

SAINT LOUIS UNIVERSITY

Consolidated Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)



**SAINT LOUIS
UNIVERSITY™**

— EST. 1818 —



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

Independent Auditors' Report

The Board of Trustees
Saint Louis University:

Opinion

We have audited the consolidated financial statements of Saint Louis University (the University), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

St. Louis, Missouri
October 21, 2022

SAINT LOUIS UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,
(000's Omitted)

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents	\$ 131,286	\$ 68,936
Accounts receivable, net	158,118	162,320
Prepaid expenses	6,197	9,480
Assets held for sale	168,064	-
Investments	1,351,238	1,530,107
Notes receivable	25,374	27,888
Unexpended bond proceeds	18,575	18,881
Funds held by trustees	76,305	84,579
Land, buildings, and equipment, net	712,701	779,425
Right of use assets - operating leases	2,796	18,585
Right of use assets - financing leases	-	30,236
Other assets, net	20,755	86,808
Total assets	<u>\$ 2,671,409</u>	<u>\$ 2,817,245</u>
Liabilities and Net Assets:		
Liabilities:		
Accounts payable	\$ 36,375	\$ 35,238
Accrued payroll and benefits	52,600	65,050
Deposits and deferred revenues	39,492	51,247
Liabilities held for sale	51,223	-
Line of credit payable	-	20,000
Other accrued liabilities	70,957	86,329
Lease liabilities - operating	734	16,686
Lease liabilities - financing	-	31,626
Notes and bonds payable	493,083	506,800
U.S. government refundable grants	14,005	16,128
Total liabilities	<u>758,469</u>	<u>829,104</u>
Net assets:		
Without donor restrictions	1,244,902	1,353,628
With donor restrictions	668,038	634,513
Total net assets	<u>1,912,940</u>	<u>1,988,141</u>
Total liabilities and net assets	<u>\$ 2,671,409</u>	<u>\$ 2,817,245</u>

See Accompanying Notes to the Consolidated Financial Statements.

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

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

See Accompanying Notes to the Consolidated Financial Statements.

SAINT LOUIS UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(000's omitted)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
Operating revenues and other support:			
Education and related activities:			
Tuition and fees	\$ 261,673		\$ 261,673
Government grants and contracts	48,250		48,250
Contributions and private grants	25,084	\$ 3,836	28,920
Investment return designated for operations	63,840		63,840
Auxiliary enterprises	48,497		48,497
Other	19,760		19,760
Total education and related activities	<u>467,104</u>	<u>3,836</u>	<u>470,940</u>
Patient care	395,111		395,111
Net assets released from restrictions	<u>3,471</u>	<u>(3,471)</u>	<u>—</u>
Total operating revenues and other support	<u>865,686</u>	<u>365</u>	<u>866,051</u>
Operating expenses:			
Salaries and benefits	559,861		559,861
Supplies, repairs, utilities, and other expenses	219,341		219,341
Depreciation and amortization	49,378		49,378
Interest expense	23,840		23,840
Total operating expenses	<u>852,420</u>	<u>—</u>	<u>852,420</u>
Net operating results	<u>13,266</u>	<u>365</u>	<u>13,631</u>
Nonoperating activities:			
Investment return net of amounts designated for operations	212,007	110,145	322,152
Donor restricted contributions and private grants	—	3,669	3,669
Other, net	539	8,373	8,912
Total nonoperating activities, net	<u>212,546</u>	<u>122,187</u>	<u>334,733</u>
Change in net assets	<u>225,812</u>	<u>122,552</u>	<u>348,364</u>
Net assets at beginning of year	<u>1,127,816</u>	<u>511,961</u>	<u>1,639,777</u>
Net assets at end of year	<u>\$ 1,353,628</u>	<u>\$ 634,513</u>	<u>\$ 1,988,141</u>

See Accompanying Notes to the Consolidated Financial Statements.

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

	<u>2022</u>	<u>2021</u>
Net cash flows from operating activities:		
(Decrease) / increase in net assets	\$ (75,201)	\$ 348,364
Adjustments to reconcile change in net assets:		
Net (gains) / losses on disposition of property and equipment	(3,509)	255
Depreciation and amortization	48,633	49,378
Decrease / (increase) in accounts receivable, net	17,348	(56,958)
Increase in accounts payable	3,872	8,183
(Decrease) / increase in accrued payroll and benefits	(10,408)	13,058
(Decrease) / increase in deposits and deferred revenues	(11,235)	24,211
Increase in other accrued liabilities	1,275	13,134
Decrease / (increase) in other assets	545	(9,375)
Other changes in assets and liabilities	3,439	(4,848)
Contributions restricted for permanent endowment	(13,267)	(3,669)
Contributions restricted for acquisitions of property and equipment	(18,390)	(3,675)
Investment income restricted for long-term investment	(179)	(439)
Net losses / (gains) on long-term investments	134,056	(362,240)
Net losses / (gains) on assets held by trustees	7,365	(8,932)
Net cash provided by operating activities	<u>84,344</u>	<u>6,447</u>
Net cash flows from investing activities:		
Proceeds from sales and maturities of investments	697,530	405,710
Purchase of investments	(674,118)	(376,276)
Proceeds from disposition of property and equipment	5,068	4,779
Decrease in unexpended bond proceeds	306	17,316
Purchase of property and equipment	(37,187)	(30,710)
Net cash provided by / (used in) investing activities	<u>(8,401)</u>	<u>20,819</u>
Net cash flows from financing activities:		
Issuance of notes receivable	(682)	(1,318)
Payments on notes receivable	2,723	3,334
Payment on lines of credit	(20,000)	(59,250)
Payments on notes and bonds payable	(13,555)	(10,140)
Payments on long-term finance leases	(303)	(126)
Decrease in cash overdrafts	(3,896)	(3,360)
Contributions restricted for permanent endowment	12,964	5,930
Contributions restricted for acquisitions of property and equipment	5,152	4,074
Investment income restricted for long-term investment	179	439
Net cash used in financing activities	<u>(17,418)</u>	<u>(60,417)</u>
Net increase / (decrease) in cash, cash equivalents and restricted cash	58,525	(33,151)
Cash, cash equivalents and restricted cash, beginning of year	74,291	107,442
Cash, cash equivalents and restricted cash, end of year	<u>\$ 132,816</u>	<u>\$ 74,291</u>

See Accompanying Notes to the Consolidated Financial Statements.

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

Supplemental data:	<u>2022</u>	<u>2021</u>
Interest paid	\$ 22,214	\$ 23,861
Capital assets acquired through accounts payable	1,932	772
Operating cash flows from operating leases	(4,380)	(5,053)
Operating cash flows from financing leases	(1,535)	(1,453)
Gifts received in the form of stock	71,682	3,811
Cash and cash equivalents balance per Statement of Financial Position	131,286	68,936
Restricted cash included in Investments	<u>1,530</u>	<u>5,355</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 132,816</u>	<u>\$ 74,291</u>

See Accompanying Notes to the Consolidated Financial Statements.

(1) Summary of Significant Accounting Policies**(a) Organization**

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

In addition to its higher education mission, the University devotes substantial resources, facilities, and personnel to providing health care services in conjunction with the academic programs offered by the University at the Medical Center. The University operates medical practices staffed by the faculty of the University's School of Medicine. The members of the faculty of the School of Medicine who provide medical services are referred to as SLUCare. As described in note 16, the University entered into an agreement with SSM Health Care Corporation, SSM Health Care St. Louis, SSM Health Care Group (SSM) for SSM to assume ownership of SLUCare effective July 1, 2022. See additional background in the subsequent event note 20.

(b) Presentation of Consolidated Financial Statements

The University's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (U.S. GAAP). The consolidated financial statements include, after elimination of all significant intercompany transactions, the accounts of Saint Louis University, SLUCare, Saint Louis University in Spain, and SLU Blocker.

(c) Tax Exempt Status

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

The University recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The University has no uncertain tax positions that result in material unrecognized tax benefits as of June 30, 2022 and 2021.

(d) Measure of Operations

Net operating results (change in net assets without donor restrictions from operating activity) in the Consolidated Statements of Activities reflect all transactions that change net assets without donor restrictions, except for activity associated with consolidated endowment investments, gain or loss on swap agreements and certain other nonrecurring items. In accordance with the University's endowment spending policy, as described in note 4, only the portion of total investment return distributed under this policy to meet operating needs is included in operating revenue. Operating investment return consists of dividends, interest, and realized/unrealized gains and losses on nonendowed investments.

(e) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) Tuition and Fee Revenue

The University recognizes revenue from student tuition and fees within the fiscal year in which the academic term is predominantly conducted. Tuition and fees are reported net of scholarship allowances as these are considered a reduction of the tuition transaction price. A scholarship allowance represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Scholarship allowances were \$232.8 million and \$212.2 million for the years ended June 30, 2022 and 2021, respectively. Students who withdraw from a course or from the University within the first two weeks receive a full refund which is deducted from tuition revenue. Deposits and deferred revenues include advance tuition deposits and amounts billed to students for future years.

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

	<u>2022</u>	<u>2021</u>
	(000's omitted)	
Undergraduate	\$ 157,871	\$ 153,848
Graduate	105,032	101,279
Other	6,757	6,546
Total	<u>\$ 269,660</u>	<u>\$ 261,673</u>

(g) Contributions

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

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

During 2022 and 2021, the University received non-financial contributions of \$0.6 million and \$1.0 million, respectively. In 2022, the gifts consisted of supplies and equipment for the School of Medicine and a used plane for the Aeronautics program at Parks College. 2021 also included supplies and equipment for the School of Medicine as well as Parks College along with a rare newspaper collection and books at Pius Library. Gifts are recorded at appraised value or market price for supplies and are utilized or consumed as received. These gifts are included in contributions and private grants revenue.

(h) Sponsored Awards

The University receives sponsored program awards from various governmental and other sponsors. These agreements generally are considered non exchange transactions restricted by sponsors for certain purposes and are recognized as revenue when qualifying expenses are incurred and conditions under the agreements are met. Such revenues are recorded as either government grants and contracts or contributions and private grants. Conditional awards from governmental and other sponsors outstanding was \$63.8 million for 2022.

(i) Auxiliary Enterprises Revenue

Room and board revenue included in this category was \$44.2 million and \$39.9 million for 2022 and 2021, respectively, and is recognized when performance obligations are met. Auxiliary enterprises consist of revenues of the University's residence halls, meal services, parking services, arena events and miscellaneous. The remaining revenue is recognized when the service is provided or the event occurs. Discounts given to target upper classmen to live on campus of \$1.6 million and \$1.3 million for 2022 and 2021, respectively, are included as a reduction to the transaction price for auxiliary enterprises.

(j) Patient Care Revenue

Patient care revenue includes clinical as well as contract revenue for patient services related to clinical, administrative and graduate medical education with various partners. SLUCare represents the primary source of this revenue.

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

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

Because all of its performance obligations relate to contracts with a duration of less than one year, SLUCare has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Such unsatisfied or partially unsatisfied performance obligations are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks at the end of a reporting period. As provided for under the guidance, SLUCare does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time the service is provided to a patient and the time the patient or a third-party payor pays for that service will be one year or less. SLUCare uses a portfolio approach to apply the revenue recognition model to classes of payors with similar characteristics and analyzes cash collection trends over an appropriate collection look-back period depending on the payor.

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

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

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available) or as years are settled and are no longer subject to such audits, reviews, and investigations. During 2022 and 2021, changes to prior year variable consideration resulted in an immaterial change in net patient service revenue from successful appeals, cost report settlements, and other adjustments to prior year.

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

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

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

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

	<u>2022</u>		<u>2021</u>
Medicare and Medicaid	\$ 85,573	\$	86,686
Managed care	71,976		71,688
Commerical and other	12,180		7,604
Self-pay	13,435		9,882
Total	<u>\$ 183,164</u>	\$	<u>175,860</u>

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

	<u>2022</u>		<u>2021</u>
			(000's omitted)
Inpatient	\$ 52,398	\$	52,902
Outpatient/ambulatory	130,766		122,958
Net patient service revenue	<u>183,164</u>		<u>175,860</u>
Contract Revenue	195,528		172,584
Graduate Medical Education	48,936		46,667
Total patient care revenue (net of contractual allowances and discounts)	<u>\$ 427,628</u>	\$	<u>395,111</u>

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

	<u>2022</u>		<u>2021</u>
Medicare and Medicaid	48 %		47
Managed care	30		32
Self-pay	12		14
Commerical and other	10		7
Total	<u>100 %</u>		<u>100</u>

Two managed care payors accounted for approximately 24.4% and 25.6% of net patient service revenue in 2022 and 2021, respectively. Amounts due from these two managed care payors accounted for approximately 17.2% and 17.7% of net patient accounts receivable at June 30, 2022 and 2021, respectively.

(k) COVID-19 Relief

In response to the COVID-19 pandemic, the United States congress passed various forms of relief. As a result the following assistance was recorded as revenue in the Consolidated Statement of Activities:

	<u>2022</u>		<u>2021</u>
			(000's omitted)
Institutional (HEERF III in 2022 & HEERF II in 2021)	\$ 7.4	\$	5.7
Provider relief funds - SluCare	—		2.1
Student assistance (HEERF III & II)	7.4		2.6
Total COVID-19 relief	<u>\$ 14.8</u>	\$	<u>10.4</u>

The HEERF III institutional funds were used to supplement lost revenues from FY21 as well as for expenses related to preventing the spread of COVID-19 on campus. HEERF II institutional funds partially funded student room and board refunds made in 2020. The student assistance funds were fully distributed to students and were recorded as government grant revenue and operating expense.

(l) Nonoperating Activities

Nonoperating activities consisted of the following:

	Year ended June 30	
	2022	2021
	(000's omitted)	
Without donor restrictions:		
Investment return net of amounts designated for operations in accordance with the University's spending policy		
Net (loss) / return on endowment funds	\$ (126,111)	\$ 201,541
Net (loss) on designated funds	(1,424)	(2,743)
Investment (loss) / return on annuity/life income funds	(521)	978
Unrealized gain on interest rate swap agreements, net	17,576	12,231
Foreign currency translation adjustment	(2,178)	1,230
Reclassification to endowment restricted net assets	(1,701)	(1,063)
Other, net	(276)	372
With donor restrictions:		
Investment (loss) / return	(67,130)	110,145
Donor restricted contributions and private grants	13,267	3,669
Reclassification from net assets with restrictions	1,701	1,063
Other, net	(5,692)	7,310
Total Nonoperating, net	\$ <u>(172,489)</u>	\$ <u>334,733</u>

(m) Cash and Cash Equivalents

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

The University has \$1.5 million and \$5.4 million of restricted cash as of June 30, 2022 and 2021, respectively. This cash is from donations to the University and is awaiting investment at the Bank of New York. It is recorded as investments on the Consolidated Statements of Financial Position.

(n) Accounts Receivable, Net

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

	2022		2021	
	(000's omitted)			
Patient care	\$ 57,834	\$ 58,149		
Pledges, discounted (see table below)	35,666	21,300		
Government/private grants	30,250	42,430		
Student accounts	20,421	20,324		
Anticipated insurance recoveries	2,578	2,534		
HEERF II & III	—	8,285		
Other	11,369	9,298		
Total	\$ <u>158,118</u>	\$ <u>162,320</u>		

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

	<u>2022</u>		<u>2021</u>
Pledges scheduled to be collected in	(000's omitted)		
Less than one year	\$ 19,031	\$	8,099
Between one year and five years	20,139		13,127
More than five years	2,769		4,292
Less: discount (rates range from 2.7% - 8.0%)	<u>(2,170)</u>		<u>(2,130)</u>
Pledges, discounted	<u>\$ 39,769</u>	\$	<u>23,388</u>

(o) Allowance for Doubtful Accounts

Patient care, student receivables and government grants are reduced by an allowance for doubtful accounts. The University evaluates the collectability of accounts receivable through historical trend analysis by major payor source. The University has not changed its charity care or uninsured discount policies during fiscal years 2022 or 2021. Bad debt expense was as follows June 30:

	<u>2022</u>		<u>2021</u>
	(000's omitted)		
Patient Care	\$ 13,877	\$	14,225
Student	1,587		1,765
Government Grants	1,200		522
Total	<u>\$ 15,464</u>	\$	<u>15,990</u>

(p) Investments

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

(q) Fair Value of Financial Instruments

As described in note 5 and within other notes to the consolidated financial statements, the University accounts for certain financial instruments at fair value only at origination (nonrecurring measurements) and certain financial instruments as of the Consolidated Statements of Financial Position date (recurring measurements).

(r) Derivative Financial Instruments

The derivative instruments held by the University (as discussed in notes 5 and 7) are recorded at fair value and included within other accrued liabilities. Gains and losses from changes in derivative fair values are recognized in the nonoperating investment return component of the Consolidated Statements of Activities.

(s) Notes Receivable

Notes receivable consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
	(000's omitted)	
Federal government programs	\$ 8,464	\$ 10,358
Institutional programs	1,887	2,512
Student notes receivable, net	10,351	12,870
City Foundry	15,000	15,000
Other	23	18
Notes receivable	<u>\$ 25,374</u>	<u>\$ 27,888</u>

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Such notes receivable include federally-mandated repayment terms and interest rates ranging from 3% to 9%. Student loans represented 1% of total assets at June 30, 2022 and 2021.

The University participates in the Perkins Federal Revolving Loan Program, Federal Primary Care Loan program, and Federal Nursing Student Loan program. The availability of funds for loans under the programs is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government are ultimately refundable to the government and are classified as liabilities in the Consolidated Statements of Financial Position. Funds advanced were \$14.0 million and \$16.1 million as of June 30, 2022 and 2021, respectively. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government. The following amounts were past due under student loan programs as of June 30, 2022 and 2021:

<u>June 30,</u>	<u>1-60 Days past due</u>	<u>60-90 Days past due</u>	<u>90+ Days past due</u>	<u>Total past due</u>
	(000's omitted)			
2022	\$ 7	1	2,208	\$ 2,216
2021	\$ 8	3	2,574	\$ 2,585

As of June 30, 2022 and 2021, no reserves were recorded for the institutional program student loans. The federal government guarantees Perkins loans. Therefore, no reserves are taken on any past due balances under the program.

As described in note 20, the University entered into a promissory note with SSM effective July 1, 2022. See note 20 for additional disclosure.

(t) Unexpended Bond Proceeds

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

(u) Right to Use Assets

Operating right of use assets, primarily for various office leases, were \$2.8 million and \$18.6 million as of June 30, 2022 and 2021, respectively. As described in note 8, the financing leases and certain operating leases were assumed by SSM effective July 1, 2022. See note 8 and 20 for further information on leases.

(v) Other Assets, Net

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

	<u>2022</u>	<u>2021</u>
	(000's omitted)	
Investment in SSM Healthcare, St. Louis	\$ —	\$ 65,440
Collections of art	13,955	13,915
Cortex investment	4,873	4,873
Insurance policies	1,305	1,188
Inventories	372	1,339
Real estate	21	21
All other	229	32
Other assets	<u>\$ 20,755</u>	<u>\$ 86,808</u>

See note 16 for information on the investment in SSM, and the detail of assets and liabilities held for sale on the Consolidated Statement of Financial Position as of June 30, 2022. Also see note 20 for the subsequent event disclosure. Collections of art are capitalized at cost if purchased, or at the fair market value at the date of the gift if contributed. None of the above assets are depreciated, but are subject to impairment review. The University generally displays artwork received. There have been no disposals from the collection in 2022 or 2021.

(w) Deposits and Deferred Revenue

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

	<u>2022</u>	<u>2021</u>
	(000's omitted)	
Student charges	\$ 23,408	\$ 25,159
Conditional grants	8,782	11,103
HEERF III	—	7,418
Arena	694	2,959
Other	6,608	4,608
Deposits and deferred revenue	<u>\$ 39,492</u>	<u>\$ 51,247</u>

Student charges primarily represent fall medical school tuition and fees, and a portion of the summer session. Student charges and grants revenue is recognized as the performance obligation is satisfied. The Arena deposits on ticket revenue are recognized when the event takes place. See note 1(k) on COVID-19 for HEERF III. Other includes various vendor agreements where revenue is recognized over the contract as obligations are fulfilled.

(x) Other Accrued Liabilities

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

	<u>2022</u>	<u>2021</u>
	(000's omitted)	
Fair value of derivative instruments (see note 5)	\$ 13,783	\$ 31,359
Actuarial estimated medical malpractice liability	40,723	37,175
Split-interest obligations (see note 9)	8,517	9,940
Asset retirement obligations (see note 6)	6,988	6,741
Other	946	1,114
Other accrued liabilities	<u>\$ 70,957</u>	<u>\$ 86,329</u>

(y) Lease Liabilities

At June 30, 2022 operating Lease Liabilities were \$0.7 million as described in note 8. The financing leases and certain operating leases were assumed by SSM effective July 1, 2022, as described in note 16 and 20. Lease Liabilities were \$16.7 million and \$31.6 million for operating and finance leases respectively as of June 30, 2021.

(z) U.S. Government Refundable Grants

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

(aa) Net Assets**(i) Net Assets Without Donor Restrictions**

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

(ii) Net Assets With Donor Restrictions

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

(bb) Foreign Currency Translation

The process of translating the University's Spanish campus financial statements from euros to U.S. dollars results in currency translation adjustments due to fluctuations in the exchange rate. The cumulative change in assets without donor restrictions related to foreign currency translation adjustments was \$(5.9) million and \$(3.7) million as of June 30, 2022 and 2021, respectively.

(cc) New Accounting Pronouncements

The University adopted ASU 2020-07, *Presentation and Disclosure by Not for Profits for Contributed Nonfinancial Assets*. See comment in note 1(g) for information on these contributions.

The University also adopted ASU 2021-01 *Clarifying Interactions Between topic 321, Topic 323 and Topic 815* which had little to no impact to financial disclosures.

During 2021, the University adopted ASU 2018-03, *Fair Value Disclosures*, which required minor disclosure changes.

(2) Third Party Reimbursed Health Programs**SLUCare**

Medicare reimburses physician services according to the "Physicians' Medicare Fee Schedule", a national fee schedule utilizing a Resource Based Relative Value System. Reimbursement under both the MO HealthNet program and the Illinois Medicaid program is based on state-published fee schedules. Reimbursement under the Medicaid Managed Care plans is based on plan-specific fee schedules for specialized services. Payment for patient services covered by certain commercial insurance carriers, health maintenance organizations and preferred provider organizations is based upon reimbursement agreements which include negotiated rates and/or discounted fees for specific services.

Contractual agreements exist with third-party payors which provide for patient care reimbursement at rates which differ from the established billing rates for such care. Revenues received by SLUCare are subject to certain compliance requirements and audits by third-party payor groups which could result in retroactive adjustments. Management is of the opinion that the ultimate disposition of any retroactive adjustments as a result of such third-party audits would not have a material adverse effect on the University's financial position or changes in net assets.

(3) Financial Assets and Liquidity Resources

As of June 30, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	<u>2022</u>	<u>2021</u>
	(000's omitted)	
Cash and cash equivalents	\$ 131,286	\$ 68,936
Investments	1,351,238	1,530,107
Accounts receivable, net	158,118	162,320
Total	<u>1,640,642</u>	<u>1,761,363</u>
Less those unavailable for general expenditures within one year:		
Receivables scheduled to be collected in more than one year	(20,738)	(15,289)
Contractual or donor-imposed restrictions:		
Endowment funds	(1,296,678)	(1,471,771)
Other donor restrictions with time or purpose restrictions	(77,076)	(3,200)
Investments held in charitable remainder trusts	(11,841)	(13,563)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 234,309</u>	<u>\$ 257,540</u>

In addition to the University's cash and cash equivalents, short-term investments are used to cover season fluctuations in cash flow due to the timing of the student billing cycle. At June 30, 2022, the University also has lines of credit of \$80.0 million available if needed (see note 7).

(4) Investments

Investments were composed of the following:

	<u>June 30</u>	
	<u>2022</u>	<u>2021</u>
	(000's omitted)	
Cash and cash equivalents	\$ 23,434	\$ 28,127
Fixed maturity securities	173,463	240,033
Equity securities	703,382	780,657
Real estate securities	109,508	151,161
Real assets – commodities	80,419	75,641
Private equity/venture capital	260,293	253,658
Hedge funds	739	830
Total investments	<u>\$ 1,351,238</u>	<u>\$ 1,530,107</u>

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

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

	June 30	
	2022	2021
	(000's omitted)	
Private equity/venture capital	\$ 207.6	\$ 114.6
Real asset/real estate	92.3	114.8
Total uncalled capital calls	<u>\$ 299.9</u>	<u>\$ 229.4</u>

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

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

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

	Year ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
	(000's omitted)		
Dividends and interest	\$ 21,793	\$ 439	\$ 22,232
Net realized and unrealized gains	240,302	109,706	350,008
Total return on investments	262,095	110,145	372,240
Unrealized losses on interest rate swap agreements, net	12,232	—	12,232
Cumulative investment return designated for current operations	<u>(62,320)</u>	<u>—</u>	<u>(62,320)</u>
Investment return net of amounts designated for current operations	<u>\$ 212,007</u>	<u>\$ 110,145</u>	<u>\$ 322,152</u>

The total (loss)/return on investments includes custodial and management fees of \$21.8 and \$23.5 million for the years ended June 30, 2022 and 2021, respectively.

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

(5) Fair Value Measurements

The FASB has established accounting principles related to “Fair Value Measurements” (ASC Topic 820). This defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The University follows this guidance in establishing a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). Three levels of inputs that may be used to measure fair value are as follows:

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

Level 2 includes inputs such as quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 includes unobservable inputs in cases where there is little or no market data. This requires the reporting entity to develop its own assumptions. Such financial instruments include funds held by trustees.

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

The following discussion describes the valuation methodologies used for financial instruments measured at fair value. Additional information regarding valuation methodologies is included within other notes to the consolidated financial statements. The techniques utilized in estimating the fair values are affected by the assumptions used. Care should be exercised in deriving conclusions about the University’s value or financial position based on the fair value information of financial instruments presented below. There have been no changes in the valuation methodologies used as of June 30, 2022 and 2021.

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

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

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

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

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

- Alternative investments in real estate include an overall investment strategy designed to enhance return and to diversify risk within the investment portfolio by investing in the form of limited partnerships in operating companies that invest in global real estate. This category also includes investments in commodities, which provide a hedge against inflation.
- Alternative investments in real assets – commodities have an overall investment strategy designed to enhance return and diversify risk within the investment portfolio by investing in liquid instruments of a wide array of commodity investments, which provide a hedge against inflation.

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

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

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

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

Recurring financial assets:	June 30, 2022		June 30, 2021		Redemption/ liquidation	Days' notice
	(000's omitted)					
Level 1 Assets:						
Cash and cash equivalents	\$	131,286	\$	68,936		
Investments:						
Cash and cash equivalents		23,434		28,127		
Fixed maturity securities		173,463		240,033		
Domestic equity		387,449		422,747		
International equity		82,306		189,644		
Real estate securities		34,606		51,322		
Total Level 1 Investments		701,258		931,873		
Investments valued using NAV (1):						
Alternative investments-equity securities		233,627		168,266	Monthly/Illiquid	
Alternative investments-private equity/venture capital		260,293		253,658	Illiquid	
Alternative investments-hedge funds		738		830	Daily to > 1-year	1 to 90
Alternative investments-real asset commodities		80,419		75,641	Illiquid	
Alternative investments-real estate investments		74,903	(2)	99,839	(2) Quarterly/Illiquid	90
Total NAV Investments		649,980		598,234		
Total investments		1,351,238		1,530,107		
Unexpended bond proceeds (Level 1)		18,575		18,881		
Funds held by trustees (Level 3)		76,305		84,579	Illiquid	
Total recurring assets	\$	1,577,404	\$	1,702,503		
Recurring financial liabilities (Level 2):						
Swap agreements	\$	13,783	\$	31,359		

NOTES

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

(2) Alternative investments-real estate include \$74.9 million and \$61.1 million which are illiquid as of June 30, 2022 and 2021, respectively.

Certain alternative investments include gates or other redemption restrictions. Such restrictions were immaterial as of June 30, 2022 and 2021. Certain private equity/venture capital and real estate investments cannot be redeemed with the investee, but the University receives distributions through the liquidation of underlying assets.

(6) Land, Buildings and Equipment, net

Physical properties consisted of the following:

	June 30	
	2022	2021
	(000's omitted)	
Land	\$ 66,270	\$ 70,280
Buildings and building improvements	1,084,833	1,131,288
Equipment	150,051	182,144
Construction in progress	17,702	13,719
Land, buildings, and equipment	1,318,856	1,397,431
Less accumulated depreciation	(606,155)	(618,006)
Land, buildings, and equipment, net	\$ 712,701	\$ 779,425

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

Construction in progress consists of construction expenditures for physical properties that have not yet been placed in service. The University has entered into construction contracts with unrelated parties in the amount of \$101.6 million (including change orders), for the construction or rehabilitation of various real properties. At June 30, 2022, \$44.6 million of such contract commitments had not yet been incurred.

As described in note 16, the University entered into an agreement with SSM effective July 1, 2022 to sell certain land, buildings, and equipment to SSM. See note 16 for additional disclosure.

Asset Retirement Obligation

U.S. GAAP defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation, does not defer recognition of a liability. The obligation to perform the asset retirement activity is unconditional, and accordingly, a liability should be recognized. These rules also provide guidance with respect to the criteria to be used to determine whether sufficient information exists to reasonably estimate the fair value of an asset retirement obligation. Based on these rules, management of the University determined that sufficient information was available to reasonably estimate the fair value of known retirement obligations. Therefore, the University recognized interest and depreciation expenses of \$0.3 million in operating expenses within the Consolidated Statements of Activities for years ended June 30, 2022 and 2021. Asset retirement costs of \$0.4 million, net of accumulated depreciation, were included in land, buildings and equipment, net as of June 30, 2022 and 2021. Conditional asset retirement obligations of \$7.0 million and \$6.7 million were included within other accrued liabilities in the Consolidated Statements of Financial Position as of June 30, 2022 and 2021, respectively.

(7) Debt Agreements

Outstanding balances of notes and bonds payable are summarized below:

Description	June 30	
	2022	2021
	(000's omitted)	
Twenty-five year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series B 1999. Interest rate is variable (0.065% at June 30, 2022), with a maximum of 12%.	\$ 23,625	\$ 30,860
Twenty-four year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series 2002. Interest rate is variable (0.060% at June 30, 2022), with a maximum of 12%.	2,675	3,410
Twenty-seven year Health and Educational Facilities Variable Rate Demand Revenue Bonds – Series 2008 B1 and B2. Interest rates are variable (0.067% and 0.061% at June 30, 2022) with a maximum of 12%.	71,175	73,760
Twenty-seven year Health and Educational Facilities Revenue Bonds – Series 2015A. Interest rates range from 4.0 to 5.0%.	57,435	57,435
Thirty year Taxable Health and Educational Facilities Revenue Bonds – Series 2015B. Interest rate 4.76%.	40,360	40,360
Nineteen year Health and Education Facilities Revenue Bonds - Series 2016 A1 and A2. Interest rates are variable (1.87% at June 30, 2022) with a maximum of 12%.	64,600	64,600
Thirty year Health and Education Facilities Revenue Bonds - Series 2017 A. Interest rates range from 3.75% to 5.0%.	76,455	76,455
Thirty year Health and Education Facilities Revenue Bonds - Series 2019 A. Interest rates range from 4.0% to 5.0%.	93,705	93,705
Thirty-one year taxable Health and Education Facilities Revenue Bonds - Series 2019 B. Interest rate 4.2%.	50,660	50,660
SLH Vista, Inc., unsecured promissory note Interest free, maturing 08/31/2025	4,000	7,000
Notes and bonds payable, par	484,690	498,245
Net unamortized original bond issue premium/discount	10,850	11,163
Unamortized debt issuance cost	(2,457)	(2,608)
	<u>\$ 493,083</u>	<u>\$ 506,800</u>

The University's Health and Educational Facilities Series 1999, Series 2002, Series 2008 B1 and B2, Series 2015A and B, Series 2016 A1 and A2, Series 2017A, Series 2019A and B bonds are parity obligations that are not secured by a pledge or security interest in any specific property of the University other than the security interest in any funds deposited and held by either the applicable bond trustee or the Master Trustee under the University's Master Trust Indenture. The University is required to comply with certain restrictive covenants under these bond agreements. The University is in compliance with these covenants as of June 30, 2021. Certain bonds are subject to early redemptions at the option of the University.

Note and bond principal payments amount to \$11.0 million, \$11.4 million, \$11.9 million \$13.5 million and \$10.9 million for fiscal years 2023 through 2027, respectively. Certain debt obligations require the maintenance of bond and interest sinking funds. Interest paid was \$22.2 million and \$23.9 million during fiscal years 2022 and 2021, respectively.

The University has entered into various interest rate swap agreements which are recorded at fair value within other accrued liabilities in the amount of \$13.8 million and \$31.4 million, as of June 30, 2022 and 2021, respectively. These swap agreements represent the University's only derivative instruments and are accounted for as cash flow hedges. As a cash flow hedge, the gain or loss on the swap agreements are recognized within the Consolidated Statements of Activities as part of nonoperating investment return. Gains in the amount of \$17.6 million and \$12.2 million were recognized related to the swap agreements for the years ended June 30, 2021 and 2020, respectively. Additionally, the impact within operating activities of the Consolidated Statements of Cash Flows was \$(5.1) and \$(5.7) million for the years ended June 30, 2022 and 2021, respectively.

The University holds these derivative instruments for the fixed interest rate certainty they provide. Therefore, the University entered into interest rate swap agreements to fix the rate of interest on the Health and Education Facilities Variable Rate Demand Revenue Bonds as follows, as of June 30, 2022:

Revenue bonds	Notional amount	Maturity date	Weighted average interest rate (%)
	(\$ in millions)		
Series 1999	\$ 23.6	2024	3.80
Series 2002	2.7	2026	3.10
Series 2008 B1	14.3	2026	3.04
Series 2008 B2	56.6	2035	3.61
Series 2016 A1 & A2	64.3	2035	3.25

The University has a standby bond purchase agreement with a maximum principal amount of \$2.7 million to provide liquidity for the outstanding balance related to the Series 2002 Health and Educational Facilities Variable Rate Demand Revenue Bonds. This standby bond purchase agreement expires on September 27, 2023. In the event the remarketing agent is unable to remarket the bonds, the bank would draw on the standby bond purchase agreement to purchase the bonds. Any liquidity advances would require repayment over 90 days. The University has irrevocable letters of credit with a maximum principal amount of \$94.8 million to provide liquidity for the outstanding balances related to the Series 1999 and 2008B Health and Educational Facilities Variable Rate Demand Revenue Bonds. The letter of credit for the Series 1999 has an expiration date of April 18, 2025. The letters of credit for Series 2008 B1 and 2008 B2 have expiration dates of October 28, 2025 and September 27, 2023, respectively. Series 2008A was refunded by Series 2016 on October 21, 2016.

The University has lines of credit totaling \$80.0 million and had no outstanding borrowings as of June 30, 2022. The University has established letters of credit in the amount of \$0.8 million which reduces the line of credit borrowing capacity to \$79.2 million as of June 30, 2022.

(8) Lease Liabilities

The University has operating leases primarily for campus facilities, student housing and office space. Variable lease payments based on an index or rate, such as consumer price index, are initially measured using the index or rate in effect at lease commencement. The University has elected the short-term lease exception under Topic 842 for all leases and as such, leases with an initial term of 12 months or less are not recorded on the Consolidated Statement of Financial Position. The University recognizes lease expense for short-term leases on a straight-line basis over the lease term.

The following table displays the undiscounted cash flows due related to operating leases as of June 30, 2022, along with a reconciliation to the discounted amount recorded on the June 30, 2022, Consolidated Statement of Financial Position. In conjunction with the sale of SLUCare described in note 20, certain operating leases were assigned to SSM. No payments under those leases will be made by the University in future periods and the right of use asset and related lease liability is included in Assets and Liabilities Held for Sale as of June 30, 2022 on the Consolidated Statements of Financial Position. See note 16 for further information on Assets and Liabilities Held for Sale. Undiscounted cash flows due within the fiscal years ended June 30 were as follows:

	(000's omitted)
2023	\$350
2024	\$220
2025	\$116
2026	\$84
Total undiscounted cash flows (weighted average term 2.53)	\$770
Impact of present value discount (weighted average discount rate 4%)	(36)
Present value of undiscounted cash flows	\$734

On March 17, 2020 the University entered into a lease with SSM to utilize a portion of their new Ambulatory Care Center. Due to the length of the lease (30 years) and the fact that the present value is approximately equal to the net present value of the future lease payments, the lease is considered a financing lease. As a result, the right to use asset and lease liability of \$31.2 million was recorded. The first payment on the lease was due August 31, 2020 and the University began recognizing expense in fiscal year 2021. In conjunction with the sale of SLUCare described in note 20, on July 1, 2022 this lease was assigned to SSM. No payments under this lease will be made by the University in future periods and the right of use asset and related lease liability is included in Assets Held for Sale and Liabilities as of June 30, 2022 on the Consolidated Statements of Financial Position. See note 16 for further information on Assets and Liabilities Held for Sale.

	<u>2022</u>		<u>2021</u>
Finance lease cost:		(000's omitted)	
Amortization of right of use assets	\$ 1,279	\$	1,123
Interest on lease liabilities	1,642		1,846
Weighted-average remaining lease term	—		29 years
Weighted-average discount rate	4.96%		5.0%

Amortization of right of use assets and interest on lease liabilities is recorded within depreciation, amortization, and interest expense, respectively, on the Consolidated Statement of Activities.

(9) Split-Interest Agreements

The University has certain split-interest agreements with donors which consist primarily of charitable gift annuities, charitable remainder annuity trusts, and charitable remainder unitrusts for which the University serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with respective agreements. Contribution revenues for charitable gift annuities and charitable remainder trusts are recognized after recording liabilities for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. The University reported split-interest obligations of \$8.5 million and \$9.9 million as of June 30, 2022 and 2021, respectively. These amounts are included within other accrued liabilities in the Consolidated Statements of Financial Position. The fair value of split-interest agreement related assets total \$13.0 million and \$15.2 million as of June 30, 2022 and 2021 respectively, and are included within Investments and Funds held by trustees in the Consolidated Statements of Financial Position. The discount rate used to value split-interest agreements ranged from 2.7% to 7.0% for June 30, 2022.

(10) Analysis of Expense

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

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

Year Ended June 30, 2021					
(000's omitted)					
	Salaries & Benefits	Supplies & Services	Depreciation	Interest	Total
Patient Care	\$ 281,900	\$ 87,065	\$ 5,096		\$ 374,061
Instruction	144,138	19,358	13,586		177,082
Institutional Support	39,299	36,078	7,767	\$ 23,840	106,984
Auxiliaries	12,668	22,452	6,117		41,237
Academic Support	25,919	9,392	6,467		41,778
Research	21,709	16,142	4,659		42,510
Student Services	13,425	11,993	2,685		28,103
Operation & Maint of Plant	13,562	16,590	1,779		31,931
Public Service	7,241	271	1,222		8,734
	<u>\$ 559,861</u>	<u>\$ 219,341</u>	<u>\$ 49,378</u>	<u>\$ 23,840</u>	<u>\$ 852,420</u>

The University's primary activities programs are instruction, patient care, research, and public service. Academic support, student services, institutional support, operation and maintenance of plant and auxiliary services are considered integral to the delivery of these programs. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocations such as time and effort spent or square footage utilized. Fundraising expenses included within institutional support were \$7.9 million and \$7.6 million as of June 30, 2022 and 2021, respectively.

(11) Net Assets

The Universities net assets are available for the following purposes:

	June 30	
	2022	2021
	(000's omitted)	
Net assets:		
Without donor restrictions:		
Net investment in plant	\$ 293,127	\$ 270,733
Designated by the board	803,427	927,003
Undesignated	148,348	155,892
Net assets without donor restrictions:	1,244,902	1,353,628
With donor restrictions:		
Donor restricted endowments	497,853	549,003
Perpetual trusts	42,529	48,486
Purpose restricted	98,608	19,934
Time restricted	29,048	17,090
Net assets with donor restrictions	668,038	634,513
Total net assets	\$ 1,912,940	\$ 1,988,141

	June 30	
	2022	2021
	(000's omitted)	
Designated by the board:		
Scholarships and fellowships	\$ 40,839	\$ 46,789
Other institutional activities	762,588	880,214
Total designated by the board	\$ 803,427	\$ 927,003

	June 30	
	2022	2021
	(000's omitted)	
Net assets with donor restrictions:		
Donor restricted endowments subject to spending policy, and appropriation, to support the following purposes (including net accumulated earnings of \$154,090 and \$222,125 as of June 30, 2022 and 2021, respectively):		
Scholarships and fellowships	\$ 198,868	\$ 241,971
Other institutional activities	272,711	307,032
Underwater endowments	26,274	-
Perpetual trusts, distributions available to support the following purposes:		
Scholarships and fellowships	23,220	26,070
Other institutional activities	19,309	22,416
Subject to expenditures for specific purposes:		
Capital projects	9,700	4,854
Other institutional activities	88,908	15,080
Subject to the passage of time	29,048	17,090
Total net assets with donor restrictions	\$ 668,038	\$ 634,513

(12) Endowment Funds**(a) Interpretation of Relevant Law**

The University follows accounting rules outlined in “Endowments of Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds” which provides guidance on the net asset classification of donor restricted endowment funds for not-for-profit organizations. The State of Missouri enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on August 28, 2009. The University’s governing board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Missouri as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

1. The duration and preservation of the fund
2. The 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

(b) Endowment Spending Policy

The University’s spending policy annually allocates the amount of the total returns which can be spent and reinvested for future earnings. The spending rate, which is annually approved by the Board of Trustees, is 5.0% of the average market value per unit for a twelve quarter period for the Pooled Endowment for June 30, 2022 and 2021.

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

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

(c) Endowment Investment Policy

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

(d) Endowment Funds with Deficiencies and Other Matters

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that is required to retain as a fund of perpetual duration. Deficiencies of this nature recorded in net assets with donor restrictions were \$(1.7) million as of June 30, 2022. There were no deficiencies of this nature reported in net assets with donor restrictions as of June 30, 2021. These deficiencies resulted from unfavorable market fluctuations. The following table presents endowment net asset composition by fund type:

endowment funds	\$ 803,427	\$ -	\$ -	\$ -	\$ 803,427
Underwater endowments	-	28,023	(1,749)	26,274	26,274
Other funds	-	330,194	183,914	514,108	514,108
Total funds	<u>\$ 803,427</u>	<u>\$ 358,217</u>	<u>\$ 182,165</u>	<u>\$ 540,382</u>	<u>\$ 1,343,809</u>

June 30, 2021

Quasi / Board-designated endowment funds	\$ 927,003	\$ -	\$ -	\$ -	\$ 927,003
Underwater endowments	-	-	-	-	-
Other funds	-	340,991	256,498	597,489	597,489
Total funds	<u>\$ 927,003</u>	<u>\$ 340,991</u>	<u>\$ 256,498</u>	<u>\$ 597,489</u>	<u>\$ 1,524,492</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
		(000's omitted)	
Endowment net assets, June 30, 2020	\$ 724,590	\$ 472,831	\$ 1,197,421
Investment return:			
Investment income	21,919	341	22,260
Investment / other income - non pooled	1,607	—	1,607
Net realized / unrealized (losses)	239,344	107,864	347,208
Contributions	—	7,869	7,869
Endowment assets appropriated for expenditure	(61,329)	—	(61,329)
Reclassification based on donor intent	—	1,063	1,063
Gain (loss) on other assets	—	7,521	7,521
Transfers to create board-designated funds	872	—	872
Endowment net assets, June 30, 2021	<u>\$ 927,003</u>	<u>\$ 597,489</u>	<u>\$ 1,524,492</u>
Investment return:			
Investment income	19,772	249	20,021
Investment / other income - non pooled	1,771	—	1,771
Net realized / unrealized gains	(85,423)	(66,345)	(151,768)
Contributions	—	13,225	13,225
Endowment assets appropriated for expenditure	(62,232)	—	(62,232)
Reclassification based on donor intent	—	1,701	1,701
Gain on other assets	—	(5,937)	(5,937)
Transfers to create board-designated funds	2,536	—	2,536
Endowment net assets, June 30, 2022	<u>\$ 803,427</u>	<u>\$ 540,382</u>	<u>\$ 1,343,809</u>

(13) Insurance Programs

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

(14) Retirement Benefits

Retirement benefits for University employees are provided through the Teachers Insurance and Annuity Association (TIAA) and Fidelity Investments. Prior to fiscal year 2021 the University provided a two to one matching contribution up to a maximum of 10%. During fiscal year 2021, as a cost savings initiative, employee matches were frozen effective July 1, 2020 and no contributions were made by the University. Beginning on January 1st, 2022, a two to one matching contribution was reinstated up to a maximum of 8% as the University's contribution. The University's share of the cost of these benefits were \$14.0 million for the fiscal year ended June 30, 2022.

(15) Governmental Grants and Contracts

The University has recovered indirect costs under certain grants and contracts with federal agencies for both the 2022 and 2021 fiscal years. These recoveries are reported as revenue without donor restrictions. Indirect cost rates vary according to the terms of the grant award or the contract. Most rates are based on modified total direct costs. Certain research grants and contracts allow indirect costs based on an indirect cost research rate that is negotiated with the Department of Health and Human Services.

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

On September 1, 2015, the University entered into a fifty-year Academic Affiliation and Services Agreement with SSM, SSM Cardinal Glennon Children's Hospital, and SSM-SLUH, Inc. Under this agreement, the University receives funding to cover the University's costs for: professional clinical services, administrative and other purchased services, faculty recruitment, supervision of residents, research support and education/academic training. The University invoices SSM monthly, quarterly, and semi-annually under this agreement. The University and SSM also have master lease agreements through which either entity may lease space to or from the other. On March 17, 2020 the University entered into a 30 year finance lease with SSM to utilize a portion of their new Ambulatory Care Center (for additional information, see note 8). In accordance with a Member's Agreement of SSM Health Care St. Louis, the University repurchased Saint Louis University Hospital from Tenet and contributed the Hospital to SSM-SLUH, Inc., a wholly owned subsidiary of SSM Health Care St. Louis, in exchange for a 15% financial interest and governance rights in SSM Health Care St. Louis. The University does not exercise significant influence over operating and financial policies, nor does the University have a controlling financial interest in SSM Health Care St. Louis.

Revenues associated with the above described 2015 hospital affiliation transactions for the fiscal years ended June 30, 2022 and 2021 are \$224.5 million and \$198.9 million, respectively. These revenues are comprised of payment for professional clinical services, administrative and other purchased services, faculty recruitment, supervision of residents, research support and education/academic training. Expenses associated with the above affiliated transactions for the fiscal years ended June 30, 2022 and 2021 are \$10.6 million and \$12.3 million, respectively. Hospital affiliation revenues and expenses are included as components of patient care and supplies, repairs, utilities, and other expenses within the Consolidated Statements of Activities. Amounts due from SSM as of June 30, 2022 and 2021, were \$23.2 million and \$34.5 million, respectively, and are included as components of accounts receivable, net within the Consolidated Statements of Financial Position. Amounts due to SSM as of June 30, 2022 and 2021, were \$1.6 million and \$1.4 million, respectively. These amounts are included as components of accounts payable and other accrued liabilities within the Consolidated Statement of Financial Position.

Sale of SLUCare and Assets and Liabilities Held for Sale

On May 6, 2022, the University and SSM signed an agreement for SSM to assume ownership of SLUCare and the 15% financial interest and governance rights in SSM Health Care St. Louis for a purchase price of \$292 million effective as of the closing date. See note 20 for subsequent event disclosure.

SLUCare assets and liabilities and the real estate to be sold to SSM which will be effective as of the closing date, have been classified as Assets Held for Sale and Liabilities Held for Sale on the Consolidated Statements of Financial Position as of June 30, 2022. The detail for these assets and liabilities are:

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

(17) Legal Matters – Contingencies, Commitments and Other

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

(18) Related Parties

The University recognized contribution revenue, a component of contributions and private grants in the accompanying Consolidated Statements of Activities, totaling approximately \$4.0 million and \$3.4 million from members of its Board of Trustees and their related entities during the years ended June 30, 2022 and 2021, respectively. Approximately \$14.0 million and \$12.2 million of related party contribution receivables were included in pledges, discounted within accounts receivables, net at June 30, 2022 and 2021, respectively, in the accompanying Consolidated Statements of Financial Position.

Members of the University's Board of Trustees, committee members and management, from time to time, are associated, either directly or indirectly, with companies doing business with the University. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the University, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable. The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. The Consolidated Statements of Activities include \$0.7 million and \$1.0 million of legal expense, included as a component of supplies, repairs, utilities and other expenses, from legal firms affiliated with certain members of the Board of Trustees for the years ended June 30, 2022 and 2021. The Consolidated Statements of Activities also include \$0.7 million and \$0.1 million of other goods and services expense, included as a component of supplies, repairs, utilities and other expenses, from companies affiliated with members of the Board of Trustees for the years ended June 30, 2022 and 2021.

(19) Subsequent Events

In connection with the preparation of the consolidated financial statements, the University evaluated subsequent events through October 21, 2022, which was the date the consolidated financial statements were issued.

The sale of SLUCare to SSM closed and \$292 million in cash was received on July 1, 2022. See note 16 which denotes the assets and liabilities of SLUCare included in the sale. Further, see note 8 for additional information on leases included in the sale.

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

A reciprocal lease agreement was entered into between the parties on July 1, 2022. Further, a transition services agreement was entered by the parties to provide certain transition services for a period of time to each party. The Academic Affiliation and Services Agreement with SSM discussed in note 16 was amended and restated effective July 1, 2022. Under the amended agreement, the University receives funding to cover the University's costs for certain purchased services, research and mission support and education/academic training.

The University redeemed \$.695 million of Series 2016 A bonds on September 1, 2022 and \$1.34 million of Series 2008 B bonds on September 22, 2022. Additionally, on that same date, the University defeased \$7.69 million of Series 2017 A bonds.