



**NATIONAL UNIVERSITY
OF HEALTH SCIENCES**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Years Ended August 31, 2021 and 2020



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NATIONAL UNIVERSITY OF HEALTH SCIENCES
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
National University of Health Sciences
Lombard, Illinois

We have audited the accompanying financial statements of National University of Health Sciences (the University), which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National University of Health Sciences as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 of the financial statements, the University adopted new accounting guidance as issued by the Financial Accounting Standards Board (FASB) under Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Financial Responsibility Supplemental Schedule required by the Department of Education and the supplementary schedules of revenues and expenses for both auxiliary enterprises and clinic operations on pages 38 and 39 are presented for purposes of additional analysis and are 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 13, 2021 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Sikich LLP

Naperville, Illinois
November 13, 2021

FINANCIAL STATEMENTS

NATIONAL UNIVERSITY OF HEALTH SCIENCES

STATEMENTS OF FINANCIAL POSITION

August 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 5,301,929	\$ 6,306,808
Restricted cash	452,686	527,729
Investments	16,631,707	13,893,078
Accounts receivable, less allowance of \$120,000 and \$164,000 in 2021 and 2020, respectively	45,256	33,515
Student loans receivable, less allowance of \$66,199 in 2021 and 2020	1,317,373	1,658,956
Grants receivable	299,164	1,000
Prepaid expenses and other assets	504,530	684,865
Investments restricted to endowment	9,579,643	7,932,935
Property and equipment, net	22,810,086	24,141,403
TOTAL ASSETS	\$ 56,942,374	\$ 55,180,289
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,287,641	\$ 877,085
Deposits held for others	43,995	45,832
Security deposits	105,615	116,465
Deferred revenue - student tuition and housing	159,893	179,826
Refundable grant advance	13,153	2,915,907
Term loans and bonds payable		
Term loans payable	975,000	1,040,000
Bonds payable	4,200,020	4,480,016
Unamortized debt issuance costs	(60,520)	(64,577)
Total term loans and bonds payable	5,114,500	5,455,439
Interest rate swap liability	112,013	205,781
Advances from U.S. government for student loans	902,742	1,318,232
Total liabilities	7,739,552	11,114,567
NET ASSETS		
Without donor restrictions	39,595,076	36,095,785
With donor restrictions		
Restricted by purpose and time	5,747,566	4,116,956
Restricted in perpetuity	3,860,180	3,852,981
Subtotal with donor restrictions	9,607,746	7,969,937
Total net assets	49,202,822	44,065,722
TOTAL LIABILITIES AND NET ASSETS	\$ 56,942,374	\$ 55,180,289

See accompanying notes to financial statements.

NATIONAL UNIVERSITY OF HEALTH SCIENCES

STATEMENTS OF ACTIVITIES

For the Years Ended August 31, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND OTHER SUPPORT			
Tuition and fees			
College of Allied Health Sciences	\$ 571,364	\$ -	\$ 571,364
College of Professional Studies	11,189,206	-	11,189,206
Lincoln College	415,966	-	415,966
Resident program	8,498	-	8,498
Florida program	3,588,062	-	3,588,062
Other student fees	411,418	-	411,418
Less tuition discounts	(821,918)	-	(821,918)
Net tuition and fees	15,362,596	-	15,362,596
Private gifts, grants, and bequests	382,624	45,332	427,956
Government grants and contracts	4,028,155	-	4,028,155
Investment income, net	50,540	142,541	193,081
Interest on loans receivable	68,457	-	68,457
Auxiliary enterprises	1,250,584	-	1,250,584
Clinic operations	462,431	-	462,431
Other revenue, gains and losses	(129,585)	-	(129,585)
Net assets released from restriction	158,805	(158,805)	-
Total operating revenues and other support	21,634,607	29,068	21,663,675
OPERATING EXPENSES			
Instruction			
College of Allied Health Sciences	715,698	-	715,698
College of Professional Studies	5,782,926	-	5,782,926
Lincoln College	506,724	-	506,724
Resident program	94,033	-	94,033
Florida program	2,107,194	-	2,107,194
Total instruction	9,206,575	-	9,206,575
Research	452,560	-	452,560
Academic support	1,315,345	-	1,315,345
Student services	2,492,365	-	2,492,365
Auxiliary enterprises	1,680,483	-	1,680,483
Clinic operations	1,527,322	-	1,527,322
Total educational program expenses	16,674,650	-	16,674,650
Institutional support	3,956,529	-	3,956,529
Fundraising	184,040	-	184,040
Total operating expenses	20,815,219	-	20,815,219
Change in net assets from operating activities	819,388	29,068	848,456
NON-OPERATING ACTIVITIES			
Realized gain on investments	1,675,608	473,712	2,149,320
Unrealized gain on investments	910,527	1,135,029	2,045,556
Unrealized gain on interest rate swaps	93,768	-	93,768
Total non-operating activities	2,679,903	1,608,741	4,288,644
CHANGE IN NET ASSETS	3,499,291	1,637,809	5,137,100
NET ASSETS, BEGINNING OF YEAR	36,095,785	7,969,937	44,065,722
NET ASSETS, END OF YEAR	\$ 39,595,076	\$ 9,607,746	\$ 49,202,822

NATIONAL UNIVERSITY OF HEALTH SCIENCES

STATEMENTS OF ACTIVITIES (Continued)

For the Years Ended August 31, 2021 and 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND OTHER SUPPORT			
Tuition and fees			
College of Allied Health Sciences	\$ 566,301	\$ -	\$ 566,301
College of Professional Studies	12,700,781	-	12,700,781
Lincoln College	493,933	-	493,933
Resident program	16,576	-	16,576
Florida program	3,429,669	-	3,429,669
Other student fees	438,959	-	438,959
Less tuition discounts	(829,167)	-	(829,167)
Net tuition and fees	16,817,052	-	16,817,052
Private gifts, grants, and bequests	101,342	59,926	161,268
Government grants and contracts	416,829	-	416,829
Investment income, net	67,213	132,249	199,462
Interest on loans receivable	70,524	-	70,524
Auxiliary enterprises	1,462,851	-	1,462,851
Clinic operations	298,785	-	298,785
Other revenue, gains and losses	96,916	-	96,916
Net assets released from restriction	210,010	(210,010)	-
Total operating revenues and other support	19,541,522	(17,835)	19,523,687
OPERATING EXPENSES			
Instruction			
College of Allied Health Sciences	793,151	-	793,151
College of Professional Studies	6,230,525	-	6,230,525
Lincoln College	536,935	-	536,935
Resident program	100,903	-	100,903
Florida program	2,134,037	-	2,134,037
Total instruction	9,795,551	-	9,795,551
Research	428,267	-	428,267
Academic support	1,360,471	-	1,360,471
Student services	2,331,617	-	2,331,617
Auxiliary enterprises	1,648,125	-	1,648,125
Clinic operations	1,769,289	-	1,769,289
Total educational program expenses	17,333,320	-	17,333,320
Institutional support	4,387,670	-	4,387,670
Fundraising	194,848	-	194,848
Total operating expenses	21,915,838	-	21,915,838
Change in net assets from operating activities	(2,374,316)	(17,835)	(2,392,151)
NON-OPERATING ACTIVITIES			
Realized gain on investments	1,265,790	672,858	1,938,648
Unrealized gain on investments	847,344	60,408	907,752
Unrealized loss on interest rate swaps	(144,260)	-	(144,260)
Total non-operating activities	1,968,874	733,266	2,702,140
CHANGE IN NET ASSETS	(405,442)	715,431	309,989
NET ASSETS, BEGINNING OF YEAR	36,501,227	7,254,506	43,755,733
NET ASSETS, END OF YEAR	\$ 36,095,785	\$ 7,969,937	\$ 44,065,722

NATIONAL UNIVERSITY OF HEALTH SCIENCES

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2021

	College of Allied Health Sciences	College of Professional Studies	Lincoln College	Resident Program	Florida Program	Total Instruction	Research	Academic Support
Salaries and wages	\$ 495,192	\$ 3,256,430	\$ 282,644	\$ 64,298	\$ 1,276,693	\$ 5,375,257	\$ 230,394	\$ 495,372
Employee benefits	130,557	859,869	74,809	16,276	341,993	1,423,504	60,900	132,000
Contractual services	26,200	447,904	15,208	315	156,274	645,901	15,703	77,703
Supplies and consumables	3,545	261,161	77,071	-	56,919	398,696	20,956	11,928
Depreciation and amortization	228	5,708	-	-	29,468	35,404	-	117,680
Travel and meeting expense	949	3,988	-	205	481	5,623	1,433	786
Insurance and property taxes	4,498	57,691	1,519	-	145,753	209,461	-	9,565
Utilities	-	-	510	-	-	510	-	-
Miscellaneous	-	-	-	-	-	-	75	-
Overhead allocations	21,790	249,031	31,129	12,452	99,613	414,015	28,016	59,145
Operation and maintenance	32,739	641,144	23,834	487	-	698,204	95,083	411,166
TOTAL FUNCTIONAL EXPENSES	\$ 715,698	\$ 5,782,926	\$ 506,724	\$ 94,033	\$ 2,107,194	\$ 9,206,575	\$ 452,560	\$ 1,315,345

See accompanying notes to financial statements.

NATIONAL UNIVERSITY OF HEALTH SCIENCES

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended August 31, 2021

	Student Services	Auxiliary Enterprises	Clinic Operations	Operation and Maintenance of Physical Plant	Total Education Program Expenses	Institutional Support	Fundraising	Total Operating Expenses
Salaries and wages	\$ 1,122,390	\$ 190,781	\$ 698,705	\$ 764,510	\$ 8,877,409	\$ 1,950,726	\$ 98,491	\$ 10,926,626
Employee benefits	284,886	50,666	185,161	199,502	2,336,619	554,502	26,486	2,917,607
Contractual services	18,100	146,132	169,274	256,446	1,329,259	974,133	-	2,303,392
Supplies and consumables	111,079	26,259	106,173	67,649	742,740	360,741	24,195	1,127,676
Depreciation and amortization	34,038	508,760	95,839	481,626	1,273,347	459,963	3,639	1,736,949
Travel and meeting expense	426	715	276	102	9,361	18,366	15,665	43,392
Insurance and property taxes	1,612	93,358	12,561	86,384	412,941	187,094	-	600,035
Utilities	4,586	149,171	32,719	344,407	531,393	68,516	-	599,909
Miscellaneous	499,856	-	-	-	499,931	59,702	-	559,633
Overhead allocations	127,627	24,904	96,501	12,452	762,660	(778,224)	15,564	-
Operation and maintenance	287,765	489,737	130,113	(2,213,078)	(101,010)	101,010	-	-
TOTAL FUNCTIONAL EXPENSES	\$ 2,492,365	\$ 1,680,483	\$ 1,527,322	\$ -	\$ 16,674,650	\$ 3,956,529	\$ 184,040	\$ 20,815,219

See accompanying notes to financial statements.

NATIONAL UNIVERSITY OF HEALTH SCIENCES

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended August 31, 2020

	College of Allied Health Sciences	College of Professional Studies	Lincoln College	Resident Program	Florida Program	Total Instruction	Research	Academic Support
Salaries and wages	\$ 541,869	\$ 3,479,326	\$ 288,283	\$ 67,635	\$ 1,236,758	\$ 5,613,871	\$ 218,801	\$ 562,501
Employee benefits	159,058	1,032,453	86,016	18,663	372,755	1,668,945	66,585	170,333
Contractual services	30,427	494,029	18,620	625	196,064	739,765	15,671	61,690
Supplies and consumables	6,874	262,290	73,590	-	60,069	402,823	3,419	12,980
Depreciation and amortization	685	7,764	-	-	32,226	40,675	-	125,902
Travel and meeting expense	1,156	9,844	10,118	2,555	3,691	27,364	1,676	716
Insurance and property taxes	5,011	54,115	2,341	-	142,724	204,191	-	11,343
Utilities	-	-	480	-	-	480	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Overhead allocations	18,478	227,014	31,676	10,559	89,750	377,477	23,757	58,074
Operation and maintenance	29,593	663,690	25,811	866	-	719,960	98,358	356,932
TOTAL FUNCTIONAL EXPENSES	\$ 793,151	\$ 6,230,525	\$ 536,935	\$ 100,903	\$ 2,134,037	\$ 9,795,551	\$ 428,267	\$ 1,360,471

See accompanying notes to financial statements.

NATIONAL UNIVERSITY OF HEALTH SCIENCES

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended August 31, 2020

	Student Services	Auxiliary Enterprises	Clinic Operations	Operation and Maintenance of Physical Plant	Total Education Program Expenses	Institutional Support	Fundraising	Total Operating Expenses
Salaries and wages	\$ 1,242,968	\$ 185,346	\$ 874,611	\$ 777,598	\$ 9,475,696	\$ 2,236,255	\$ 96,883	\$ 11,808,834
Employee benefits	353,553	56,183	263,976	228,109	2,807,684	697,230	29,411	3,534,325
Contractual services	6,332	110,590	165,095	232,340	1,331,483	789,450	-	2,120,933
Supplies and consumables	127,847	39,316	95,781	83,767	765,933	449,526	27,972	1,243,431
Depreciation and amortization	23,573	514,898	104,740	445,611	1,255,399	425,982	3,639	1,685,020
Travel and meeting expense	5,858	970	2,218	130	38,932	36,747	23,745	99,424
Insurance and property taxes	2,484	91,835	5,775	87,136	402,764	220,543	-	623,307
Utilities	4,426	132,821	29,913	343,091	510,731	56,335	-	567,066
Miscellaneous	151,681	-	195	-	151,876	81,622	-	233,498
Overhead allocations	113,507	21,118	92,389	10,558	696,880	(710,078)	13,198	-
Operation and maintenance	299,388	495,048	134,596	(2,208,340)	(104,058)	104,058	-	-
TOTAL FUNCTIONAL EXPENSES	\$ 2,331,617	\$ 1,648,125	\$ 1,769,289	\$ -	\$ 17,333,320	\$ 4,387,670	\$ 194,848	\$ 21,915,838

See accompanying notes to financial statements.

NATIONAL UNIVERSITY OF HEALTH SCIENCES

STATEMENTS OF CASH FLOWS

For the Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,137,100	\$ 309,989
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,732,892	1,680,963
Amortization of debt issuance costs	4,057	4,057
Loss on disposal of property and equipment	190,341	-
Net investment gain	(4,194,876)	(2,846,400)
Unrealized loss on interest rate swaps	(93,768)	144,260
Contributions restricted for long-term investments	(7,200)	(13,250)
Increase (decrease) in		
Accounts receivable	(11,741)	28,425
Student loans receivable	341,583	396,586
Grants receivable	(298,164)	(1,000)
Prepaid expenses and other assets	180,335	36,939
Increase (decrease) in		
Accounts payable and accrued expenses	410,556	(76,175)
Deposits held for others	(1,837)	11,720
Security deposits	(10,850)	(23,145)
Deferred revenue - student tuition and housing	(19,933)	(153,360)
Refundable grant advance	(2,902,754)	2,915,453
Advances from U.S. Government for student loans	(415,490)	(854,849)
Net cash from operating activities	<u>40,251</u>	<u>1,560,213</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(591,916)	(1,693,136)
Purchases of investments	(8,924,582)	(8,295,205)
Proceeds from sale of investments	8,734,121	8,101,020
Net cash from investing activities	<u>(782,377)</u>	<u>(1,887,321)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on term loan payable	(65,000)	(65,000)
Principal payments on bonds payable	(279,996)	(279,996)
Proceeds from contributions restricted for long-term investments	7,200	13,250
Net cash from financing activities	<u>(337,796)</u>	<u>(331,746)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(1,079,922)	(658,854)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>6,834,537</u>	<u>7,493,391</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 5,754,615</u>	<u>\$ 6,834,537</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 123,535</u>	<u>\$ 143,602</u>
RECONCILIATION TO CASH, CASH EQUIVALENTS AND RESTRICTED CASH REPORTED ON THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 5,301,929	\$ 6,306,808
Restricted cash	<u>452,686</u>	<u>527,729</u>
Total cash, cash equivalents, and restricted cash shown on the statements of financial position	<u>\$ 5,754,615</u>	<u>\$ 6,834,537</u>

See accompanying notes to financial statements.

NATIONAL UNIVERSITY OF HEALTH SCIENCES

NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

1. ORGANIZATION

The National University of Health Sciences (the University) is located in Lombard, Illinois. Its mission is to provide and promote the necessary leadership, management, and resources for the advancement of education, new knowledge, outreach, and the ethical practice of the complementary and alternative healing arts and sciences as taught within the programs of the University. This fully accredited educational institution was founded in 1906 as The National School of Chiropractic and in 1920 became The National College of Chiropractic. University status was approved in the year 2000 and the name was changed to National University of Health Sciences. In 2008, the University entered into a partnership with the University Partnership Center of St. Petersburg College (SPC) to utilize SPC's classroom space and support services to offer the Doctor of Chiropractic Degree Program in St. Petersburg, Florida. The University offers certificate programs, undergraduate, masters, and first professional degrees, and numerous post professional and post certificate specialty educational programs. Additionally, the University operates clinics in several locations to assist with its various programs and degrees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the University to use all or part of the income earned on these assets for general or specific purposes.

Cash and Cash Equivalents

The University considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents, unless they are money market mutual funds held in brokerage accounts.

Money market mutual funds maintained in brokerage accounts are considered to be investments in the statements of financial position and cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

The balance of the Federal Perkins Loan revolving fund, consisting of cash awaiting to be loaned to students, is maintained in a separate, restricted bank account.

Accounts Receivable

Student and clinic accounts receivable are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the University's historical collection experience. Tuition and fees are generally due at the beginning of the term. Clinic receivables are typically due within 30 days. A late fee is charged to all accounts not paid in full or enrolled in a payment plan by that date. In addition, accounts with balances due from a prior term bear interest at 1.5% per month. Charges that are past due without any payments for approximately three consecutive months are considered delinquent. Delinquent accounts are sent to collections and subsequently written off based on individual credit evaluation and specific circumstances of the student.

Student Loans Receivable

Student loans receivable consist of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amounts. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. Loans that are past due for at least one payment are considered delinquent. Interest is accrued on loans with a delinquent balance greater than nine months. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student. The University determines the allowance for estimated losses on these student loans by considering historical default rates and analyzing the aging of past due loans.

Grants Receivable

Grants receivable consist of amounts due from government agencies within one year and are stated at net realizable value. Grants receivable are considered fully collectible, and accordingly, no allowance for doubtful accounts has been recorded.

Investments

Investments are carried at fair value. Investment return is reported net in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Investment return is reflected in the statements of activities as income without donor restrictions, or income with donor restrictions based on the existence and nature of any donor restrictions. The University reports interest and dividend earnings, net of broker fees as operating income or loss, and realized and unrealized gains or losses are reported as non-operating income or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The University generally capitalizes property and equipment acquisitions with a useful life greater than one year and cost exceeding \$1,000. Campus grounds and improvements, buildings, equipment, and furnishings are stated at cost, with the exception of donated property, which is recorded at fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	5-40 years
Land improvements	10-40 years
Equipment and furnishings	5-10 years
Library books	15 years

Deferred Revenue - Student Tuition and Housing

Deferred revenue consists of payments received in the current year for tuition and housing to be provided by the University in the subsequent year.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues when the donor's commitment is received. Unconditional promises to give are recognized at the estimated present value of the future cash flows, net of allowances. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The University reports restricted contributions as increases in net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, for donor-restricted contributions that were initially conditional contributions, the University reports donor-restricted contributions whose restrictions are met in the same reporting period as the revenue is recognized as increases in net assets without donor restrictions.

Government grants and contracts generally contain a measurable performance or other barrier and a right of return. Support funded by grants is recognized as the University performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Amounts received prior to the satisfaction of conditions are recorded as refundable grant advances.

The University has received conditional contributions totaling \$427,080 and \$353,451 as of August 31, 2021 and 2020, respectively, that are not recognized as assets in the statements of financial position. Such amounts are conditional upon the expenditure of funds and/or the performance of services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The University identifies a contract with a customer for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable.

Tuition and Fees

Tuition: Revenues from tuition are derived from education services provided to students. Tuition rates depend on the program selected. Generally, tuition is reported in the fiscal year in which the educational programs are conducted, which is the period in which the performance obligations were completed, and revenue was earned. The nature of tuition and fees give rise to variable consideration in the form of discounts and scholarships awarded to students to defray the costs of the academic programs, which reduce the transaction price of tuition. Tuition is due on the first day of the trimester, unless the student has signed up for the payment plan. Under the terms of the payment plan, the balance is divided into four equal payments, with the first payment due by the first day of the trimester and the remaining three payments due on the first of each month thereafter. Tuition is not refundable unless withdrawing prior to the first week of classes, with the exception of the prerequisite program, which has varying withdrawal deadlines. Tuition revenue is recognized over time during the trimester using the time elapsed method as actual hours are completed in which the student attends class.

Lab fees: The price is stated in the enrollment contract and is known at the time of contract inception. Lab fees are charged as a separate component from the tuition rate but follow the same payment terms. Fees depend on class and courses selected. Fees are not refundable unless withdrawing prior to the first week of classes. Lab fees are recognized over time during the trimester using the time elapsed method as the lab is being conducted.

Other student fees: Revenues from other student fees are derived from kits and technology fees. The price is stated in the enrollment contract and is known at the time of contract inception. Kits and technology fees are charged as a separate component from the tuition rate. The performance obligation for the kits is the delivery of the goods to the student, which is at a point in time. Technology fees are recognized upon completion of the enrollment process, in which revenue is recognized at a point in time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Auxiliary Enterprises

The University's auxiliary enterprises consist primarily of residence halls, merchandise sales and rental income. Payments for residence halls are due prior to the start of the academic period. Performance obligations are delivered over the academic period, consequently associated revenues are earned and recognized over the course of each term as services are delivered. Revenue is recognized for these contracts over time using the time elapsed method as the performance obligation is satisfied by transferring control of the goods and services to the resident. Auxiliary enterprises also includes revenues related to merchandise and food. The transaction price is known at the time of sale and varies depending on the goods provided. Revenue is recognized at the point in time when control transfers to the student, which is at the point of sale. Royalty revenue is paid to the University based on the number of subscriptions to the published journals. Revenue is recognized over time during the subscription period using the time elapsed method. Rental income does not represent revenues from contracts with customers and is recognized ratably over the lease term.

Clinic Operations

Clinic operations consist of fees related to the University's health centers. The health centers offers primary care integrative medicine and preventive health care. Revenue from clinic operations is recognized when services are provided, which is at a point in time.

Significant Judgements

The University evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgement. Significant judgements include the methodology for recognizing revenue over the appropriate period.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (contract assets) and unearned revenue (contract liabilities) on the statements of financial position. Contract liabilities are reflected as deferred revenue in the statements of financial position and are recognized as the performance obligations are met.

The opening balances for contract assets (accounts receivable) from contracts with customers at the beginning of the year were \$33,515 at September 1, 2020 and \$61,940 at September 1, 2019.

The opening balances for contract liabilities (deferred revenue) from contracts with customers at the beginning of the year were \$179,069 at September 1, 2020 and \$332,408 at September 1, 2019.

Various economic factors could affect the recognition of revenues and cash flows, including the demand for services, ability to provide services, availability of labor, and prompt payment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

The University uses advertising to promote its various programs. The production costs of advertising are expensed as incurred. Advertising expense for the years ended August 31, 2021 and 2020 was \$189,507 and \$233,175, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs as described herein have been allocated among the programs and supporting services benefited and are included in overhead allocations in the statements of functional expenses. Benefits are allocated based on percent of total salaries. Malpractice insurance is allocated based on student headcount. Outside services is allocated based on annual sum of credit hours. Property insurance and facilities and maintenance are allocated based on square footage occupied by all departments. Information technology costs are allocated based on employee headcount.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (USGAAP) requires management of the University to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The University is a nonprofit organization that is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3). Accordingly, there is no income tax provision included in the accompanying financial statements. The University is not considered a private foundation.

New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU No. 2020-05, which supersedes or replaces nearly all revenue recognition guidance under USGAAP. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and will expand disclosures about revenue. ASU No. 2014-09, as amended by ASU No. 2020-05, is effective for nonpublic entities for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. The University has implemented this standard on the modified retrospective basis for the year ended August 31, 2021. There was no material difference between revenue recognition under the new standard and revenue recognition under legacy USGAAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards (Continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts and requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2020-05, is effective for nonpublic entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The University is currently assessing the impacts of this new standard, including the two optional transition methods.

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. A not-for-profit will be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets. For each category of contributed nonfinancial assets recognized, the standard requires a not-for-profit to disclose additional qualitative information and policies regarding monetization or utilization of contributed nonfinancial assets; information about any donor-imposed restrictions; valuation techniques and inputs; and the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. ASU No. 2020-07 is effective for fiscal years beginning after June 15, 2021 with early adoption permitted. The University is currently assessing the impacts of this new standard.

3. LIQUIDITY AND AVAILABILITY

The University regularly monitors liquidity required to meet both its operating needs and contractual commitments, while also striving to maximize the investment of its available funds. The University budgets annually in such a way that the student driven revenues are able to cover the total expenses for the year. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt, and equity securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of educating students and funds required to support those activities to be general expenditures.

NATIONAL UNIVERSITY OF HEALTH SCIENCES
NOTES TO FINANCIAL STATEMENTS (Continued)

3. LIQUIDITY AND AVAILABILITY (Continued)

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statements of financial position date, are comprised of the following:

	<u>2021</u>	<u>2020</u>
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 5,301,929	\$ 6,306,808
Investments	16,631,707	13,893,078
Accounts receivable, net	45,256	33,515
Grants receivable	299,164	1,000
Total financial assets	22,278,056	20,234,401
Less those unavailable for general expenditures within one year, due to donor restrictions	(28,103)	(37,002)
Less required .80 of outstanding principal amount of debt for expendable liquidity covenant	(4,091,600)	(6,684,765)
FINANCIAL ASSETS AVAILABLE FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 18,158,353	\$ 13,512,634

4. STUDENT LOANS RECEIVABLE

The University's student loans receivable are summarized as follows:

	<u>2021</u>	<u>2020</u>
Perkins Loan program	\$ 1,357,652	\$ 1,698,373
Less allowance for doubtful accounts	(66,199)	(66,199)
Total Perkins Loan program	1,291,453	1,632,174
Other accounts receivable	25,920	26,782
TOTAL	\$ 1,317,373	\$ 1,658,956

Federal Perkins Loans are loans for which the University acts as an agent for the Federal Government in administering the loan program. The Perkins Loan portfolio is guaranteed by the United States Department of Education. There are no modifications to loan terms executed by the University since past due loans are turned over to the Department of Education. Funds advanced by the federal government of \$902,742 and \$1,318,232, respectively at August 31, 2021 and 2020, are ultimately refundable to the government and are classified as liabilities in the statements of financial position.

NATIONAL UNIVERSITY OF HEALTH SCIENCES
NOTES TO FINANCIAL STATEMENTS (Continued)

4. STUDENT LOANS RECEIVABLE (Continued)

The authority to make new Perkins Loans ended September 30, 2017, with disbursements permitted through June 30, 2018, for students with existing Perkins Loans. The University will be required to return the federal contribution and may continue servicing their Perkins Loans or assign the Perkins Loans to the Department of Education.

The following summarizes the payment status of Perkins Loan fund receivable and percentage of total portfolio at August 31, 2021:

Not in Repayment	Current	<240 days	240 days to 2 years	2-5 years	More than 5 years	Loans Fully Retired	Total
\$ 208,370	\$ 967,249	\$ 62,042	\$ 26,197	\$ 44,395	\$ 49,399	\$ -	\$ 1,357,652
15%	71%	5%	2%	3%	4%	0%	100%

The following summarizes the payment status of Perkins Loan fund receivable and percentage of total portfolio at August 31, 2020:

Not in Repayment	Current	<240 days	240 days to 2 years	2-5 years	More than 5 years	Loans Fully Retired	Total
\$ 385,201	\$ 1,152,517	\$ 57,595	\$ 18,462	\$ 42,147	\$ 43,570	\$ (1,119)	\$ 1,698,373
23%	68%	3%	1%	2%	3%	0%	100%

5. INVESTMENTS

Investments are recorded at readily determinable fair values and are summarized as follows:

	2021	2020
Money market mutual funds	\$ 947,412	\$ 872,614
Certificates of deposit	81,538	83,004
Equities	18,921,698	14,332,850
Fixed income	2,464,202	2,915,894
Mutual funds, other	3,796,500	3,621,651
TOTAL	\$ 26,211,350	\$ 21,826,013

NATIONAL UNIVERSITY OF HEALTH SCIENCES
NOTES TO FINANCIAL STATEMENTS (Continued)

5. INVESTMENTS (Continued)

Investments are classified as follows in the statements of financial position for the years ended August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investments	\$ 16,631,707	\$ 13,893,078
Investments restricted to endowment	9,579,643	7,932,935
TOTAL	<u>\$ 26,211,350</u>	<u>\$ 21,826,013</u>

6. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 3,532,231	\$ 3,532,231
Construction in progress	79,408	439,513
Land improvements	2,717,611	2,717,611
Buildings and improvements	37,572,026	37,136,760
Equipment and furnishings	13,091,405	12,803,323
Library books	3,779,747	3,741,415
Subtotal	60,772,428	60,370,853
Less accumulated depreciation	<u>(37,962,342)</u>	<u>(36,229,450)</u>
TOTAL	<u>\$ 22,810,086</u>	<u>\$ 24,141,403</u>

7. REFUNDABLE GRANT ADVANCE

The Paycheck Protection Program (PPP) is a low-interest Small Business Administration (SBA) loan and generally covers two and half months of payroll costs and may be forgiven entirely if the borrower maintains certain staffing levels and spends a certain amount of funds on salaries and other qualifying expenditures during the qualified period. The University was approved for a loan on April 6, 2020 under this program in the amount of \$2,900,517, with an interest rate of 1% and a maturity date of two years from date of the first disbursement. Loan repayment is to begin seven months from the date of approval in the amount of \$162,436 per month over the remaining 18 months.

7. REFUNDABLE GRANT ADVANCE (Continued)

The University expected to meet the PPP’s eligibility criteria upon issuance, and concluded that the PPP loan represents, in substance, a grant that is expected to be forgiven. Accordingly, the University initially recorded the loan as a refundable grant advance and has recorded the forgiveness in accordance with guidance for conditional contributions, when there is no longer a measurable performance or other barrier and a right to return of the PPP loan, or when such conditions are explicitly waived. As of August 31, 2021, conditions were met to recognize the forgiveness of the loan. The amount of revenue recognized in the amount of \$2,900,517 is included in government grants and contracts in the statements of activities.

8. TERM LOANS AND BONDS PAYABLE

Term Loans Payable

The University’s term loan is summarized as follows:

	<u>2021</u>	<u>2020</u>
Term loan payable dated August 1, 2016, with monthly principal payments of \$5,417 plus interest at one-month LIBOR plus 175 basis points (1.85% and 1.91% at August 31, 2021 and 2020, respectively) through August 2026, unsecured, negative pledge on assets.	\$ 975,000	\$ 1,040,000
TOTAL TERM LOAN PAYABLE	<u>\$ 975,000</u>	<u>\$ 1,040,000</u>

The loan agreement includes certain restrictive covenants including ratio requirements for debt service coverage and expendable cash and investments to funded debt. The University believes it is in compliance with the covenants at August 31, 2021 and 2020.

Bonds Payable - Series 2016

On August 1, 2016, the University issued a \$5,600,000 Village of Lombard, Illinois Revenue Refunding Bond, Series 2016 (Series 2016 bond), the proceeds of which were used to refund certain prior indebtedness in connection with capital projects. The Series 2016 bond has scheduled monthly principal payments of \$23,333 beginning September 2017 through August 2026 plus interest at one-month LIBOR plus 175 basis points times a factor of 0.72 (1.33% and 1.38% at August 31, 2021 and 2020, respectively). The Series 2016 bond has an initial mandatory redemption provision on August 1, 2026, unless the borrower and bond holder agree that the bond holder will continue to hold the bond. Similar mandatory redemption provisions can be negotiated after but not before the initial mandatory redemption date. The Series 2016 bond is unsecured, with a negative pledge on assets.

NATIONAL UNIVERSITY OF HEALTH SCIENCES
NOTES TO FINANCIAL STATEMENTS (Continued)

8. TERM LOANS AND BONDS PAYABLE (Continued)

The Series 2016 bond agreement includes certain restrictive covenants, including ratio requirements for debt service coverage and expendable cash and investments to funded debt.

The University believes it is in compliance with the covenants at August 31, 2021 and 2020.

Future Maturities

The aggregate future maturities of the term loans and bonds payable at August 31, 2021 are as follows:

<u>Years Ending</u> <u>August 31,</u>	<u>Amount</u>
2022	\$ 345,000
2023	345,000
2024	345,000
2025	345,000
2026	345,000
Thereafter	<u>3,450,020</u>
TOTAL	<u><u>\$ 5,175,020</u></u>

Interest Rate Swap

The University has an interest rate swap agreement with a financial institution with a notional amount approximating the remaining principal amount of the bonds described above. The purpose of the agreement is to minimize the variability of cash flows related to interest payments on the bonds. The agreement covering the Series 2016 bond has a termination date of August 1, 2026. Under the agreement, the University makes a monthly payment, based on a fixed rate of 2.38%, and receives monthly payments at a floating interest rate based on 72% of one-month LIBOR. The net interest differential between the amounts due to/from the financial institution is computed monthly and recognized as an addition to or offset to interest expense.

Debt Issuance Costs

Debt issuance costs are amortized to interest expense over the term of the debt they relate to. \$81,147 of debt issuance costs were incurred in the year ended August 31, 2016 with the term loan and issuance of Series 2016 bond.

Interest Expense

The net amount of interest under the term loan, bonds payable, related letter of credit and swap agreements, and amortization of debt issuance costs expensed by the University for the years ended August 31, 2021 and 2020 was \$127,592 and \$147,659, respectively.

NATIONAL UNIVERSITY OF HEALTH SCIENCES
NOTES TO FINANCIAL STATEMENTS (Continued)

9. FAIR VALUE MEASUREMENTS

USGAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. USGAAP requires the University to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

The University recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the years ended August 31, 2021 or 2020.

Assets and liabilities recorded at fair value on a recurring basis measured using inputs considered as are follows at August 31, 2021 and 2020:

	2021			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investments				
Money market mutual funds	\$ 947,412	\$ -	\$ -	\$ 947,412
Certificates of deposit	-	81,538	-	81,538
Equities	18,921,698	-	-	18,921,698
Fixed income	692,816	1,771,386	-	2,464,202
Mutual funds, other	3,796,500	-	-	3,796,500
	<hr/>			
Total investments	\$ 24,358,426	\$ 1,852,924	\$ -	\$ 26,211,350
	<hr/>			
LIABILITIES				
Interest rate swap	\$ -	\$ (112,013)	\$ -	\$ (112,013)
	<hr/>			

NATIONAL UNIVERSITY OF HEALTH SCIENCES
NOTES TO FINANCIAL STATEMENTS (Continued)

9. FAIR VALUE MEASUREMENTS (Continued)

	2020			Total
	Level 1	Level 2	Level 3	
ASSETS				
Investments				
Money market mutual funds	\$ 872,614	\$ -	\$ -	\$ 872,614
Certificates of deposit	-	83,004	-	83,004
Equities	14,332,850	-	-	14,332,850
Fixed income	732,239	2,183,655	-	2,915,894
Mutual funds, other	3,621,651	-	-	3,621,651
Total investments	<u>\$ 19,559,354</u>	<u>\$ 2,266,659</u>	<u>\$ -</u>	<u>\$ 21,826,013</u>
LIABILITIES				
Interest rate swap	\$ -	\$ (205,781)	\$ -	\$ (205,781)

Money market mutual funds, equities, fixed income (Level 1), and mutual funds are actively traded valued at closing net asset value (funds) or price (stock and fixed income) on the last traded day of the fiscal year.

Fixed income (Level 2) and exchange traded certificates of deposit are valued using various models that incorporate market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data.

The fair value of the University's interest rate swap agreements was determined by pricing models maintained by the counterparty to the swap agreements. The pricing models utilize a series of market inputs to determine the present value of future cash flows, with adjustments, as required for credit and liquidity risk. The change in fair market value of the interest rate swap agreements is recorded as an unrealized gain or loss on the statements of activities.

10. RETIREMENT PLAN

The University participates in a defined contribution retirement plan covering all employees, except for students, part time employees (employees who work less than 20 hours per week), and independent contract employees. The University may make discretionary matching contributions, as well as discretionary nonelective contributions. Plan contributions for the years ended August 31, 2021 and 2020 were \$178,000 and \$258,458, respectively.

NATIONAL UNIVERSITY OF HEALTH SCIENCES
NOTES TO FINANCIAL STATEMENTS (Continued)

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Research	\$ 10,335	\$ 10,234
Scholarships	7,000	16,000
Journal of Manipulative and Physiological Therapeutics	<u>10,768</u>	<u>10,768</u>
Total	<u>28,103</u>	<u>37,002</u>
Endowments		
Subject to appropriation and expenditure when specified events occur		
Restricted by donor for		
Scholarship endowment	4,206,044	2,974,812
General endowment	<u>1,513,419</u>	<u>1,105,142</u>
Total	<u>5,719,463</u>	<u>4,079,954</u>
Investment in perpetuity, the income of which is expendable to support		
Scholarship endowment	2,975,936	2,968,737
General endowment	<u>884,244</u>	<u>884,244</u>
Total	<u>3,860,180</u>	<u>3,852,981</u>
Total endowments	<u>9,579,643</u>	<u>7,932,935</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u><u>\$ 9,607,746</u></u>	<u><u>\$ 7,969,937</u></u>

12. ENDOWMENT

The Board of Trustees of the University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as donor restricted net assets (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.

NATIONAL UNIVERSITY OF HEALTH SCIENCES
NOTES TO FINANCIAL STATEMENTS (Continued)

12. ENDOWMENT (Continued)

The University has adopted investment and spending 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). The University's spending policy allows for distributions annually up to 5% of a trailing average of 20 quarters of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed the total return for that period.

Endowment net asset composition by type of fund as of August 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 9,579,643	\$ 9,579,643

Endowment net asset composition by type of fund as of August 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 7,932,935	\$ 7,932,935

Changes in endowment net assets for the year ended August 31, 2021 were:

	Without Donor Restrictions	With Donor Restrictions	Total
ENDOWMENT NET ASSETS, BEGINNING OF YEAR	\$ -	\$ 7,932,935	\$ 7,932,935
Total investment return	-	1,751,282	1,751,282
Contributions to perpetual endowment	-	7,200	7,200
Appropriations for expenditure	-	(111,774)	(111,774)
ENDOWMENT ASSETS, END OF YEAR	\$ -	\$ 9,579,643	\$ 9,579,643

NATIONAL UNIVERSITY OF HEALTH SCIENCES
NOTES TO FINANCIAL STATEMENTS (Continued)

12. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended August 31, 2020 were:

	Without Donor Restrictions	With Donor Restrictions	Total
ENDOWMENT NET ASSETS, BEGINNING OF YEAR	\$ -	\$ 7,176,506	\$ 7,176,506
Total investment return	-	865,515	865,515
Contributions to perpetual endowment	-	13,250	13,250
Appropriations for expenditure	-	(122,336)	(122,336)
ENDOWMENT ASSETS, END OF YEAR	\$ -	\$ 7,932,935	\$ 7,932,935

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

The University recognizes revenue from contracts with customers through four primary revenue streams, including tuition and fees, auxiliary enterprises, clinic operations, and other revenue. The following table provides disaggregation of revenue from contracts with customers based on the timing of revenue recognition for the years ended August 31, 2021 and 2020:

	2021	2020
Revenue recognized over time	\$ 16,555,938	\$ 17,996,250
Revenue recognized at a point in time	410,041	472,806
TOTAL	\$ 16,965,979	\$ 18,469,056

The portion of auxiliary enterprises revenue that does not represent revenues from contracts with customers totaled \$109,632 and \$109,632 as of August 31, 2021 and 2020, respectively, and has not been included in the table above.

14. OPERATING LEASES AND CONTRACTS

The University is obligated under operating leases, maintenance, and service contracts for facilities and equipment. These leases and contracts expire at varying dates through March 2025. Monthly payments range from approximately \$74 to \$15,229. For the years ended August 31, 2021 and 2020, lease, maintenance, and service contract expenses totaled \$684,911 and \$502,370, respectively.

14. OPERATING LEASES AND CONTRACTS (Continued)

Future minimum payments under noncancelable operating leases or contracts as of August 31, 2021 are as follows:

<u>Years Ending August 31,</u>	<u>Amount</u>
2022	\$ 526,769
2023	229,019
2024	105,848
2025	<u>2,326</u>
 TOTAL	 <u>\$ 863,962</u>

15. LEASING ACTIVITY

The University owns various properties surrounding the University in Lombard, Illinois. Rental income is derived from leasing said property to tenants under month to month operating leases with monthly rent amounts of \$2,000 and \$7,136. Total rental income for each of the years ended August 31, 2021 and 2020 was \$109,632. Of the total rental income in each year, \$24,000 was related to a residence that the University provides for the president of the University with the offsetting in-kind expense being charged to employee benefits. The cost of the buildings under operating leases was \$620,050 at August 31, 2021 and 2020, and is included in buildings and improvements in Note 6. Accumulated depreciation on the buildings under operating leases was \$351,362 and \$335,860 at August 31, 2021 and 2020, respectively.

16. CONCENTRATION OF CREDIT RISK

The University had cash balances in excess of federally insured limits with one bank at August 31, 2021 and 2020. The total amounts in excess of federally insured limits at August 31, 2021 and 2020 were \$5,552,971 and \$6,280,227, respectively. The University does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage and has not experienced any loss due to the credit risk.

17. RISK AND UNCERTAINTIES

Beginning around March 2020, the Covid-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity across a broad range of industries and countries could be severely impacted for months or beyond, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

18. SUBSEQUENT EVENTS

Subsequent to year end, the University received formal notice of full forgiveness of the PPP loan, as described in Note 7. The University has evaluated subsequent events through November 13, 2021, which was the date that these financial statements were available to be issued. Based on this evaluation, other than previously disclosed, the University has determined that there are no subsequent events that have occurred which require adjustment to or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

NATIONAL UNIVERSITY OF HEALTH SCIENCES

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE REQUIRED
BY THE U.S. DEPARTMENT OF EDUCATION**

For the Year Ended August 31, 2021

A. COMPOSITE SCORE

In order to participate in the Student Financial Assistance (SFA) Program, a school must demonstrate that it is financially responsible. One of the general standards for higher educational institutions is the composite score standard in 34 CFR 668.171(b). The composite score combines different measures of fundamental elements of financial health to yield a single measure of a school's overall financial health.

The required disclosure of the components of the composite score for the year ended August 31, 2021 are below:

Primary Reserve Ratio

	<u>Expendable Net Assets</u>	
Statement of financial position - total net assets without donor restrictions	Total net assets without donor restrictions	\$ 39,595,076
Statement of financial position - total net assets with donor restrictions	Total net assets with donor restrictions	9,607,746
Note 11 - Net assets with donor restrictions	Total net assets with donor restrictions: restricted in perpetuity	3,860,180
Statement of financial position - all related party receivable, net and related party note	Secured and unsecured related party receivables and/or other related party assets	\$ -
Statement of financial position - related party receivable, net and receivable from affiliate, net and related party note	Unsecured related party receivables and/or other related party assets	-
Statement of financial position - property, plant, and equipment, net	Property, plant, and equipment, net - including construction in progress	22,810,086
Table 1 - Line A	Property, plant, and equipment, net - including pre-implementation less any construction in progress	22,408,511
Table 1 - Line B	Property, plant, and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase with debt	-

NATIONAL UNIVERSITY OF HEALTH SCIENCES

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE REQUIRED
BY THE U.S. DEPARTMENT OF EDUCATION (CONTINUED)**

For the Year Ended August 31, 2021

A. COMPOSITE SCORE (Continued)

Primary Reserve Ratio (Continued)

	<u>Expendable Net Assets (Continued)</u>	
Table 1 - Line C	Construction in Process	\$ 79,408
Table 1 - Line D	Property, plant, and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase without debt	\$ 322,167
Statement of financial position - property, plant, and equipment - construction in process	Construction in progress	-
Statement of financial position - goodwill	Intangible assets	-
Statement of financial position - post-employment and pension liability	Post-employment and defined pension plan liabilities	-
Statement of financial position - notes payable and line of credit (both current and long-term) and line of credit for construction in process	-term debt - for long-term purposes and construction in process debt	\$ 5,175,020
Table 2 - Line A	Long-term debt for long-term purposes pre-implementation	5,175,020
Table 2 - Line B	Qualified long-term debt for long-term purposes post-implementation for purchase of property, plant, and equipment	-
Statement of financial position - notes payable and line of credit for construction in process	Line of credit for construction in process	-
Statement of activities - total operating expenses without donor restrictions,	Total expenses without donor restrictions	20,815,219
Statement of activities - loss on disposal of property, change in fair value of interest rate swap agreements, change in value of split interest agreements, loss on extinguishment of debt, and net loss on investment return	Total losses without donor restrictions	129,585
	Total expenses without donor restrictions and losses without donor restrictions	20,944,804

NATIONAL UNIVERSITY OF HEALTH SCIENCES

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE REQUIRED
BY THE U.S. DEPARTMENT OF EDUCATION (CONTINUED)**

For the Year Ended August 31, 2021

A. COMPOSITE SCORE (Continued)

Equity Ratio

	Modified Net Assets	
Statement of financial position - total net assets without donor restrictions	Total net assets without donor restrictions	\$ 39,595,076
Statement of financial position - total net assets with donor restrictions	Total net assets with donor restrictions	9,607,746
Statement of financial position - goodwill	Intangible assets	-
Statement of financial position - all related party receivable, net and receivable from affiliate, net and related party note	Secure and unsecured related party receivables and/or other related party assets	\$ -
Statement of financial position - related party receivable, net and receivable from affiliate, net and related party note	Unsecured related party receivables and/or other related party assets	-
	Modified Assets	
Statement of financial position - total assets	Total assets	\$ 56,942,374
Statement of financial position - goodwill	Intangible assets	-
Statement of financial position - all related party receivable, net and receivable from affiliate, net and related party note	Secure and unsecured related party receivables and/or other related party assets	-
Statement of financial position - related party receivable, net and receivable from affiliate, net and related party note	Unsecured related party receivables and/or other related party assets	-

Net Income Ratio

Statement of activities - change in net assets without donor restrictions	Change in net assets without donor restrictions	\$ 3,499,291
Statement of activities - total revenue without donor restrictions less operating gain on investment	Total revenue without donor restrictions	\$ 21,584,067
Statement of activities - gain on disposal of property, change in fair value of interest rate swap agreements, change in value of split interest agreements, gain on extinguishment of debt, and net gain on investment return	Total gains without donor restrictions	2,860,028
	Total revenue without donor restrictions and gains without donor restrictions	24,444,095

NATIONAL UNIVERSITY OF HEALTH SCIENCES

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE REQUIRED
BY THE U.S. DEPARTMENT OF EDUCATION (CONTINUED)**

For the Year Ended August 31, 2021

A. COMPOSITE SCORE (Continued)

Table 1 - Net Property, Plant, and Equipment

A	Pre-implementation property, plant, and Equipment		\$ 22,408,511
B	Post-implementation property, plant, and Equipment		-
	Vehicles	\$	-
	Furniture		-
	Computers		-
C	Construction in progress		79,408
D	Post-implementation property, plant, and Equipment		322,167
	TOTAL		\$ 22,810,086

A - This is the ending balance on the last financial statement submission prior to the implementation of the regulations - less any depreciation or disposals.

B - This is the balance of assets purchased after the implementation of the regulations that was purchased by obtaining debt.

C - Asset value of the construction in progress.

D - Post-implementation property, plant, and equipment with no outstanding debt.

NATIONAL UNIVERSITY OF HEALTH SCIENCES

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE REQUIRED
BY THE U.S. DEPARTMENT OF EDUCATION (CONTINUED)**

For the Year Ended August 31, 2021

A. COMPOSITE SCORE (Continued)

Table 2 - Long-Term Debt for Long-Term Purposes

A	Pre-implementation long-term debt		\$ 5,175,020
B	Allowable post-implementation long-term debt		-
	Vehicles	\$ -	
	Furniture	-	
	Computers	-	
C	Construction in progress - debt		-
D	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value		-
	TOTAL		<u><u>\$ 5,175,020</u></u>

A - This is the ending balance of the last financial statement submission prior to the implementation of the regulations - less in repayments. See Note 8 for the terms of the debt.

B - This is the lesser of actual outstanding debt of each assets or the value of the asset.

C - All debt associated with construction in progress up to the asset value for construction in process is included.

D - Long-term debt not for the purchase of property, plant, and equipment.

NATIONAL UNIVERSITY OF HEALTH SCIENCES

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE REQUIRED
BY THE U.S. DEPARTMENT OF EDUCATION (CONTINUED)**

For the Year Ended August 31, 2021

A. COMPOSITE SCORE (Continued)

The University's composite score is calculated as follows:

Primary reserve ratio	1.200
Equity ratio	1.200
Net income ratio	<u>0.600</u>
SUM OF ALL RATIOS	<u><u>3.000</u></u>
COMPOSITE SCORE	<u><u>3.000</u></u>

As the composite scores are between 1.5 and 3.0, the University is considered financially responsible under this general standard for the year ended August 31, 2021.

NATIONAL UNIVERSITY OF HEALTH SCIENCES

SCHEDULES OF REVENUES AND EXPENSES
AUXILIARY ENTERPRISES

For the Years Ended August 31, 2021 and 2020

	2021								2020	
	NUHS Journals	Buchholz	Lincoln Hall	Tieszen Hall	Turek Hall	Rental Properties	Parking	Campus Store	Total	Total
REVENUES										
Rental income	\$ -	\$ 273,871	\$ 300,961	\$ 133,055	\$ 258,640	\$ 109,632	\$ -	\$ -	\$ 1,076,159	\$ 1,212,504
Sales and service	-	-	800	-	-	-	-	33,001	33,801	54,135
Royalty and subscription revenue	113,950	-	-	-	-	-	-	-	113,950	170,557
Advertising revenue	18,295	-	-	-	-	-	-	-	18,295	15,847
Other revenue	-	1,901	1,310	650	430	-	4,088	-	8,379	9,808
Total revenues	132,245	275,772	303,071	133,705	259,070	109,632	4,088	33,001	1,250,584	1,462,851
EXPENSES										
Salaries and wages	132,689	-	-	-	-	-	-	58,092	190,781	185,346
Benefits	35,484	-	-	-	-	-	-	15,182	50,666	56,183
Contractual services	1,019	33,240	40,685	39,995	27,866	3,327	-	-	146,132	110,590
Supplies and consumables	1,642	-	-	-	-	-	-	24,617	26,259	39,316
Meeting expenses	649	-	-	-	-	-	-	66	715	970
Depreciation	1,442	79,094	130,136	91,225	123,764	57,418	21,225	4,456	508,760	514,898
Insurance	-	11,714	8,902	13,588	16,866	-	-	-	51,070	51,357
Property taxes	-	-	-	-	-	42,288	-	-	42,288	40,478
Utilities	751	25,658	35,644	30,102	49,178	7,838	-	-	149,171	132,821
Overhead allocations	12,452	112,325	85,367	130,297	161,748	-	-	12,452	514,641	516,166
Total expenses	186,128	262,031	300,734	305,207	379,422	110,871	21,225	114,865	1,680,483	1,648,125
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (53,883)	\$ 13,741	\$ 2,337	\$ (171,502)	\$ (120,352)	\$ (1,239)	\$ (17,137)	\$ (81,864)	\$ (429,899)	\$ (185,274)

NATIONAL UNIVERSITY OF HEALTH SCIENCES

SCHEDULES OF REVENUES AND EXPENSES
CLINIC OPERATIONS

For the Years Ended August 31, 2021 and 2020

	2021						2020	
	Lombard Clinic	Lombard Radiology	Aurora Clinic	Salvation Army	Florida SPC Clinic	Pinellas Park Clinic	Total	Total
REVENUES								
Patient service	\$ 432,902	\$ 7,290	\$ (118)	\$ -	\$ 1,859	\$ 20,498	\$ 462,431	\$ 298,785
Total revenues	432,902	7,290	(118)	-	1,859	20,498	462,431	298,785
EXPENSES								
Salaries and wages	333,585	76,050	-	100,292	86,867	101,911	698,705	874,611
Benefits	88,654	20,291	-	26,287	22,674	27,255	185,161	263,976
Contractual services	89,551	2,337	11,241	1,545	6,849	57,751	169,274	165,095
Supplies and consumables	78,208	9,260	(556)	4,062	4,290	10,909	106,173	95,781
Meeting expenses	276	-	-	-	-	-	276	2,218
Depreciation	14,178	12,577	4,509	-	4,606	59,969	95,839	104,740
Property taxes	-	-	8,000	-	-	1,617	9,617	1,151
Rental expense	2,387	-	-	-	199	358	2,944	4,624
Utilities	2,740	-	13,763	-	-	16,216	32,719	29,913
Other expense	-	-	-	-	-	-	-	195
Allocated clinic costs	183,031	6,226	-	12,452	12,452	12,452	226,613	226,985
Total expenses	792,610	126,741	36,957	144,638	137,937	288,438	1,527,321	1,769,289
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (359,708)	\$ (119,451)	\$ (37,075)	\$ (144,638)	\$ (136,078)	\$ (267,940)	\$ (1,064,890)	\$ (1,470,504)