,563	2,532,194
Miscellaneous	375,644	383,129
<b>Total other liabilities</b>	<b>\$ 1,864,115</b>	<b>\$ 3,010,579</b>

#### ***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 May 14, 2024, the University entered into an exchange transaction with a supplier for cafeteria services effective July 1, 2024. Under the agreement, the University consented to a 10-year contract with the service provider. 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, 2025 and 2024, the unamortized balance of these refundable advances was \$1,375,000 and \$0, 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, 2025 and 2024, the unamortized balance of these refundable advances was \$20,000 and \$30,000, 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, 2025 and 2024, the unamortized balance of these refundable advances was \$1,563 and \$7,813, respectively.

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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On March 27, 2024, the University entered into a grant agreement with a state agency for the demolition of two residence halls originally constructed in the 1960's. Under the agreement, the University consented to removing environmentally hazardous materials and razing the two buildings in exchange for a financial commitment of \$1,000,000. At June 30, 2025 and 2024, the unused balances of these advances was \$0 and \$994,381, respectively.

On February 5, 2024, the University entered into a grant agreement with a state agency for Phase II of the stream restoration project, in exchange for a financial commitment of \$1,000,000. At June 30, 2025 and 2024, the unused balances of these advances was \$0 and \$1,000,000, respectively.

### 12. 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 balances at June 30, 2025 and 2024 was \$19,735,000 and \$21,880,000, respectively.

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.

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

In connection with the issuance of bonds, the University has agreed to certain restrictive covenants, including the attainment of various financial ratios.

Balances outstanding at June 30 consist of:

<i>June 30,</i>	<b>2025</b>	<b>2024</b>
Series 2021 Educational Facilities Revenue Bonds	<b>\$ 19,735,000</b>	<b>\$ 21,880,000</b>
	<b>19,735,000</b>	<b>21,880,000</b>
Plus unamortized bond premium	<b>1,207,609</b>	<b>1,479,893</b>
Less unamortized bond issue costs	<b>(340,329)</b>	<b>(417,064)</b>
Debt, net	<b>\$20,602,280</b>	<b>\$22,942,829</b>

Principal payment requirements relating to total debt for the next five years are approximately as follows:

<i>Years ended June 30,</i>	<b>Total</b>
2026	<b>\$ 2,265,000</b>
2027	<b>2,390,000</b>
2028	<b>2,525,000</b>
2029	<b>2,670,000</b>
2030	<b>2,850,000</b>
Thereafter	<b>7,035,000</b>
Total	<b>\$ 19,735,000</b>

Total interest costs incurred related to bonds and notes payable were \$574,316 and \$510,212 for the years ended June 30, 2025 and 2024, respectively.

Bond administrative costs and fees totaled \$15,242 and \$24,454 for the years ended June 30, 2025 and 2024, respectively. Amortization of debt issuance costs totaled \$76,735 and \$83,837 for the years ended June 30, 2025 and 2024, respectively.

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

### 13. Net Assets

Net assets without donor restrictions at June 30, 2025 and 2024, are as follows:

<i>June 30,</i>	2025	2024
Undesignated	\$ 11,534,417	\$ 13,273,514
Net investment in plant	59,708,975	53,158,350
Designated by the Board for endowment	5,195,966	4,581,723
<b>Total net assets without donor restrictions</b>	<b>\$ 76,439,358</b>	<b>\$ 71,013,587</b>

Net assets with donor restrictions at June 30, 2025 and 2024, are as follows:

<i>June 30,</i>	2025	2024
Endowment funds restricted in perpetuity	\$ 29,868,717	\$ 29,036,018
Endowment funds, accumulated gains and other	9,163,983	6,526,307
Contributions and grants for scholarships, operations and construction projects	6,518,281	2,814,116
Contributions receivable, net	2,090,278	3,381,281
<b>Total net assets with donor restrictions</b>	<b>\$ 47,641,259</b>	<b>\$ 41,757,722</b>

### 14. 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>	2025	2024
Scholarships	\$ 1,339,853	\$ 1,272,138
Awards	57,490	69,618
Construction projects	221,843	220,134
Program expenses and other	1,230,396	544,905
<b>Total net assets released from restrictions</b>	<b>\$ 2,849,582</b>	<b>\$ 2,106,795</b>
Reconciliation to statement of activities:		
Release to net assets from operations	\$ 2,627,739	\$ 1,886,661
Release to net assets from nonoperating activity	221,843	220,134
<b>Total</b>	<b>\$ 2,849,582</b>	<b>\$ 2,106,795</b>

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

### 15. Auxiliary Enterprises

The University's auxiliary enterprise operations for the years ended June 30, 2025 and 2024, are summarized as follows:

	2025				
	Residence		Commercial	Other	Total
	Halls	Cafeteria	Leasing (MUDC)		
<b>Revenues</b>	\$ 6,541,687	\$ 3,947,548	\$ 93,680	\$ 245,599	\$ 10,828,514
<b>Expenses:</b>					
Direct expenses	363,979	2,657,526	25,855	110,606	3,157,966
Depreciation and amortization	549,787	123,786	44,270	300	718,143
Allocation of interest	256,969	21,531	-	19,312	297,812
Allocation of plant operations	4,324,437	362,591	-	325,266	5,012,294
<b>Total expenses</b>	<b>5,495,172</b>	<b>3,165,434</b>	<b>70,125</b>	<b>455,484</b>	<b>9,186,215</b>
<b>Net auxiliary income (loss)</b>	<b>\$ 1,046,515</b>	<b>\$ 782,114</b>	<b>\$ 23,555</b>	<b>\$ (209,885)</b>	<b>\$ 1,642,299</b>

	2024				
	Residence		Commercial	Other	Total
	Halls	Cafeteria	Leasing (MUDC)		
<b>Revenues</b>	\$ 6,400,761	\$ 4,031,843	\$ 92,295	\$ 233,001	\$ 10,757,900
<b>Expenses:</b>					
Direct expenses	482,796	2,308,202	76,694	111,506	2,979,198
Depreciation and amortization	557,514	102,422	39,284	322	699,542
Allocation of interest	342,776	28,722	-	25,759	397,257
Allocation of plant operations	3,672,834	307,957	-	276,256	4,257,047
<b>Total expenses</b>	<b>5,055,920</b>	<b>2,747,303</b>	<b>115,978</b>	<b>413,843</b>	<b>8,333,044</b>
<b>Net auxiliary income (loss)</b>	<b>\$ 1,344,841</b>	<b>\$ 1,284,540</b>	<b>\$ (23,683)</b>	<b>\$ (180,842)</b>	<b>\$ 2,424,856</b>

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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### 16. 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 \$656,351 and \$507,037 for the years ended June 30, 2025 and 2024, 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 3% for the years ended June 30, 2025 and 2024, respectively. The employee has the option of contributing an additional amount up to the maximum allowed by the law. There is no vesting period.

### 17. 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, 2025 and 2024, 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.

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

<i>Years ended June 30,</i>	<b>2025</b>	<b>2024</b>
Undergraduate (net of scholarships and fellowships of \$27,778,040 in 2025 and \$27,312,357 in 2024)	<b>\$ 23,096,333</b>	<b>\$ 21,555,064</b>
Graduate (net of scholarships and fellowships of \$60,861 in 2025 and \$48,557 in 2024)	<b>4,940,883</b>	<b>4,517,582</b>
Doctoral (net of scholarships and fellowships of \$36,384 in 2025 and \$36,407 in 2024)	<b>7,039,960</b>	<b>6,835,762</b>
Total tuition and fees (net of scholarships and fellowships of \$27,875,285 in 2025 and \$27,397,321 in 2024)	<b>\$ 35,077,176</b>	<b>\$ 32,908,408</b>

**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.

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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>	<b>2025</b>	<b>2024</b>
Residence halls	\$ 6,541,687	\$ 6,400,761
Food service and vending	3,947,548	4,031,843
Campus store	104,674	125,358
Camps and conferences	50,925	17,643
Rental income	183,680	182,295
<b>Total sales and services of auxiliary enterprises</b>	<b>\$ 10,828,514</b>	<b>\$ 10,757,900</b>

### 18. Financial Aid (Tuition Discount)

The University awards financial aid on the basis of academic merit, need and leadership. Gross tuition discounts were 44.3% and 45.5% for the years ended June 30, 2025 and 2024, respectively. The unfunded discount rate was 42.3% and 43.4% for each of the years ended June 30, 2025 and 2024, 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.

	<b>2025</b>		<b>2024</b>	
	<b>Dollars</b>	<b>Percentage</b>	<b>Dollars</b>	<b>Percentage</b>
Unfunded discount	\$ 26,612,217	42.3%	\$ 26,150,392	43.4%
Funded discount	1,263,068	2.0%	1,246,929	2.1%
<b>Total</b>	<b>\$ 27,875,285</b>	<b>44.3%</b>	<b>\$ 27,397,321</b>	<b>45.5%</b>
<b>Gross tuition</b>	<b>\$ 62,952,461</b>		<b>\$ 60,305,729</b>	

### 19. Related Party Transactions

Contribution revenue from trustees and management during the fiscal years ended June 30, 2025 and 2024 amounted to \$223,566 and \$1,680,943, respectively.

Contributions receivable from trustees and management at June 30, 2025 and 2024, amounted to \$369,400 and \$530,073, respectively.

The University rents certain copier equipment from a company owned by one of the University's trustees. Payments under these leases totaled \$83,038 and \$182,875 for the years ended June 30, 2025 and 2024, respectively.

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

In a joint effort with Cape Fear Valley Medical System (Hospital System), the University has begun efforts to form a school of medicine. Contributions from the Hospital System for the school of medicine amounted to \$6,048,811 and \$2,189,825 for the years ended June 30, 2025 and 2024, respectively. Such contributions from the Hospital System were to pay salaries and other operational costs for the school of medicine.

On October 16, 2025, the University received its preliminary accreditation and began accepting application fees in preparation for the anticipated program start date of July 2026.

### 20. Related Party Disclosure Required by the U.S. Department of Education

The following list of related party transactions is provided solely to comply with the Financial Responsibility, Administrative Capability, Certification Procedures, Ability To Benefit regulation promulgated by the U.S. Department of Education:

Related Party	Relationship	Location	Nature of Transaction	June 30, 2025	
				Revenue (Expense)	Assets
Cape Fear Valley Health System	Affiliate	Fayetteville, NC	Contribution		
Norwood E. Bryan	Trustee's spouse	Fayetteville, NC	Contribution		
John "Mac" Healy	Trustee	Fayetteville, NC	Contribution		
Dr. Rakesh Gupta	Trustee	Fayetteville, NC	Contribution		
Mr. John W. Wyatt III	Trustee	Fayetteville, NC	Contribution		
Jo Beth Johnson	Trustee	Fayetteville, NC	Contribution		
D. Keith Allison	Trustee	Fayetteville, NC	Contribution		
John W. Brown	Trustee	Fayetteville, NC	Contribution		
Earl D. Leake	Trustee	Fayetteville, NC	Contribution		
Margaret Highsmith Dickson	Trustee	Fayetteville, NC	Contribution		
Robert Hines	Trustee	Fayetteville, NC	Contribution		
M. Scott Weathington	Trustee	Fayetteville, NC	Contribution		
J. Daniel Highsmith, Jr.	Trustee	Fayetteville, NC	Contribution		
Timothy S. Richardson	Trustee	Fayetteville, NC	Contribution		
Rev. Gilliam Wise	Trustee	Fayetteville, NC	Contribution		
William R. West	Trustee	Fayetteville, NC	Contribution		
Ira Steingold	Trustee	Fayetteville, NC	Contribution		
Howard Arden	Trustee	Fayetteville, NC	Contribution		
Dr. Dickson Schaefer	Trustee	Fayetteville, NC	Contribution		
Andrew Shuck	Trustee	Fayetteville, NC	Contribution		
Sheila C. Kinsey	Executive Mgmt	Fayetteville, NC	Contribution		
Rick Lowe	Executive Mgmt	Fayetteville, NC	Contribution		
Richard Swanson	Executive Mgmt	Fayetteville, NC	Contribution		
Elton Stanley	Trustee	Fayetteville, NC	Contribution		
Suzanne Blum Malley	Executive Mgmt	Fayetteville, NC	Contribution		
Peter M. Broome	Trustee	Fayetteville, NC	Contribution		
Stanley Wearden	Executive Mgmt	Fayetteville, NC	Contribution		
Mrs. Jennifer Cleveland Elam	Trustee	Fayetteville, NC	Contribution		
David Eavenson	Executive Mgmt	Fayetteville, NC	Contribution		
William Walker	Executive Mgmt	Fayetteville, NC	Contribution		
Dawn F. Ausborn	Executive Mgmt	Fayetteville, NC	Contribution		
Kelli Taylor	Executive Mgmt	Fayetteville, NC	Contribution		
Quincy Malloy	Executive Mgmt	Fayetteville, NC	Contribution		
James J. Townsend	Trustee	Fayetteville, NC	Contribution		
Charles B. Holmes	Trustee	Fayetteville, NC	Contribution		
D. Keith Allison	Trustee	Fayetteville, NC	Expense		
Cape Fear Valley Health System	Affiliate	Fayetteville, NC	Expense		

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

Related Party	Relationship	Location	Nature of Transaction	June 30, 2024	
				Revenue (Expense)	Assets
Cape Fear Valley Health System	Affiliate	Fayetteville, NC	Contribution		
Norwood E. Bryan	Trustee's spouse	Fayetteville, NC	Contribution		
John "Mac" Healy	Trustee	Fayetteville, NC	Contribution		
Dr. Rakesh Gupta	Trustee	Fayetteville, NC	Contribution		
Jo Beth Johnson	Trustee	Fayetteville, NC	Contribution		
D. Keith Allison	Trustee	Fayetteville, NC	Contribution		
John W. Brown	Trustee	Fayetteville, NC	Contribution		
Earl D. Leake	Trustee	Fayetteville, NC	Contribution		
Margaret Highsmith Dickson	Trustee	Fayetteville, NC	Contribution		
Robert Hines	Trustee	Fayetteville, NC	Contribution		
M. Scott Weathington	Trustee	Fayetteville, NC	Contribution		
J. Daniel Highsmith, Jr.	Trustee	Fayetteville, NC	Contribution		
Timothy S. Richardson	Trustee	Fayetteville, NC	Contribution		
Rev. Gilliam Wise	Trustee	Fayetteville, NC	Contribution		
William R. West	Trustee	Fayetteville, NC	Contribution		
Ira Steingold	Trustee	Fayetteville, NC	Contribution		
Howard Arden	Trustee	Fayetteville, NC	Contribution		
Dr. Dickson Schaefer	Trustee	Fayetteville, NC	Contribution		
Andrew Shuck	Trustee	Fayetteville, NC	Contribution		
Rick Lowe	Executive Mgmt	Fayetteville, NC	Contribution		
Richard Swanson	Executive Mgmt	Fayetteville, NC	Contribution		
Elton Stanley	Trustee	Fayetteville, NC	Contribution		
Suzanne Blum Malley	Executive Mgmt	Fayetteville, NC	Contribution		
Peter M. Broome	Trustee	Fayetteville, NC	Contribution		
Stanley Wearden	Executive Mgmt	Fayetteville, NC	Contribution		
David Eavenson	Executive Mgmt	Fayetteville, NC	Contribution		
William Walker	Executive Mgmt	Fayetteville, NC	Contribution		
Dawn F. Ausborn	Executive Mgmt	Fayetteville, NC	Contribution		
Kelli Taylor	Executive Mgmt	Fayetteville, NC	Contribution		
James J. Townsend	Trustee	Fayetteville, NC	Contribution		
Charles B. Holmes	Trustee	Fayetteville, NC	Contribution		
D. Keith Allison	Trustee	Fayetteville, NC	Expense		

## 21. Concentrations, Commitments and Contingencies

During the year ended June 30, 2025, one significant donor contributed 52% and one significant donor contributed 13% of total contributions received during the year ended June 30, 2025. During the year ended June 30, 2024, one significant donor contributed 23% each and three significant donors contributed 11% of total contributions received during the year ended June 30, 2024.

Contributions receivable as of June 30, 2025 includes three pledges from significant donors that make up 30%, 22% and 18% of total contributions receivable. Contributions receivable as of June 30, 2024 includes two pledges from significant donors that each make up 19% and two pledges from significant donors that each make up 15% of total contributions receivable.

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

# The Methodist University, Inc.

## Notes to Consolidated Financial Statements

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student retention rates. Revenue share amounts paid to this organization totaled \$43,542 and \$123,781 for the years ended June 30, 2025 and 2024, respectively.

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 \$1,733,215 and \$1,256,484 for the years ended June 30, 2025 and 2024, 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.

## **22. Subsequent Events**

The University has evaluated its subsequent events occurring after June 30, 2025, through November 25, 2025, which represents the date the financial statements were available to be issued.

Since January 20, 2025, President Trump has issued multiple executive orders as he took office along with specific departmental, agency and Office of Management and Budget guidance which have imposed potential restrictions on certain programs, payments, new awards and existing programs, impacting many organizations that receive and expend federal funding. The full impact of the executive orders continues to evolve as of November 25, 2025. As such, it is uncertain as to the full magnitude that these matters will have on University's financial condition, liquidity, and future results of operations. The University is actively monitoring the impact of these events on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of these matters through November 25, 2025, the University is not able to reasonably estimate the effects on the results of operations, financial condition, or liquidity for fiscal year 2025. The University continues to assess the impact to its day-to-day operations, including continued access to contracts and funding from the federal government. As of November 25, 2025, the University has not seen a material negative impact to its operations.

## Supplementary Information

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**The Methodist University, Inc.**  
**Title IV Financial Responsibility Ratio Supplemental Schedule**  
**Year Ended June 30, 2025**

Reference	Ratio/Variable Description	Amount
<b>Primary Reserve Ratio Related Input Amounts and Other</b>		
Consolidated Statement of Financial Position	Net assets without donor restrictions	\$ 76,439,358
Consolidated Statement of Financial Position	Net assets with donor restrictions	47,641,259
N/A	Annuities, term endowment, and life income funds - with donor restrictions	-
Note 13	Net assets with donor restrictions: restricted in perpetuity	29,868,717
Note 19	Unsecured related party receivable	369,400
Note B to this Schedule	Property and equipment, net - pre-implementation	61,136,787
Note B to this Schedule	Property and equipment, net - post-implementation with outstanding debt for acquisition	194,473
Note B to this Schedule	Property and equipment, net - post-implementation without outstanding debt for acquisition	12,219,252
Note 9 and Note B to this Schedule	Construction in progress	6,760,743
Note B to this Schedule	Lease right-of-use assets, net pre-implementation	-
Note B to this Schedule	Lease right-of-use assets, net post-implementation	-
N/A	Intangible assets	-
N/A	Post-employment and pension liabilities	-
Note 12 and Note C to this Schedule	Long-term debt - for long-term purposes - pre-implementation	20,602,280
Note C to this Schedule	Long-term debt - for long-term purposes - post-implementation	-
Note C to this Schedule	Right-of-use leases liabilities - pre-implementation	-
Note C to this Schedule	Right-of-use leases liabilities - post-implementation	-
Consolidated Statement of Activities	All expenses and losses without donor restrictions less any losses without donor restriction on investments, post-employment and defined benefit pensions, and annuities	57,632,576
<b>Equity Ratio Related Input Amounts and Other</b>		
Consolidated Statement of Financial Position	Net assets without donor restrictions	\$ 76,439,358
Consolidated Statement of Financial Position	Net assets with donor restrictions	47,641,259
N/A	Intangible assets	-
Note 19	Unsecured related party receivables	369,400
Consolidated Statement of Financial Position	Total assets	151,774,054
<b>Net Income Ratio Related Input Amounts and Other</b>		
Statement of Activities	Change in net assets without donor restrictions	\$ 5,406,953
Statement of Activities	Total revenues without donor restrictions, including net assets released from restrictions, other additions, and gains	63,039,529

*See accompanying notes to Title IV Financial Responsibility Ratio Supplemental Schedule.*

**The Methodist University, Inc.**  
**Notes to Title IV Financial Responsibility Ratio Supplemental Schedule**  
**Year Ended June 30, 2025**

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**Note A. Title IV Financial Responsibility Ratio Supplemental Schedule**

Methodist University (the "University") participates in certain Title IV student financial assistance programs which requires the University to meet standards of financial responsibility as determined by the U.S. Department of Education (the "ED"). The accompanying Title IV financial responsibility ratio supplemental schedule is solely presented to comply with certain regulations promulgated by the ED.

**Note B. Property, Plant, Equipment, and Right-of-Use Assets, Net**

Note 9 to the 2025 consolidated financial statements of the University provides information on the University's property, plant, equipment required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). The following table summarizes the components of property, plant, equipment that are included in the accompanying Title IV financial responsibility ratio supplemental schedule as required by the ED:

<b><i>May 31,</i></b>	<b>2025</b>
<b>Pre-Implementation</b>	
Property, plant and equipment, net	\$ 61,136,787
Right-of-use assets, net	-
<b>Post-Implementation</b>	
Property, plant and equipment, net:	
With outstanding debt for original purchase	194,473
Without outstanding debt for original purchase	12,219,252
Construction in progress	6,760,743
Right-of-use assets, net	-
<b>Total property, plant, equipment, and right-of-use assets, net</b>	<b>\$ 80,311,255</b>

**Note C. Long-Term Debt for Long-Term Purposes and Right-of-Use Lease Liabilities**

Note 12 to the 2025 consolidated financial statements of the University provide information on the University's debt required by U.S. GAAP. The following table summarizes the components of debt that are included in the accompanying Title IV financial responsibility ratio supplemental schedule as required by the ED:

<b><i>May 31,</i></b>	<b>2025</b>
<b>Pre-Implementation</b>	
Long-term debt for long-term purposes	\$ 20,602,280
Right-of-use lease liabilities	-
<b>Post-Implementation</b>	
Long-term debt for long-term purposes	-
Right-of-use lease liabilities	-
<b>Total long-term debt for long-term purposes and right-of-use lease liabilities</b>	<b>\$ 20,602,280</b>

**The Methodist University, Inc.**  
**Consolidated Schedules of Financial Position -**  
**AICPA Audit Guide Fund Group Disaggregation**  
**Year Ended June 30, 2025**

(With Comparative Totals for the Year Ended June 30, 2024)

	Current Funds	Endowment and Similar Funds	Plant Funds	2025	2024
<b>Assets</b>					
Cash and cash equivalents	\$ 3,293,216	\$ 474,741	\$ 257,358	4,025,315	\$ 3,013,185
Cash held to fund donor restrictions and debt service	6,550,872	-	3,023,419	9,574,291	7,900,537
Amounts due from other funds*	743,946	-	-	743,946	979,332
Receivables:					
Students, net	802,981	-	-	802,981	713,631
Contributions, net	2,839,978	32,591	-	2,872,569	4,424,022
Other	1,665,688	225,000	37,289	1,927,977	1,022,625
Prepaid expenses and other assets	404,388	207,862	-	612,250	793,621
Investments	1,181	51,548,735	97,500	51,647,416	49,160,378
Property and equipment, net	-	-	80,311,255	80,311,255	76,469,671
<b>Total assets</b>	<b>\$ 16,302,250</b>	<b>\$ 52,488,929</b>	<b>\$ 83,726,821</b>	<b>\$ 152,518,000</b>	<b>\$ 144,477,002</b>
<b>Liabilities and Net Assets</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 3,114,810	\$ -	\$ 263,808	\$ 3,378,618	\$ 2,635,942
Amounts due to other funds*	-	743,946	-	743,946	979,332
Deferred revenues	1,463,502	-	7,922	1,471,424	1,752,493
Student deposits	377,000	-	-	377,000	365,700
Other liabilities	250,986	-	1,613,129	1,864,115	3,010,579
Debt, net	-	-	20,602,280	20,602,280	22,942,829
<b>Total liabilities</b>	<b>5,206,298</b>	<b>743,946</b>	<b>22,487,139</b>	<b>28,437,383</b>	<b>31,686,875</b>
Net assets:					
Net assets without donor restrictions	2,487,393	12,712,283	61,239,682	76,439,358	71,032,405
Net assets with donor restrictions	8,608,559	39,032,700	-	47,641,259	41,757,722
<b>Total net assets</b>	<b>11,095,952</b>	<b>51,744,983</b>	<b>61,239,682</b>	<b>124,080,617</b>	<b>112,790,127</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,302,250</b>	<b>\$ 52,488,929</b>	<b>\$ 83,726,821</b>	<b>\$ 152,518,000</b>	<b>\$ 144,477,002</b>

\* These interfund amounts eliminate in consolidation.

**The Methodist University, Inc.**  
**Consolidating Schedules of Financial Position**  
**June 30, 2025**

	2025					2024				
	The Methodist University, Inc.	Methodist University Development Corp.	School of Medicine	Eliminations	Total	The Methodist University, Inc.	Methodist University Development Corp.	School of Medicine	Eliminations	Total
<b>Assets</b>										
Cash and cash equivalents	\$ 2,549,587	\$ 199,752	\$ 1,275,976	\$ -	\$ 4,025,315	\$ 2,832,915	\$ 180,270	\$ -	\$ -	\$ 3,013,185
Cash held to fund donor restrictions and debt service	9,574,291	-	-	-	9,574,291	7,900,537	-	-	-	7,900,537
Receivables:	-	-	-	-	-	-	-	-	-	-
Students, net	802,981	-	-	-	802,981	713,631	-	-	-	713,631
Contributions, net	2,872,569	-	-	-	2,872,569	4,424,022	-	-	-	4,424,022
Other	2,936,525	-	90	(1,008,638)	1,927,977	1,017,945	4,680	-	-	1,022,625
Prepaid expenses and other assets	608,701	3,549	-	-	612,250	793,621	-	-	-	793,621
Investments	52,722,359	-	-	(1,074,943)	51,647,416	49,879,186	300,000	-	(1,018,808)	49,160,378
Property and equipment, net	79,392,920	897,485	20,850	-	80,311,255	75,913,485	556,186	-	-	76,469,671
<b>Total assets</b>	<b>\$ 151,459,933</b>	<b>\$ 1,100,786</b>	<b>\$ 1,296,916</b>	<b>\$ (2,083,581)</b>	<b>\$ 151,774,054</b>	<b>\$ 143,475,342</b>	<b>\$ 1,041,136</b>	<b>\$ -</b>	<b>\$ (1,018,808)</b>	<b>\$ 143,497,670</b>
<b>Liabilities and Net Assets</b>										
<b>Liabilities:</b>										
Accounts payable and accrued liabilities	\$ 3,349,671	\$ 675	\$ 1,036,910	\$ (1,008,638)	\$ 3,378,618	\$ 2,635,942	\$ -	\$ -	\$ -	\$ 2,635,942
Deferred revenues	1,463,502	7,922	-	-	1,471,424	1,744,802	7,691	-	-	1,752,493
Student deposits	377,000	-	-	-	377,000	365,700	-	-	-	365,700
Other liabilities	1,846,869	17,246	-	-	1,864,115	2,995,942	14,637	-	-	3,010,579
Debt, net	20,602,280	-	-	-	20,602,280	22,942,829	-	-	-	22,942,829
<b>Total liabilities</b>	<b>27,639,322</b>	<b>25,843</b>	<b>1,036,910</b>	<b>(1,008,638)</b>	<b>27,693,437</b>	<b>30,685,215</b>	<b>22,328</b>	<b>-</b>	<b>-</b>	<b>30,707,543</b>
<b>Net assets:</b>										
Net assets without donor restrictions	76,179,352	1,074,943	260,006	(1,074,943)	76,439,358	71,032,405	1,018,808	-	(1,018,808)	71,032,405
Net assets with donor restrictions	47,641,259	-	-	-	47,641,259	41,757,722	-	-	-	41,757,722
<b>Total net assets</b>	<b>123,820,611</b>	<b>1,074,943</b>	<b>260,006</b>	<b>(1,074,943)</b>	<b>124,080,617</b>	<b>112,790,127</b>	<b>1,018,808</b>	<b>-</b>	<b>(1,018,808)</b>	<b>112,790,127</b>
<b>Total liabilities and net assets</b>	<b>\$ 151,459,933</b>	<b>\$ 1,100,786</b>	<b>\$ 1,296,916</b>	<b>\$ (2,083,581)</b>	<b>\$ 151,774,054</b>	<b>\$ 143,475,342</b>	<b>\$ 1,041,136</b>	<b>\$ -</b>	<b>\$ (1,018,808)</b>	<b>\$ 143,497,670</b>

# The Methodist University, Inc.

## Consolidating Schedules of Activities

<i>Year ended June 30, 2025</i>	The Methodist University, Inc.	Methodist University Development Corp.	School of Medicine	Eliminations	Total
Operating revenues, gains and other support:					
Tuition and fees, net of scholarships of \$27,875,285	\$ 35,077,176	\$ -	\$ -	\$ -	\$ 35,077,176
Government contracts and grants	1,715,704	-	-	-	1,715,704
Contributions and private grants of cash and other financial assets	4,845,381	-	6,048,811	-	10,894,192
Investment return designated for current operations	1,179,314	-	-	-	1,179,314
Other income	3,648,918	14,388	12,948	(2,495,525)	1,180,729
Sales and services of auxiliary enterprises	10,734,834	279,680	-	(186,000)	10,828,514
<b>Total revenues, gains and other support</b>	<b>57,201,327</b>	<b>294,068</b>	<b>6,061,759</b>	<b>(2,681,525)</b>	<b>60,875,629</b>
Operating expenses and losses:					
Educational and general instruction	21,290,000	-	1,650,908	(836,562)	22,104,346
Academic support	2,225,692	-	1,706,040	(139,048)	3,792,684
Student services	11,947,227	-	1,047,429	(449,625)	12,545,031
Institutional support	8,691,835	-	1,276,523	(84,911)	9,883,447
Research and development	-	-	120,853	-	120,853
Auxiliary enterprises	10,287,468	237,933	-	(1,339,186)	9,186,215
<b>Total operating expenses and losses</b>	<b>54,442,222</b>	<b>237,933</b>	<b>5,801,753</b>	<b>(2,849,332)</b>	<b>57,632,576</b>
Change in net assets from operations	2,759,105	56,135	260,006	167,807	3,243,053
Other changes:					
Federal aid for students - Hurricane Helene Relief	4,000	-	-	-	4,000
Federal aid disbursed for students - Hurricane Helene Relief	(4,000)	-	-	-	(4,000)
Government contracts and grants	3,065,420	-	-	-	3,065,420
Contributions and private grants of cash and other financial assets	771,549	-	-	-	771,549
Investment return less than amounts designated for current operations	4,378,275	-	-	(223,942)	4,154,333
Net income of MUDC	56,135	-	-	-	56,135
Change in net assets	11,030,484	56,135	260,006	(56,135)	11,290,490
Net assets:					
Beginning	112,790,127	1,018,808	-	(1,018,808)	112,790,127
Ending	\$ 123,820,611	\$ 1,074,943	\$ 260,006	\$ (1,074,943)	\$ 124,080,617

# The Methodist University, Inc.

## Consolidating Schedules of Activities

<i>Year ended June 30, 2024</i>	The Methodist University, Inc.	Methodist University Development Corp.	School of Medicine	Eliminations	Total
Operating revenues, gains and other support:					
Tuition and fees, net of scholarships of \$27,397,321	\$ 32,908,408	\$ -	\$ -	\$ -	\$ 32,908,408
Government contracts and grants	987,565	-	-	-	987,565
Contributions and private grants of cash and other financial assets	6,806,423	-	2,189,825	-	8,996,248
Investment return designated for current operations	972,949	-	-	-	972,949
Other income	698,206	-	-	-	698,206
Sales and services of auxiliary enterprises	10,658,936	284,964	-	(186,000)	10,757,900
<b>Total revenues, gains and other support</b>	<b>53,032,487</b>	<b>284,964</b>	<b>2,189,825</b>	<b>(186,000)</b>	<b>55,321,276</b>
Operating expenses and losses:					
Educational and general instruction	19,894,174	-	196,975	(103,634)	19,987,515
Academic support	2,234,919	-	1,041,749	(17,225)	3,259,443
Student services	10,909,640	-	782,692	(55,700)	11,636,632
Institutional support	8,507,939	-	168,409	(10,519)	8,665,829
Research and development	-	-	-	-	-
Auxiliary enterprises	8,215,988	282,955	-	(165,899)	8,333,044
<b>Total operating expenses and losses</b>	<b>49,762,660</b>	<b>282,955</b>	<b>2,189,825</b>	<b>(352,977)</b>	<b>51,882,463</b>
Change in net assets from operations	3,269,827	2,009	-	166,977	3,438,813
Other changes:					
Federal aid for students - Hurricane Helene Relief	-	-	-	-	-
Federal aid disbursed for students - Hurricane Helene Relief	-	-	-	-	-
Contributions and private grants of cash and other financial assets	451,658	-	-	-	451,658
Investment return less than amounts designated for current operations	4,583,343	-	-	(168,986)	4,414,357
Net income of MUDC	2,009	-	-	-	2,009
Change in net assets	8,306,837	2,009	-	(2,009)	8,306,837
Net assets:					
Beginning	104,483,290	1,016,799	-	(1,016,799)	104,483,290
Ending	\$ 112,790,127	\$ 1,018,808	\$ -	\$ (1,018,808)	\$ 112,790,127

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

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Tel: 919-754-9370  
Fax: 919-754-9369  
www.bdo.com

421 Fayetteville St  
Suite 300  
Raleigh, NC 27601

## **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, 2025, 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 November 25, 2025.

### **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 preceding 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 or significant deficiencies may exist that were not identified.



### **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*.

### **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.

November 25, 2025



## **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 the Major Federal Programs**

#### ***Opinion on Each Major Federal Program***

We have audited The Methodist University, Inc.’s (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University’s major federal programs for the year ended June 30, 2025. 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 types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2025.

#### ***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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.



## 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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

March 11, 2026

The Methodist University, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

Grantor/Pass-Through Grantor/Program Title/Cluster	Assistance Living Number	Federal Programs
U.S. Department of Education:		
Direct Programs:		
Student financial assistance cluster:		
Federal Direct Student Loans	84.268	\$ 22,639,024
Federal Pell Grant Program	84.063	4,786,574
Federal Work-Study Program	84.033	279,209
Federal Supplemental Educational Opportunity Grants	84.007	136,603
<b>Total Student Financial Assistance Cluster</b>		<b>27,841,410</b>
COVID-19 Education Stabilization Fund:		
Governor's Emergency Education Relief pass through from North Carolina Office of State Budget and Management		
	84.425V	5,510
<b>Total Education Stabilization Fund</b>		<b>5,510</b>
<b>Total expenditures of federal awards</b>		<b>\$ 27,846,920</b>

*See notes to the schedule of expenditures of federal awards.*

**The Methodist University, Inc.**  
**Notes to Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2025**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The Methodist University, Inc. (the University) under programs of the federal government for the year ended June 30, 2025. 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.

For the Federal Supplemental Educational Opportunity Grant (FSEOG) and Federal Work Study (FWS), the expenditures listed are only the federal share.

Also, the grants reflect transactions for the year ended June 30, 2025, 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.

All of the University's federal awards were in the form of cash assistance and no federal funds were disbursed to subrecipients during the year ended June 30, 2025.

**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. State Awards**

During the year ended June 30, 2025, the University awarded \$3,875,514 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, 2025**

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**Section I - Summary of Auditor's Results**

***Consolidated Financial Statements***

Type of report the auditor issued on whether the 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)

Name of Federal Program or Cluster

SFA

Student Financial Assistance Cluster

84.007  
84.268  
84.033  
84.063

Federal Supplemental Education Opportunity Grants  
Federal Direct Student Loans  
Federal Work-Study Program  
Federal Pell Grant Program

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, 2025**

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**Section II—Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse 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, 2025**

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**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 2025-001**

**Federal Program Information:** Federal Direct Student Loan Program (ALN#: 84.268), Federal Pell Grant Program (ALN#: 84.063)

**Criteria or Specific Requirement:** *N. Special Tests and Provisions - Campus Level Enrollment Reporting* Institutions are required to report enrollment information under the Pell grant and the Direct and FFEL loan programs via the NSLDS (OMB No. 1845-0035), although FFEL loans are no longer made or a part of the SFA 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; Perkins 34 CFR 674.19(f)). 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 certify 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. 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.

**Condition:** The University failed to report student enrollment for 1 out of 40 selections.

**Cause:** Insufficient administrative oversight with respect to Campus Level enrollment reporting compliance requirements.

**Effect or Possible Effect:** The University was not in compliance with the Campus Level enrollment reporting compliance requirements.

**Questioned Costs:** None.

**Context:** The University failed to report student enrollment for 1 out of 40 selections.

# The Methodist University, Inc.

## Schedule of Findings and Questioned Costs Year Ended June 30, 2025

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**Identification of Repeat Finding:** There was a similar finding, 2024-002, identified during the prior year.

**Recommendation:** We recommend the University enhance its procedures to ensure Campus Level enrollment reporting is submitted.

**Views of Responsible Officials:** To prevent future occurrences of missing campus-level student enrollment reporting, both the University Registrar and Assistant Registrar will participate in the upcoming NSClearinghouse Academy on Thursday, March 26. This session will provide a refresher on enrollment compliance reporting requirements and offer opportunities to connect with peers and Clearinghouse staff to discuss best practices.

Additionally, I will begin collaborating with the MU Database Administrator, Mary Hupp, to compile and review all monthly enrollment reports prior to submission to the National Student Clearinghouse. As part of this strengthened workflow, we will implement a two-person sign-off to ensure that both the data extraction and the TXT file mapping are jointly reviewed and verified before transmission. This added step ensures a second review of both the database and the TXT file before transmission, strengthening accuracy, and reducing the likelihood of future omissions.

Before the next reporting cycle, the Registrar's Office will also review and update the current enrollment reporting process documentation in collaboration with Mary Hupp to ensure that all steps, and system validation points are clearly defined and consistently followed.

# The Methodist University, Inc.

## Schedule of Findings and Questioned Costs Year Ended June 30, 2025

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### Finding 2025-002

<b>Federal Program Information:</b>	Federal Direct Student Loan Program (ALN#: 84.268)
<b>Criteria or Specific Requirement:</b>	<i>Special Tests and Provisions - Disbursements to or on Behalf of Students - Federal Student Aid ("FSA") Credit Balances -</i> Where disbursements created a credit balance in the student account and the student or parent did not provide an authorization for the institution to retain funds, the institution must provide the credit balance amount to the student within 14 days of the date the balance was created (34 CFR 668.164(h)).
<b>Condition:</b>	Instance was identified where the University did not return a credit balance within the required timeframe.
<b>Cause:</b>	Administrative oversight with respect to disbursement to or on behalf of students.
<b>Effect or Possible Effect:</b>	The University was not in compliance with disbursement to or on behalf of students.
<b>Questioned Costs:</b>	None.
<b>Context:</b>	For 1 of 40 students selected for testing, the University did not return a credit balance within the required 14 days.
<b>Identification of Repeat Finding:</b>	There was a similar finding, 2024-003, identified during the prior year.
<b>Recommendation:</b>	We recommend the University complete a timely review of credit balances in order to return all credit balances with respect to FSA credit balances within the required timeframe.
<b>Views of Responsible Officials:</b>	The current refund report used to monitor Title IV refunds has limitations that affected the completeness of data reviewed. Reports rely on manual batch postings, which can delay or omit certain transactions at the time of report generation. This created gaps in monitoring and potential human error. The institution is transitioning to a new system. The new program is expected to improve the accuracy and completeness of refund monitoring. System implementation and staff training are currently underway, with full adoption beginning with the 2026-2027 academic year.



Summary Schedule of Prior Year Findings  
Year Ended June 30, 2025

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**Finding 2024-001:**

*Type of Finding:*

Federal award finding.

***Federal Program Information:***

Federal Pell Grant Program (ALN 84.063)

***Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):***

*L. Reporting - Common Origination and Disbursement (“COD”) System* - All institutions receiving Direct Loans submit payment data to the Department of Education through the COD System. Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the COD no earlier than 7 days prior to making a disbursement of funds to a student (under the Advance or Heightened Cash monitoring 1 payment method), and no later than 15 days after the school makes a payment or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. (ED Notice, July 14, 2020, Federal Register (85 Federal Register 42368)).

***Condition:***

The University failed to timely report Pell payment data for 1 of 25 selections.

***Status of Findings as of June 30, 2025:***

Corrective action was taken.

**Finding 2024-002:**

*Type of Finding:*

Federal award finding.

***Federal Program Information:***

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

***Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):***

*N. Special Tests and Provisions - Campus Level Enrollment Reporting* Institutions are required to report enrollment information under the Pell grant and the Direct and FFEL loan programs via the NSLDS (OMB No. 1845-0035), although FFEL loans are no longer made or a part of the SFA 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; Perkins 34 CFR 674.19(f)). 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,



Summary Schedule of Prior Year Findings  
Year Ended June 30, 2025

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and certify 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. 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.

**Condition:**

The University failed to timely report student enrollment changes for 6 out of 25 selections.

**Status of Findings as of June 30, 2025:**

Corrective action was not taken. See finding 2025-001.

**Finding 2024-003:**

*Type of Finding:*

Federal award finding.

**Federal Program Information:**

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

**Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):**

*Special Tests and Provisions - Disbursements to or on Behalf of Students - Federal Student Aid ("FSA") Credit Balances* - Where disbursements created a credit balance in the student account and the student or parent did not provide an authorization for the institution to retain funds, the institution must provide the credit balance amount to the student within 14 days of the date the balance was created (34 CFR 668.164(h)).

**Condition:**

Instance was identified where the University did not issue a refund within the required timeframe.

**Status of Findings as of June 30, 2025:**

Corrective action was not taken. See Finding 2025-002.



**Management's Corrective Action Plan  
Year Ended June 30, 2025**

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**FINDING 2025-001**

**Name of Responsible Individual:** Kasi Turner

**Corrective Action:**

To prevent future occurrences of missing campus-level student enrollment reporting, both the University Registrar and Assistant Registrar will participate in the upcoming NSClearinghouse Academy on Thursday, March 26. This session will provide a refresher on enrollment compliance reporting requirements and offer opportunities to connect with peers and Clearinghouse staff to discuss best practices.

Additionally, I will begin collaborating with the MU Database Administrator, Mary Hupp, to compile and review all monthly enrollment reports prior to submission to the National Student Clearinghouse. As part of this strengthened workflow, we will implement a two-person sign-off to ensure that both the data extraction and the TXT file mapping are jointly reviewed and verified before transmission. This added step ensures a second review of both the database and the TXT file before transmission, strengthening accuracy, and reducing the likelihood of future omissions.

Before the next reporting cycle, the Registrar's Office will also review and update the current enrollment reporting process documentation in collaboration with Mary Hupp to ensure that all steps, and system validation points are clearly defined and consistently followed.

**Anticipated Completion Date:** April 15, 2026



Management’s Corrective Action Plan  
Year Ended June 30, 2025

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**FINDING 2025-002**

**Name of Responsible Individual:** Mary Mercer, Director Student Financial Services

**Corrective Action:**

**Issue:**

The current refund report used to monitor Title IV refunds has limitations that affected the completeness of data reviewed. Reports rely on manual batch postings, which can delay or omit certain transactions at the time of report generation. This created gaps in monitoring and potential human error.

<u>Action Step</u>	<u>Responsible Party</u>	<u>Timeline</u>
<b>Transition to new system</b> - Implement refund reporting to reduce manual errors and improve completeness.	Student Financial Services & IT (if needed)	Full adoption by Academic Year 2026-2027
<b>Staff training</b> - Provide comprehensive training to Student Financial Services staff on new system processes, reporting, and controls for Title-IV refunding.	Elucian Consultant & Student Financial Services	When training session is scheduled through first report in 2026-2027
<b>Interim verification controls</b> - Conduct weekly reconciliation of batch postings and verifications that all Title IV refunds are captured until the new system is fully operational.	Student Financial Services & Controller’s Office	Immediate until system adoption
<b>Validation &amp; reconciliation process</b> - Establish a formal process within the new system to ensure all refunds are accurately captured and reported.	Student Financial Services	By first full report in 2026-2027

**Anticipated Completion Date:** See above