

**SALUS UNIVERSITY AND ITS FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
(UNDER UNIFORM GRANT GUIDANCE)**

**YEARS ENDED JUNE 30, 2023 AND 2022**



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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Salus University and Its Foundation  
Elkins Park, Pennsylvania

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Salus University and Its Foundation (the University), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *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.

#### ***Emphasis of Matter***

As discussed in Note 2 to the consolidated financial statements, management adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

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

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

**Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying financial responsibility ratio supplemental schedule is required by the United States Department of Education and is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, related to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023, except for Note 22 as to which the date is December 19, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

King of Prussia, Pennsylvania

October 13, 2023, except for Note 22 and the financial responsibility ratio supplemental schedule as to which the date is December 19, 2023

**SALUS UNIVERSITY AND ITS FOUNDATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

|  | 2023                          |                             |                              | 2022                          |                             |                              |
|--|-------------------------------|-----------------------------|------------------------------|-------------------------------|-----------------------------|------------------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions  | Total                        | Without Donor<br>Restrictions | With Donor<br>Restrictions  | Total                        |
| <b>ASSETS</b>                                  |                               |                             |                              |                               |                             |                              |
| Cash and Cash Equivalents                      | \$ 9,707,066                  | \$ -                        | \$ 9,707,066                 | \$ 12,896,948                 | \$ -                        | \$ 12,896,948                |
| Cash Restricted as to Purpose                  | 3,779,837                     | 141,890                     | 3,921,727                    | 5,065,659                     | 141,890                     | 5,207,549                    |
| Tuition and Other Accounts<br>Receivable, Net  | 3,452,655                     | 241,860                     | 3,694,515                    | 2,652,097                     | -                           | 2,652,097                    |
| Patient Care Receivable, Net                   | 674,960                       | -                           | 674,960                      | 564,054                       | -                           | 564,054                      |
| Contributions Receivable, Net                  | -                             | 81,210                      | 81,210                       | -                             | 145,569                     | 145,569                      |
| Beneficial Interest in Third-Party Trusts      | -                             | 152,944                     | 152,944                      | -                             | 195,480                     | 195,480                      |
| Other Assets                                   | 1,841,347                     | 10,391                      | 1,851,738                    | 1,869,109                     | 10,391                      | 1,879,500                    |
| Government Loans to Students, Net              | 8,806,953                     | -                           | 8,806,953                    | 8,568,700                     | -                           | 8,568,700                    |
| Investments                                    | 47,116,577                    | 11,186,984                  | 58,303,561                   | 43,116,562                    | 10,496,427                  | 53,612,989                   |
| Operating Right of Use Assets                  | 817,079                       | -                           | 817,079                      | -                             | -                           | -                            |
| Land, Buildings, Furniture, and Equipment, Net | 38,905,297                    | -                           | 38,905,297                   | 38,322,657                    | -                           | 38,322,657                   |
| <b>Total Assets</b>                            | <b><u>\$ 115,101,771</u></b>  | <b><u>\$ 11,815,279</u></b> | <b><u>\$ 126,917,050</u></b> | <b><u>\$ 113,055,786</u></b>  | <b><u>\$ 10,989,757</u></b> | <b><u>\$ 124,045,543</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>              |                               |                             |                              |                               |                             |                              |
| <b>LIABILITIES</b>                             |                               |                             |                              |                               |                             |                              |
| Accounts Payable                               | \$ 839,435                    | \$ -                        | \$ 839,435                   | \$ 908,236                    | \$ -                        | \$ 908,236                   |
| Accrued Expenses                               | 4,194,786                     | -                           | 4,194,786                    | 1,363,690                     | -                           | 1,363,690                    |
| Deferred Income                                | 6,939,470                     | -                           | 6,939,470                    | 6,397,659                     | -                           | 6,397,659                    |
| Other Liabilities                              | 1,483,400                     | -                           | 1,483,400                    | 1,517,072                     | -                           | 1,517,072                    |
| Operating Lease Liability                      | 827,583                       | -                           | 827,583                      | -                             | -                           | -                            |
| Finance Lease Liability                        | 346,077                       | -                           | 346,077                      | 682,238                       | -                           | 682,238                      |
| Debt   | 12,965,035                    | -                           | 12,965,035                   | 13,320,629                    | -                           | 13,320,629                   |
| Government Advances                            | 10,840,578                    | -                           | 10,840,578                   | 11,822,176                    | -                           | 11,822,176                   |
| Postretirement Benefits                        | 6,787,979                     | -                           | 6,787,979                    | 7,340,124                     | -                           | 7,340,124                    |
| <b>Total Liabilities</b>                       | <b><u>45,224,343</u></b>      | <b><u>-</u></b>             | <b><u>45,224,343</u></b>     | <b><u>43,351,824</u></b>      | <b><u>-</u></b>             | <b><u>43,351,824</u></b>     |
| <b>NET ASSETS</b>                              | <b><u>69,877,428</u></b>      | <b><u>11,815,279</u></b>    | <b><u>81,692,707</u></b>     | <b><u>69,703,962</u></b>      | <b><u>10,989,757</u></b>    | <b><u>80,693,719</u></b>     |
| <b>Total Liabilities and Net Assets</b>        | <b><u>\$ 115,101,771</u></b>  | <b><u>\$ 11,815,279</u></b> | <b><u>\$ 126,917,050</u></b> | <b><u>\$ 113,055,786</u></b>  | <b><u>\$ 10,989,757</u></b> | <b><u>\$ 124,045,543</u></b> |

See accompanying Notes to Consolidated Financial Statements.

**SALUS UNIVERSITY AND ITS FOUNDATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|---|---------------------------------------|------------------------------------|----------------------|
| <b>REVENUES, GAINS, AND OTHER SUPPORT</b>                                       |                                       |                                    |                      |
| Tuition and Fees, Net of University   |                                       |                                    |                      |
| Scholarships of \$2,026,904   | \$ 44,983,174                         | \$ -                               | \$ 44,983,174        |
| Investment Return   | 78,948                                | -                                  | 78,948               |
| Allocation of Endowment Spending  | 1,944,897                             | -                                  | 1,944,897            |
| Grant Revenue   | 3,529,736                             | -                                  | 3,529,736            |
| Contributions   | 542,709                               | 579,933                            | 1,122,642            |
| Patient Care, Net   | 3,995,674                             | -                                  | 3,995,674            |
| Other   | 382,478                               | -                                  | 382,478              |
| Auxiliary Enterprises   | 1,739,862                             | -                                  | 1,739,862            |
| Net Assets Released from Restrictions -<br>Satisfaction of Program Restrictions | <u>347,588</u>                        | <u>(347,588)</u>                   | <u>-</u>             |
| Total Revenues, Gains, and Other Support  | <u>57,545,066</u>                     | <u>232,345</u>                     | <u>57,777,411</u>    |
| <b>OPERATING EXPENSES</b>   |                                       |                                    |                      |
| Instruction   | 24,409,995                            | -                                  | 24,409,995           |
| Academic Support  | 3,297,140                             | -                                  | 3,297,140            |
| Research  | 1,484,772                             | -                                  | 1,484,772            |
| Student Services  | 4,367,266                             | -                                  | 4,367,266            |
| Patient Care  | 8,939,959                             | -                                  | 8,939,959            |
| Institutional Support   | 12,913,824                            | -                                  | 12,913,824           |
| Auxiliary Enterprises   | 1,592,886                             | -                                  | 1,592,886            |
| Government Aid and Fellowships (HEERF)  | <u>371,582</u>                        | <u>-</u>                           | <u>371,582</u>       |
| Total Operating Expenses  | <u>57,377,424</u>                     | <u>-</u>                           | <u>57,377,424</u>    |
| <b>CHANGE IN NET ASSETS FROM<br/>OPERATING ACTIVITIES</b>                       | 167,642                               | 232,345                            | 399,987              |
| <b>NONOPERATING GAINS (LOSSES)</b>  |                                       |                                    |                      |
| Investment Income   | 736,817                               | 170,279                            | 907,096              |
| Net Unrealized and Realized Gains<br>on Investments                             | 3,111,304                             | 736,830                            | 3,848,134            |
| Allocation of Endowment Spending  | (1,720,308)                           | (224,589)                          | (1,944,897)          |
| Net Assets Released from Restrictions -<br>Satisfaction of Program Restrictions | 89,524                                | (89,524)                           | -                    |
| Other   | <u>(2,211,513)</u>                    | <u>181</u>                         | <u>(2,211,332)</u>   |
| Total Nonoperating Gains  | <u>5,824</u>                          | <u>593,177</u>                     | <u>599,001</u>       |
| <b>CHANGE IN NET ASSETS</b>   | 173,466                               | 825,522                            | 998,988              |
| Net Assets - Beginning of Year  | <u>69,703,962</u>                     | <u>10,989,757</u>                  | <u>80,693,719</u>    |
| <b>NET ASSETS - END OF YEAR</b>   | <u>\$ 69,877,428</u>                  | <u>\$ 11,815,279</u>               | <u>\$ 81,692,707</u> |

See accompanying Notes to Consolidated Financial Statements.

**SALUS UNIVERSITY AND ITS FOUNDATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|---|-------------------------------|----------------------------|----------------------|
| <b>REVENUES, GAINS, AND OTHER SUPPORT</b>                                       |                               |                            |                      |
| Tuition and Fees, Net of University   |                               |                            |                      |
| Scholarships of \$1,816,944   | \$ 44,019,689                 | \$ -                       | \$ 44,019,689        |
| Investment Return   | 19,131                        | -                          | 19,131               |
| Allocation of Endowment Spending  | 1,794,161                     | -                          | 1,794,161            |
| Grant Revenue   | 2,959,914                     | -                          | 2,959,914            |
| Contributions   | 93,412                        | 934,307                    | 1,027,719            |
| Patient Care, Net   | 3,606,132                     | -                          | 3,606,132            |
| Other   | 425,154                       | -                          | 425,154              |
| Auxiliary Enterprises   | 1,290,052                     | -                          | 1,290,052            |
| Net Assets Released from Restrictions -<br>Satisfaction of Program Restrictions | 234,412                       | (234,412)                  | -                    |
| Total Revenues, Gains, and Other Support  | <u>54,442,057</u>             | <u>699,895</u>             | <u>55,141,952</u>    |
| <b>OPERATING EXPENSES</b>   |                               |                            |                      |
| Instruction   | 23,445,612                    | -                          | 23,445,612           |
| Academic Support  | 3,114,322                     | -                          | 3,114,322            |
| Research  | 1,221,238                     | -                          | 1,221,238            |
| Student Services  | 3,963,329                     | -                          | 3,963,329            |
| Patient Care  | 8,244,143                     | -                          | 8,244,143            |
| Institutional Support   | 10,748,469                    | -                          | 10,748,469           |
| Auxiliary Enterprises   | 1,010,661                     | -                          | 1,010,661            |
| Government Aid and Fellowships (HEERF)  | 1,041,765                     | -                          | 1,041,765            |
| Total Operating Expenses  | <u>52,789,539</u>             | <u>-</u>                   | <u>52,789,539</u>    |
| <b>CHANGE IN NET ASSETS FROM<br/>OPERATING ACTIVITIES</b>                       | 1,652,518                     | 699,895                    | 2,352,413            |
| <b>NONOPERATING GAINS (LOSSES)</b>  |                               |                            |                      |
| Investment Income   | 675,856                       | 152,785                    | 828,641              |
| Net Unrealized and Realized Gains<br>on Investments                             | (7,691,286)                   | (1,769,270)                | (9,460,556)          |
| Allocation of Endowment Spending  | (1,579,584)                   | (214,577)                  | (1,794,161)          |
| Net Assets Released from Restrictions -<br>Satisfaction of Program Restrictions | 48,211                        | (48,211)                   | -                    |
| Other   | 1,760,752                     | 28,071                     | 1,788,823            |
| Total Nonoperating Losses   | <u>(6,786,051)</u>            | <u>(1,851,202)</u>         | <u>(8,637,253)</u>   |
| <b>CHANGE IN NET ASSETS</b>   | (5,133,533)                   | (1,151,307)                | (6,284,840)          |
| Net Assets - Beginning of Year  | <u>74,837,495</u>             | <u>12,141,064</u>          | <u>86,978,559</u>    |
| <b>NET ASSETS - END OF YEAR</b>   | <u>\$ 69,703,962</u>          | <u>\$ 10,989,757</u>       | <u>\$ 80,693,719</u> |

See accompanying Notes to Consolidated Financial Statements.



**SALUS UNIVERSITY AND ITS FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2023 AND 2022**

|   | 2023          | 2022           |
|---|---------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |               |                |
| Change in Net Assets  | \$ 998,988    | \$ (6,284,840) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: |               |                |
| Depreciation  | 2,961,896     | 2,918,607      |
| Imputed Interest on Deferred Bond Costs   | 12,768        | 12,767         |
| Provision for Bad Debts   | (4,200)       | (58,600)       |
| Noncash Lease Expense   | 10,504        | -              |
| Net Unrealized and Realized Losses (Gains) on Investments                                   | (3,808,297)   | 9,460,556      |
| Contributions Designated for the Acquisition of Long-Lived Assets and Endowments            | (16,433)      | (48,972)       |
| Changes in Assets and Liabilities:  |               |                |
| Tuition, Patient Care, and Other Receivables  | (1,153,324)   | (462,048)      |
| Contributions Receivable  | 68,559        | 294,476        |
| Beneficial Interest in Third-Party Trusts   | 42,536        | (24,257)       |
| Other Assets  | 27,762        | (145,559)      |
| Accounts Payable  | (68,801)      | 90,195         |
| Accrued Expenses  | 2,831,096     | (620,757)      |
| Deferred Income   | 541,811       | 485,306        |
| Other Liabilities   | (33,672)      | 104,960        |
| Postretirement Benefits   | (552,145)     | (1,920,866)    |
| Net Cash Provided by Operating Activities   | 1,859,048     | 3,800,968      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |               |                |
| Proceeds from Sales of Investments  | 8,353,863     | 17,829,874     |
| Purchases of Investments  | (9,236,138)   | (20,081,367)   |
| Collections on Loans to Students - Government and Other                                     | 1,733,606     | 1,896,964      |
| Loans Issued to Students - Government and Other   | (1,835,619)   | (1,035,831)    |
| Amount Returned to Federal Government   | (136,240)     | -              |
| Purchase of Land, Buildings, Furniture, and Equipment, Net                                  | (3,544,536)   | (4,712,026)    |
| Net Cash Used by Investing Activities   | (4,665,064)   | (6,102,386)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |               |                |
| Repayment of Debt   | (704,523)     | (361,458)      |
| Repayment of Finance Lease Obligations  | -             | (326,532)      |
| Contributions Designated for the Acquisition of Long-Lived Assets and Endowments            | 16,433        | 48,972         |
| Change in Government Advances   | (981,598)     | 826,010        |
| Net Cash Provided (Used) by Financing Activities  | (1,669,688)   | 186,992        |
| <b>DECREASE IN CASH, CASH EQUIVALENTS, AND CASH RESTRICTED AS TO PURPOSE</b>                | (4,475,704)   | (2,114,426)    |
| Cash, Cash Equivalents, and Cash Restricted as to Purpose - Beginning of Year               | 18,104,497    | 20,218,923     |
| <b>CASH, CASH EQUIVALENTS, AND CASH RESTRICTED AS TO PURPOSE - END OF YEAR</b>              | \$ 13,628,793 | \$ 18,104,497  |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                     |               |                |
| Cash Paid for Interest  | \$ 264,875    | \$ 296,941     |
| Cash and Cash Equivalents   | \$ 9,707,066  | \$ 12,896,948  |
| Cash Restricted as to Purpose   | 3,921,727     | 5,207,549      |
| Total   | \$ 13,628,793 | \$ 18,104,497  |

See accompanying Notes to Consolidated Financial Statements.

**SALUS UNIVERSITY AND ITS FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 1 DESCRIPTION OF THE ORGANIZATION**

Salus University is a nonprofit Pennsylvania corporation of higher education. Salus, Latin for health and well-being, is a fitting name for an institution dedicated to educating caring professionals for the health care, teaching, and rehabilitation fields. Salus University consists of the following colleges:

The Pennsylvania College of Optometry

The George S. Osborne College of Audiology

The College of Health Science Education and Rehabilitation

The mission of Salus University is to advance integrated health care through innovative education, research, and clinical services.

The Pennsylvania College of Optometry Foundation (the Foundation) is a nonprofit Pennsylvania corporation controlled by Salus University (collectively, the University). The Foundation is limited to acting for the benefit of Salus University and its charitable and educational purposes.

On June 13, 2023, Salus University entered into an agreement with Drexel University whereby Salus will merge with Drexel University. The merger is subject to various federal, state and accreditation review and approvals. Salus will operate as an independent organization until such time that the merger is finalized. It is anticipated that the merger will be finalized between June and December 2024.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The consolidated financial statements include the accounts of the University and Foundation. All inter-company activities have been eliminated. The consolidated financial statements of the University have been prepared on the accrual basis of accounting. The University classifies revenues based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net Assets with Donor Restrictions* – Net assets subject to donor-imposed stipulations that: a) restrict their use to a specific purpose and/or the passage of time; or b) require that they be maintained in perpetuity by the University; generally, the donor of these assets permits the University to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

*Net Assets without Donor Restrictions* – Net assets not subject to donor-imposed stipulations. Certain of these amounts have been designated by the board for investment purposes.

**SALUS UNIVERSITY AND ITS FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Donor-restricted contributions whose restrictions are met in the same year the gift is made are reported as contributions with donor restrictions and releases in the current year. Expirations of donor-imposed restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished, and/or the stipulated time period has elapsed, are reported as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations.

**Cash and Cash Equivalents**

The University considers all highly liquid investments, with purchased maturities of three months or less, to be cash equivalents.

**Cash Restricted as to Purpose**

Cash restricted as to purpose includes funds held in accordance with the University's outstanding debt agreements and funds restricted for the University's student loan programs.

**Concentration of Credit Risk**

The University invests its cash and cash equivalents with a financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. The University has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The University's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, including cash restricted as to purpose and investments. These funds are held in various high-quality financial institutions and are managed by University personnel and outside advisors. The University maintains its cash and cash equivalents in financial institutions at levels that typically exceed federally insured limits. The University believes that the concentrations of credit risk are reasonable for its cash and cash equivalents, including restricted cash and investments.

**Contributions Receivable and Contribution Revenue**

Contributions, including unconditional promises to give, are reported as an increase in the appropriate net asset group, subject to the existence or absence of donor-imposed stipulations. Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value. For the years ended June 30, 2023 and 2022, the discount was computed using the University's incremental borrowing rate commensurate with the expected receipt of the pledge (approximately 4%). Conditional promises to give are not included as support until such time as the conditions are substantially met.

**SALUS UNIVERSITY AND ITS FOUNDATION**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions Receivable and Contribution Revenue (Continued)**

As of June 30, 2023, approximately \$546,008 of conditional grant revenue will be recognized in future periods as the University incurs qualifying expenses.

**Allowance for Doubtful Accounts**

The allowance for doubtful accounts on tuition receivable, contributions receivable, patient care receivables, and loans to students is provided based upon management's judgment, including such factors as prior collection history and type of receivable. The University writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The tuition and other accounts receivable balance is net of an allowance for doubtful accounts of \$250,000 at June 30, 2023 and 2022.

**State Appropriation and Contracts**

The University receives contracts from various states. Students from the respective states receive a tuition benefit during the academic period. The University recognizes the benefit received as a reduction of the tuition balance due from the student. During Fiscal 2023 the University received a \$2 million award from the Commonwealth of Pennsylvania to support Pennsylvania residents enrolled in the Optometry program. This award is allocated to Fiscal 2023 and Fiscal 2024.

**Investments**

The University records investments at fair value. Debt securities, equity securities, and mutual funds are valued at quoted market prices. Alternative investments are recorded at net asset value (NAV). Investment sales and purchases are recorded on a trade-date basis.

**Nonoperating Activities**

Interest income from operating cash and cash equivalents is recorded in operating activities. Interest, dividends, and realized and unrealized gains and losses on investments are reported in nonoperating activities. Nonoperating activities also include other items, including the nonoperating portion of the gains or losses resulting from the actuarial valuation of the postretirement obligation, the allocation of endowment spending and Foundation expenses.

**Government Loans to Students**

The University administers federally funded loan programs and awards loans in accordance with federal guidelines. The government requires a funding match from the University. The loans are guaranteed by the federal government subject to certain provisions. Loans to students also include institutional loans by the University to students that are not guaranteed by the government. The government loans to students balance is net of an allowance for doubtful accounts of \$641,100 at June 30, 2023 and 2022.

**SALUS UNIVERSITY AND ITS FOUNDATION  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Land, Buildings, Furniture, and Equipment**

Land, buildings, furniture, and equipment are recorded at cost or at fair value at the date of the gift. Equipment costing \$5,000 or greater and construction projects costing \$25,000 or greater are capitalized and depreciated within the University's depreciation guidelines. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets (15 to 20 years for land improvements; 10 to 40 years for buildings and improvements; and 4 to 10 years for furniture and equipment). Assets acquired under capital leases are amortized at the lesser of the lease term or useful life of the asset.

**Government Agency Advances and Funding**

The University receives funding or reimbursement from governmental agencies for various activities, including student loans, research, and training. In general, funding received from government agencies is recognized as revenue when the funds are used for their intended purpose. Amounts received from governmental agencies that have been advanced to students in the form of loans are shown as government advances on the consolidated statements of financial position.

**Allocation of Certain Expenses**

The consolidated statements of activities present expenses by functional classification. Operation and maintenance of physical plant and related interest and depreciation are allocated based on square footage.

**Auxiliary Enterprises**

Auxiliary enterprises include the rental activities of the University's 8380 Office Building, the Hafter Student Community Center and the net activities of the bookstore and the cafeteria.

**Income Taxes**

The University has been granted tax-exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and files federal tax Form 990, *Return of Organization Exempt from Income Tax*, annually for informational purposes. Accordingly, no provision for income taxes is required in the accompanying consolidated financial statements.

The University follows the accounting guidance for uncertainties in income tax positions, which requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The University does not believe its consolidated financial statements include any material uncertain tax positions.

**SALUS UNIVERSITY AND ITS FOUNDATION**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. The most significant management estimates and assumptions relate to the determination of allowance for tuition and other accounts receivable, patient care receivables, contributions receivable, government loans to students, useful lives of fixed assets, valuation of alternative investments, the allocation of functional expenses, assumptions related to the postretirement liability, and the reported fair values of certain of the University's assets and liabilities. Actual results could differ from those estimates.

**Adoption of New Accounting Standard**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The University adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period. The University has elected to adopt the package of practical expedients available in the year of adoption.

**Subsequent Events**

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through October 13, 2023, the date on which the consolidated financial statements were available to be issued. No significant subsequent events were noted.

**SALUS UNIVERSITY AND ITS FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 3 LIQUIDITY**

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The University had the following financial assets available for expenditure within one year as of June 30:

|                                  | <u>2023</u>          | <u>2022</u>          |
|----------------------------------|----------------------|----------------------|
| Cash and Cash Equivalents        | \$ 9,707,066         | \$ 12,896,948        |
| Accounts Receivable              | 4,026,562            | 2,217,577            |
| Other Miscellaneous Receivables  | 112,200              | 112,200              |
| Payout of Board-Designated Funds | <u>1,766,700</u>     | <u>1,720,300</u>     |
| Total                            | <u>\$ 15,612,528</u> | <u>\$ 16,947,025</u> |

Federal student loans receivable are not considered to be available to meet general expenditures because principal and interest on these loans are used solely to make new loans.

The University's governing board has designated a portion of its resources to function as endowment and for other purposes. Those amounts are identified as board-designated in the table below. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board.

|                              | <u>2023</u>          | <u>2022</u>          |
|------------------------------|----------------------|----------------------|
| Institutional Loan Fund      | \$ 963,990           | \$ 968,389           |
| Board-Designated Investments | <u>45,199,223</u>    | <u>42,465,208</u>    |
| Total                        | <u>\$ 46,163,213</u> | <u>\$ 43,433,597</u> |

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue in the next year to cover general expenditures.

The University also has a \$3,000,000 working capital line of credit. See Note 12 for information about this arrangement.

**NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS**

Revenue, or transaction price, is a measure of the amount of consideration expected to be received in exchange for goods or services. Revenue is recognized when services to customers (students or patients) are provided, in an amount that reflects the consideration the University expects to be entitled in exchange for those services.

**SALUS UNIVERSITY AND ITS FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)**

**Performance Obligations and Revenue Recognition**

Tuition

The University has four academic terms; summer, fall, winter and spring. Tuition revenue is recognized in the fiscal year in which the academic programs are delivered, pro rata over the academic terms.

Each program has a unique tuition charge appropriate for the course of study. Payment policy is set forth in the student handbook and financial aid handbook. Generally, payments for tuition and fees are due prior to the start of the academic terms. Many students obtain Title IV or other financial aid resulting in the University receiving a significant amount of the transaction price at the beginning of the academic term.

Patient Care

The Salus University clinics provide both clinical learning experiences and patient care. The primary service area includes Philadelphia, Pennsylvania and the surrounding communities. The patient care receivables are comprised primarily of amounts due from patients and third-party payors such as Medicare, Medicaid, BC/BS, Davis Vision, and Cigna Health Springs-Superior. It is the policy of the University to provide care to needy members of the community, regardless of their ability to pay.

These programs are subject to audit by the government and/or their agents. Retroactive adjustments are accrued when known and adjusted in future periods as final settlements are determined. Laws and regulations governing these programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future regulatory review and interpretation.

**Transaction Price**

Tuition

Tuition and fees are reported at established rates, net of financial assistance provided by the University.

Students may receive discounts or institutional scholarships. The amount of discounts or scholarships are applied to individual student accounts when such amounts are disbursed. Therefore, the tuition is reduced directly by these discounts or institutional scholarships from the amount of the standard rates charged. Students who adjust their course load or withdraw completely prior to 60% of the academic term (add/drop period) may receive a full or partial refund in accordance with the University's refund policy.

Patient Care

Patient care revenue is accounted for at established rates on the accrual basis in the period the service is provided and is net of appropriate allowances to give recognition to reimbursement programs of third-party payors and charity care. Adjustments to the estimated allowance are reflected in the period in which they become known.



**SALUS UNIVERSITY AND ITS FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)**

**Contract Balances**

Tuition

Tuition and fees are recognized in the period services are provided and amounts received for future periods are reported as deferred income. The University's performance obligations are to provide instructional services and patient care. As instruction is satisfied over the academic term, deferred income is reduced. When payments are received, either from the student or financial aid provider, accounts receivable is reduced.

Deferred revenue represents tuition that was billed for the summer term prior to year-end but is not recognizable until the next fiscal year as tuition and will be recognized over the fiscal year in which academic programs are delivered, pro rata over the term of the related semester. In fiscal years 2023 and 2022, \$5,792,057 and \$5,791,971, respectively, was recognized as revenue related to the summer term which was deferred income in prior years. Any payments received in advance for the subsequent year are classified as deferred income in the consolidated statements of financial position.

The University's significant contract assets and liabilities consist of the following at June 30, 2023:

|                               | 2023         | 2022         |
|-------------------------------|--------------|--------------|
| Revenue Recognized Over Time: |              |              |
| Accounts Receivable - Tuition | \$ 2,479,457 | \$ 1,406,408 |
| Deferred Income - Students    | 6,939,470    | 5,762,057    |

At the beginning of 2022, the balance of contract assets was \$1,601,183 and the balance of contract liabilities was \$5,791,971.

Patient Care

Payments for patient care services are due when billed. No patient revenue is deferred.

**NOTE 5 CASH RESTRICTED AS TO PURPOSE**

The following is a summary of cash restricted as to purpose as of June 30:

|                                      | 2023         | 2022         |
|--------------------------------------|--------------|--------------|
| Government and University Loan Funds | \$ 3,749,893 | \$ 5,036,144 |
| Permanently Restricted Loan Funds    | 141,890      | 141,890      |
| Tenant Escrow                        | 29,944       | 29,515       |
| Total                                | \$ 3,921,727 | \$ 5,207,549 |

**SALUS UNIVERSITY AND ITS FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 6 INVESTMENTS**

The following is a summary of investments by type at June 30:

|  | <u>2023</u>                 | <u>2022</u>                 |
|--|-----------------------------|-----------------------------|
| Short-Term Investments                                     | \$ 664,305                  | \$ 552,560                  |
| Fixed Income Securities                                    | 14,302,302                  | 13,873,654                  |
| Equity Securities  | 32,321,923                  | 28,560,798                  |
| Alternative Investments                                    | <u>10,826,977</u>           | <u>10,430,982</u>           |
| Total  | 58,115,507                  | 53,417,994                  |
| Cash Surrender Value of Student Life<br>Insurance Policies | <u>188,054</u>              | <u>194,995</u>              |
| Total  | <u><u>\$ 58,303,561</u></u> | <u><u>\$ 53,612,989</u></u> |

Included in the investments, with a corresponding offset in other liabilities, are funds held on behalf of the University's Alumni Association and Student Council of \$83,819 and \$83,284 at June 30, 2023 and 2022, respectively.

**NOTE 7 FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The FASB established a fair value hierarchy that prioritizes the inputs 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The fair value levels are as follows:

*Level 1* – Inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.

*Level 2* – Inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

*Level 3* – Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The University's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

**SALUS UNIVERSITY AND ITS FOUNDATION**  
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**NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following tables present the University's assets measured at fair value on a recurring basis, aggregated by level in the fair value hierarchy within which those measurements fall, as of June 30:

|   | 2023                 |                   |                   | Total                |
|---|----------------------|-------------------|-------------------|----------------------|
|   | Level 1              | Level 2           | Level 3           |                      |
| Assets:   |                      |                   |                   |                      |
| Investments:  |                      |                   |                   |                      |
| Short-Term Investments                                  | \$ 664,305           | \$ -              | \$ -              | \$ 664,305           |
| Fixed Income Securities                                 | 14,302,302           | -                 | -                 | 14,302,302           |
| Equity Securities                                       | 32,321,923           | -                 | -                 | 32,321,923           |
| Cash Surrender Value of Student Life Insurance Policies | -                    | 188,054           | -                 | 188,054              |
| Beneficial Interest in Third-Party Trusts               | -                    | -                 | 152,944           | 152,944              |
| Total   | <u>\$ 47,288,530</u> | <u>\$ 188,054</u> | <u>\$ 152,944</u> | 47,629,528           |
| Investments Measured Using Net Asset Value per Share    |                      |                   |                   | 10,826,977           |
| Total Assets  |                      |                   |                   | <u>\$ 58,456,505</u> |

|   | 2022                 |                   |                   | Total                |
|---|----------------------|-------------------|-------------------|----------------------|
|   | Level 1              | Level 2           | Level 3           |                      |
| Assets:   |                      |                   |                   |                      |
| Investments:  |                      |                   |                   |                      |
| Short-Term Investments                                  | \$ 552,560           | \$ -              | \$ -              | \$ 552,560           |
| Fixed Income Securities                                 | 13,873,654           | -                 | -                 | 13,873,654           |
| Equity Securities                                       | 28,560,798           | -                 | -                 | 28,560,798           |
| Cash Surrender Value of Student Life Insurance Policies | -                    | 194,995           | -                 | 194,995              |
| Beneficial Interest in Third-Party Trusts               | -                    | -                 | 195,480           | 195,480              |
| Total   | <u>\$ 42,987,012</u> | <u>\$ 194,995</u> | <u>\$ 195,480</u> | 43,377,487           |
| Investments Measured Using Net Asset Value per Share    |                      |                   |                   | 10,430,982           |
| Total Assets  |                      |                   |                   | <u>\$ 53,808,469</u> |

All investments were valued by the University using the market approach valuation technique. Investments measured at NAV include investments in hedge funds that generally invest in equity and fixed income securities. In addition, the managers may invest in various arbitrage strategies. The fair values have been estimated using the NAV per share of the investments. These investments in hedge funds are not redeemable and the University had no outstanding capital commitments as of June 30, 2023.

**SALUS UNIVERSITY AND ITS FOUNDATION**  
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**NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)**

During fiscal years 2023 and 2022, there were no transfers into or out of Level 3 of the fair value hierarchy and there were no purchases or issues of Level 3 assets and liabilities.

| Instrument                                | Fair Value |            | Principal Valuation Technique   | Unobservable Inputs        |
|---|------------|------------|---------------------------------|----------------------------|
|   | 2023       | 2022       |                                 |                            |
| Beneficial Interest in Third-Party Trusts | \$ 152,944 | \$ 195,480 | Fair Value of Trust Instruments | Value of Underlying Assets |

**Cash Surrender Value of Student Life Insurance Policies**

The fair value of this item is based on the cash value of the policy at year-end. The fair value was \$188,054 and \$194,995 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 8 BENEFICIAL INTEREST IN THIRD-PARTY TRUSTS**

The University is the recipient of two trusts established by alumni. For 15 years, the University received the income from one trust, which was used for scholarships. During fiscal 2021, the trust terminated and the University received any remaining funds, and established an endowed scholarship. The University receives the income from the other trust to be used as scholarship money for a student from the University of Delaware. The University's interest in the fair value of this trust is recorded on the consolidated statements of financial position.

The University had recorded a \$152,944 and \$195,480 receivable with donor restrictions at June 30, 2023 and 2022, respectively.

**NOTE 9 CONTRIBUTIONS RECEIVABLE**

Included in contributions receivable at June 30 are the following unconditional promises:

|   | 2023      | 2022       |
|---|-----------|------------|
| Unconditional Promises Expected within 1 Year | \$ 67,343 | \$ 113,027 |
| Unconditional Promises Expected               |           |            |
| Between 1 and 5 Years                         | 50,167    | 78,342     |
| Unconditional Promises Greater than 5 Years   | 4,000     | 1,000      |
| Total   | 121,510   | 192,369    |
| Less:   |           |            |
| Discount                                      | (8,000)   | (10,200)   |
| Allowance for Uncollectibles                  | (32,300)  | (36,600)   |
| Total   | \$ 81,210 | \$ 145,569 |

**SALUS UNIVERSITY AND ITS FOUNDATION**  
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**NOTE 10 GOVERNMENT LOANS TO STUDENTS**

The University makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. At both June 30, 2023 and 2022, student loans represented approximately 7% of total assets.

At June 30, student loans consisted of the following:

|                                       | 2023                | 2022                |
|---------------------------------------|---------------------|---------------------|
| Federal Government Programs           | \$ 8,857,528        | \$ 9,167,140        |
| Institutional Programs                | 590,525             | 42,660              |
| Total                                 | <u>9,448,053</u>    | <u>9,209,800</u>    |
| Less: Allowance for Doubtful Accounts | <u>(641,100)</u>    | <u>(641,100)</u>    |
| Total                                 | <u>\$ 8,806,953</u> | <u>\$ 8,568,700</u> |

The University participates in the federal revolving loan programs. 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 of \$10,840,578 and \$11,822,176 at June 30, 2023 and 2022, respectively, are ultimately refundable to the government, and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, the following amounts were past due under student loan programs:

|                      | 2023              | 2022              |
|----------------------|-------------------|-------------------|
| Less than 1 Year     | \$ 51,674         | \$ 114,689        |
| Within 1 and 2 Years | 25,986            | 15,459            |
| Within 2 and 3 Years | 8,766             | 14,691            |
| Within 3 and 4 Years | 28,157            | 44,568            |
| Within 4 and 5 Years | 5,049             | 2,928             |
| Greater than 5 Years | <u>212,705</u>    | <u>311,981</u>    |
| Total                | <u>\$ 332,337</u> | <u>\$ 504,316</u> |

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Federal Perkins, Health Professions, and Loans for Disadvantaged Students programs are guaranteed by the federal government, with defaulted loans eligible for assignment/return and potential cancellation. The allowances for doubtful accounts reflect the possibility that some of the longstanding past-due accounts may not be accepted for cancellation.

**SALUS UNIVERSITY AND ITS FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 11 LAND, BUILDINGS, FURNITURE, AND EQUIPMENT**

Land, buildings, furniture, and equipment consisted of the following at June 30:

|                                     | <u>2023</u>          | <u>2022</u>          |
|-------------------------------------|----------------------|----------------------|
| Land and Land Improvements          | \$ 4,017,568         | \$ 4,017,568         |
| Buildings and Building Improvements | 62,209,337           | 59,444,282           |
| Furniture and Equipment             | 24,730,728           | 23,231,438           |
| Construction in Progress            | 1,679,635            | 2,399,443            |
| Total                               | <u>92,637,268</u>    | <u>89,092,731</u>    |
| Less: Accumulated Depreciation      | <u>(53,731,971)</u>  | <u>(50,770,074)</u>  |
| Total                               | <u>\$ 38,905,297</u> | <u>\$ 38,322,657</u> |

Depreciation expense of \$2,961,896 and \$2,918,607 was recognized in the consolidated statements of activities for the years ended June 30, 2023 and 2022, respectively.

The University is comprised of five buildings on two campuses: the Oak Lane clinical campus – one building (the Eye Institute) and the Elkins Park academic campus – four buildings (Elkins Park West, South, Hafter Student Center, and the 8380 Office Park). These clinical, student, and academic facilities were financed with a combination of University assets and debt. The 8380 Office Park on the Elkins Park campus is leased to tenants for commercial use.

**NOTE 12 LINE OF CREDIT**

The University entered into a \$3,000,000 line of credit on July 25, 2019, which is set to expire on March 31, 2025. There were no amounts outstanding at June 30, 2023 and 2022. As of June 30, 2023 and 2022, the interest rate was set at the 30-day SOFR plus 2.5%, which was 7.60% and 3.59%, respectively.

**SALUS UNIVERSITY AND ITS FOUNDATION  
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**NOTE 13 LEASES**

**Operating Leases – Lessee**

The University leases space for its program services under operating leases with the option to renew.

|   |                   |
|---|-------------------|
| Lease Cost:   |                   |
| Operating Lease Cost  | \$ 132,947        |
| Variable Lease Cost   | 23,664            |
| Total Lease Cost  | <u>\$ 156,611</u> |
| Other Information:  |                   |
| Operating Cash Flows from Operating Leases                                      | <u>\$ 122,657</u> |
| Right-of-Use Assets Obtained in Exchange for New<br>Operating Lease Liabilities | \$ 951,729        |
| Weighted-Average Remaining Lease Term   | 9 Years           |
| Weighted-Average Discount Rate  | 3.49%             |

Future minimum payments under operating leases as of June 30, 2023 were as follows:

| <u>Year Ending June 30,</u>     | <u>Amount</u>     |
|---------------------------------|-------------------|
| 2024                            | \$ 96,816         |
| 2025                            | 96,816            |
| 2026                            | 105,341           |
| 2027                            | 103,254           |
| 2028                            | 106,222           |
| Thereafter                      | <u>461,605</u>    |
| Total Lease Payments            | 970,054           |
| Less Imputed Interest           | <u>(142,471)</u>  |
| Total Operating Lease Liability | <u>\$ 827,583</u> |

Rental expense under operating lease agreements for the years ended June 30, 2023 and 2022, was \$221,712 and \$178,749, respectively.

**Finance Leases – Lessee**

The University has furniture and equipment leases that have been capitalized for financial reporting purposes and is included with Land, Buildings, Furniture and Equipment, Net on the consolidated statement of financial position. In 2017, the University entered into a finance lease financing agreement in the amount of \$2,223,999 for the purchase of ophthalmic equipment and furniture for the newly renovated clinical skills lab. As of June 30, 2023 and 2022, the University had finance lease obligations outstanding of \$346,077 and \$682,238, respectively. Net book value was \$351,555 and \$703,110 as of June 30, 2023 and 2022, respectively.

**SALUS UNIVERSITY AND ITS FOUNDATION**  
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**NOTE 13 LEASES (CONTINUED)**

**Finance Leases – Lessee (Continued)**

Other Information:

|   |                   |
|---|-------------------|
| Amortization of Lease Assets Included in Depreciation Expense | \$ 351,555        |
| Interest on Lease Liabilities Included in Interest Expense    | 15,393            |
| Total Finance Lease Costs                                     | <u>\$ 366,948</u> |

Weighted Average Remaining Lease Term 1 Year

Future minimum payments under finance leases as of June 30, 2023 were as follows:

| <u>Year Ending June 30,</u>   | <u>Amount</u>     |
|-------------------------------|-------------------|
| 2024                          | <u>\$ 351,555</u> |
| Total Lease Payments          | 351,555           |
| Less Imputed Interest         | (5,478)           |
| Total Finance Lease Liability | <u>\$ 346,077</u> |

**Operating Leases – Lessor**

The University owns a four-story office building (8380 Office Park) adjacent to its academic facilities, which is leased to third parties. Rental income totaled \$973,931 and \$1,041,419 for the years ended June 30, 2023 and 2022, respectively, and was recorded in auxiliary enterprises on the consolidated statements of activities. A summary of future annual lease payments related to these office leases is as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u>       |
|-----------------------------|---------------------|
| 2024                        | \$ 952,454          |
| 2025                        | 880,115             |
| 2026                        | 845,388             |
| 2027                        | 767,928             |
| 2028                        | 767,928             |
| Thereafter                  | 1,636,584           |
| Total                       | <u>\$ 5,850,397</u> |

The University also leases office space to third parties in The Eye Institute. Rental income totaled \$234,747 and \$255,673 for the years ended June 30, 2023 and 2022, respectively, and was recorded in patient care revenue on the consolidated statements of activities. A summary of future annual lease payments related to The Eye Institute leases is as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u>     |
|-----------------------------|-------------------|
| 2024                        | \$ 200,737        |
| 2025                        | 202,838           |
| 2026                        | 204,981           |
| 2027                        | 207,166           |
| 2028                        | 17,279            |
| Total                       | <u>\$ 833,001</u> |



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**NOTE 14 LONG-TERM DEBT**

On July 15, 2016, the University issued North Penn Health, Hospital and Education Authority Fixed Rate Tax-Exempt Revenue Bonds, Series 2016A, in the original issue amount of \$14,425,000. The Series 2016A Bonds were used to retire a 2012 bank loan and to fund capital projects including the Learning Resource Center, Clinical Skills Lab, and other facilities improvements. On November 30, 2020, the University issued North Penn Health, Hospital and Education Authority Fixed Rate Revenue Bonds in the amount of \$13,969,732. The Series 2020 Bonds were issued to pay the outstanding principal of the Series 2016A Bonds.

The bonds require that the University maintain certain financial covenants. Management was not aware of any violations of the covenants for the year ended June 30, 2023.

Long-term debt at June 30 consisted of the following:

|  | <u>2023</u>          | <u>2022</u>          |
|--|----------------------|----------------------|
| North Penn Health Revenue Bonds, Series 2020 | \$ 13,060,794        | \$ 13,429,156        |
| Unamortized Deferred Bond Costs              | (95,759)             | (108,527)            |
| Total  | <u>\$ 12,965,035</u> | <u>\$ 13,320,629</u> |

Minimum scheduled payments on long-term debt at June 30, 2023, are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u>        |
|-----------------------------|----------------------|
| 2024                        | \$ 374,520           |
| 2025                        | 381,378              |
| 2026                        | 388,365              |
| 2027                        | 395,353              |
| 2028                        | 402,474              |
| Thereafter                  | 11,118,704           |
| Total                       | <u>\$ 13,060,794</u> |

Interest expense for all borrowings for 2023 and 2022 was \$264,875 and \$296,941, respectively.

**NOTE 15 DEFINED CONTRIBUTION PENSION PLAN**

The University provides a defined contribution pension plan for all qualified employees. Total pension expense for the years ended June 30, 2023 and 2022, was \$2,430,350 and \$2,402,376, respectively.

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**NOTE 16 POSTRETIREMENT BENEFITS OTHER THAN PENSIONS**

The University provides substantially all full-time employees hired before October 23, 2003 with postretirement benefits other than pensions, primarily medical and life insurance coverage. The University uses the accrual method of accounting for postretirement benefits based on actuarially determined costs to be recognized over the period the employee provides service to the University.

**Reconciliation of Benefit Obligation, Plan Assets, and Funded Status**

|   | <u>2023</u>           | <u>2022</u>           |
|---|-----------------------|-----------------------|
| Benefit Obligation - Beginning of Year        | \$ 7,340,124          | \$ 9,260,990          |
| Service Cost                                  | 19,093                | 38,656                |
| Interest Cost                                 | 305,317               | 220,678               |
| Plan Participant Contributions                | 11,002                | 6,171                 |
| Actuarial Gain                                | (500,962)             | (1,862,731)           |
| Benefits Paid                                 | (386,595)             | (323,640)             |
| Benefit Obligation - End of Year              | <u>\$ 6,787,979</u>   | <u>\$ 7,340,124</u>   |
| Fair Value of Plan Assets - Beginning of Year | \$ -                  | \$ -                  |
| Employer Contribution                         | 375,593               | 317,469               |
| Plan Participant Contributions                | 11,002                | 6,171                 |
| Benefits Paid                                 | (386,595)             | (323,640)             |
| Fair Value of Plan Assets - End of Year       | <u>\$ -</u>           | <u>\$ -</u>           |
| Funded Status - Accrued Benefit Cost          | <u>\$ (6,787,979)</u> | <u>\$ (7,340,124)</u> |

**Assumptions**

Weighted-average assumptions used to determine benefit obligations as of year-end and net periodic benefit costs were:

|  | <u>2023</u>       | <u>2022</u>       |
|--|-------------------|-------------------|
| Discount Rate                            | 4.85%             | 4.35%             |
| Current Year Health Care Cost Trend Rate | 7.25%             | 7.50%             |
| Ultimate Health Care Cost Trend Rate     | 5.00%             | 5.00%             |
| Years Until Ultimate is Reached          | 9                 | 10                |
|  | <u>2023</u>       | <u>2022</u>       |
| Service Cost                             | \$ 19,093         | \$ 38,656         |
| Interest Cost                            | 305,317           | 220,678           |
| Net Periodic Postretirement Benefit Cost | <u>\$ 324,410</u> | <u>\$ 259,334</u> |

**Net Periodic Postretirement Benefit Cost**

|   | <u>2023</u>         | <u>2022</u>           |
|---|---------------------|-----------------------|
| Other Changes in Plan Assets and Benefit Obligations:   |                     |                       |
| Net Actuarial Gain                                      | <u>\$ (500,962)</u> | <u>\$ (1,862,731)</u> |
| Total Amount Recognized in<br>Nonoperating Gains, Other | <u>\$ (500,962)</u> | <u>\$ (1,862,731)</u> |

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**NOTE 16 POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Sensitivity Analysis**

The obligations are not significantly impacted by the health care cost trend assumption because current health care premiums are greater than or are approaching the University's maximum monthly payment and the health care cost trend assumption is greater than the 3% annual inflation factor that the University may apply to increase the maximum monthly payment.

**Estimated Future Benefit Payments**

The benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------|
| 2024                        | \$ 456,538    |
| 2025                        | 488,060       |
| 2026                        | 521,113       |
| 2027                        | 430,405       |
| 2028                        | 502,353       |
| 2029 - 2033                 | 2,461,799     |

**Other**

The estimated contributions for fiscal year 2024 are \$456,538.

**NOTE 17 NET ASSETS**

Net assets without donor restrictions include board-designated funds available for program and University support of \$47,116,577 and \$43,065,594 as of June 30, 2023 and 2022, respectively.

Net assets with donor restrictions consist of the following:

|   | <u>2023</u>          | <u>2022</u>          |
|---|----------------------|----------------------|
| Time or Purpose Restricted                | \$ 2,076,564         | \$ 1,867,857         |
| Pledges                                   | 81,211               | 145,569              |
| Beneficial Interest in Third-Party Trusts | 152,944              | 195,480              |
| Cash Surrender Value Life Insurance       | 188,054              | 194,995              |
| Other                                     | 10,391               | 10,391               |
| Endowment Funds:                          |                      |                      |
| Unexpended Endowment Income               | 3,837,176            | 3,340,652            |
| Donor-Restricted Endowment Funds          | 5,468,939            | 5,234,813            |
| Total                                     | <u>\$ 11,815,279</u> | <u>\$ 10,989,757</u> |

**SALUS UNIVERSITY AND ITS FOUNDATION**  
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**NOTE 18 FUNDRAISING EXPENSE**

Fundraising expenses are those expenses incurred to induce donors to contribute to an organization. Included are all of the direct costs associated with and supporting the actual solicitation of contributions. Fundraising costs for the years ended June 30, 2023 and 2022, were \$738,834 and \$635,944, respectively.

**NOTE 19 ENDOWMENTS**

As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's endowment consists of a portfolio of actively managed funds established to provide both a source of operating funds as well as long-term financial stability. The endowment includes donor-restricted endowment funds and funds designated by the board of trustees to function as quasi-endowments, plus the following where the assets have been designated for endowment: pledges receivable, split-interest agreements, and other net assets.

**Interpretation of Relevant Law**

The University has interpreted Commonwealth of Pennsylvania Act 141 (Act 141) 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 as net assets with donor restrictions (a) the original value of gifts donated to be maintained in perpetuity in the University's 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. This is regarded as the "historic dollar value" of the endowed fund. The remaining portion of the donor-restricted endowment fund that is not to be maintained in perpetuity and is regarded as "net appreciation" is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the University's spending policy. The University considers the following factors in making a determination to appropriate or accumulate endowment funds.

- The duration and preservation of the fund,
- The mission of the University and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from investments,
- Other resources of the University, and
- The investment policy of the University.

**SALUS UNIVERSITY AND ITS FOUNDATION**  
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**NOTE 19 ENDOWMENTS (CONTINUED)**

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the “historic dollar value.” The University’s interpretation of Act 141 allows for any deficiencies of this nature to be reported as reductions to the related net asset grouping. Deficiencies of this nature were \$27,764 on gifts of \$583,266 as of June 30, 2023. Deficiencies of this nature were \$85,210 on gifts of \$727,379 as of June 30, 2022.

**Investment Policy**

The University has adopted an investment policy that is intended to maintain the purchasing power of the endowment assets. Under this approach, as approved by the finance committee of the board of trustees, the University expects its endowment funds, over time, to provide an average annual real total return of at least 5.0% per year over a rolling five-year time period. Actual returns in any given year may vary from this amount. To satisfy as long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both current yield (interest and dividends) and capital appreciation (realized and unrealized). The University employs a professional investment management consultant to manage the investment portfolio. Different managers have been employed over the years and have included a wide range of investments, including alternative strategies. Alternative asset classes have historically demonstrated lower volatility on a stand-alone basis compared to traditional asset classes. Additionally, they have had low correlations, thus providing diversification benefits at the total fund level.

**Endowment Spending Policy**

The University’s spending policy is designed to stabilize annual spending levels and preserve the real value of the endowment over time. With regard to net assets with donor restrictions to be maintained in perpetuity, where the donor is silent on the annual draw amount, the board elected to adopt a 4% draw using the average market value of the funds for the trailing 12 quarters for both 2023 and 2022. The board elected to adopt the same 4% draw for board-designated quasi-endowment funds. The board approved a 4% draw for the upcoming June 30, 2024, fiscal year.

**SALUS UNIVERSITY AND ITS FOUNDATION**  
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**NOTE 19 ENDOWMENTS (CONTINUED)**

**Endowment Fund Activity**

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|--|---------------------------------------|------------------------------------|----------------------|
| Net Assets - June 30, 2021                                 | \$ 47,873,580                         | \$ 9,534,330                       | \$ 57,407,910        |
| Investment Return:   |                                       |                                    |                      |
| Investment Income  | 642,536                               | 156,885                            | 799,421              |
| Net Unrealized and Realized Losses                         | <u>(7,471,324)</u>                    | <u>(1,475,265)</u>                 | <u>(8,946,589)</u>   |
| Net Investment Return                                      | (6,828,788)                           | (1,318,380)                        | (8,147,168)          |
| Contributions  | -                                     | 574,092                            | 574,092              |
| Additional Board Support                                   | 3,000,000                             | -                                  | 3,000,000            |
| Additional Program Support                                 | (268,236)                             | -                                  | (268,236)            |
| Appropriation of Endowment<br>Asset for Expenditure (Draw) | <u>(1,579,584)</u>                    | <u>(214,577)</u>                   | <u>(1,794,161)</u>   |
| Net Assets - June 30, 2022                                 | 42,196,972                            | 8,575,465                          | 50,772,437           |
| Investment Return:   |                                       |                                    |                      |
| Investment Income  | 687,302                               | 142,647                            | 829,949              |
| Net Unrealized and Realized Gains                          | <u>2,952,970</u>                      | <u>616,191</u>                     | <u>3,569,161</u>     |
| Net Investment Return                                      | 3,640,272                             | 758,838                            | 4,399,110            |
| Contributions  | 346,902                               | 196,401                            | 543,303              |
| Additional Program Support                                 | 735,385                               | -                                  | 735,385              |
| Appropriation of Endowment<br>Asset for Expenditure (Draw) | <u>(1,720,308)</u>                    | <u>(224,589)</u>                   | <u>(1,944,897)</u>   |
| Net Assets - June 30, 2023                                 | <u>\$ 45,199,223</u>                  | <u>\$ 9,306,115</u>                | <u>\$ 54,505,338</u> |

**SALUS UNIVERSITY AND ITS FOUNDATION**  
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**NOTE 19 ENDOWMENTS (CONTINUED)**

**Endowment Fund Activity (Continued)**

The University's endowment net assets were classified as follows as of June 30:

|  | 2023                          |                            |                      |
|--|-------------------------------|----------------------------|----------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| Unrestricted and Board-Designated<br>Endowment Funds | \$ 45,199,223                 | \$ -                       | \$ 45,199,223        |
| Donor-Restricted Endowment Funds:                    |                               |                            |                      |
| Time or Purpose Restrictions                         | -                             | 3,837,176                  | 3,837,176            |
| Held in Perpetuity                                   | -                             | 5,468,939                  | 5,468,939            |
| Total  | <u>\$ 45,199,223</u>          | <u>\$ 9,306,115</u>        | <u>\$ 54,505,338</u> |
|  | 2022                          |                            |                      |
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| Unrestricted and Board-Designated<br>Endowment Funds | \$ 42,196,972                 | \$ -                       | \$ 42,196,972        |
| Donor-Restricted Endowment Funds:                    |                               |                            |                      |
| Time or Purpose Restrictions                         | -                             | 3,340,652                  | 3,340,652            |
| Held in Perpetuity                                   | -                             | 5,234,813                  | 5,234,813            |
| Total  | <u>\$ 42,196,972</u>          | <u>\$ 8,575,465</u>        | <u>\$ 50,772,437</u> |

**NOTE 20 COMMITMENTS AND CONTINGENCIES**

The University is involved in litigation and regulatory investigations arising in the ordinary course of business. Based on the information currently available, in the opinion of management, all such matters are adequately covered by commercial insurance or by accruals, and if not so covered, are of such kind, or involve such amounts as would not have a material adverse effect on the financial position, changes in net assets, or cash flows of the University.

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**NOTE 21 FUNCTIONAL EXPENSES**

Expenses reported in the consolidated financial statements are classified among program services and management and general services for the year ended June 30, 2023 as follows:

|                                | PROGRAM SERVICES      |                     |                     |                     |                     |                              |                      | MANAGEMENT AND GENERAL SERVICES |                           |                     |                  |                      |                      |
|--------------------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|------------------------------|----------------------|---------------------------------|---------------------------|---------------------|------------------|----------------------|----------------------|
|                                | Instruction           | Academic Support    | Student Services    | Research            | Patient Care        | Scholarships and Fellowships | Subtotal             | Management and General          | Institutional Advancement | Auxiliary           | Foundation       | Subtotal             | Total                |
|                                | Salaries and Benefits | \$ 19,817,598       | \$ 2,182,295        | \$ 2,487,102        | \$ 434,897          | \$ 4,099,221                 | \$ -                 | \$ 29,021,113                   | \$ 5,659,808              | \$ 667,446          | \$ -             | \$ -                 | \$ 6,327,254         |
| Services and Professional Fees | 1,303,943             | 24,368              | 808,555             | 40,611              | 1,550,803           | -                            | 3,728,280            | 1,188,932                       | 204,809                   | 184,418             | -                | 1,578,159            | 5,306,439            |
| Supplies and Travel            | 551,759               | 51,276              | 146,230             | 30,510              | 473,582             | -                            | 1,253,357            | 201,708                         | 59,973                    | 10,092              | -                | 271,773              | 1,525,130            |
| Cost of Goods Sold             | -                     | -                   | -                   | -                   | 247,010             | -                            | 247,010              | -                               | -                         | 502,363             | -                | 502,363              | 749,373              |
| Rent                           | 102,449               | -                   | -                   | -                   | 236,201             | -                            | 338,650              | -                               | -                         | -                   | -                | -                    | 338,650              |
| Insurance                      | -                     | -                   | -                   | -                   | 295,596             | -                            | 295,596              | 273,209                         | -                         | 31,700              | -                | 304,909              | 600,505              |
| Technology and Equipment       | 203,572               | 499,773             | 73,111              | 8,826               | 659,916             | -                            | 1,445,198            | 1,433,631                       | 36,396                    | 117,890             | -                | 1,587,917            | 3,033,115            |
| Other                          | (21,222)              | 41,367              | 147,380             | 108,612             | 156,487             | -                            | 432,624              | 390,222                         | 128,282                   | 328,233             | 17,436           | 864,173              | 1,296,797            |
| Plant Operations - Facilities  | 1,108,300             | 216,660             | 178,689             | 140,873             | 290,109             | -                            | 1,934,631            | 846,243                         | -                         | 115,869             | -                | 962,112              | 2,896,743            |
| Depreciation                   | 976,064               | 159,575             | 130,319             | 125,000             | 561,170             | -                            | 1,952,128            | 707,447                         | -                         | 302,321             | -                | 1,009,768            | 2,961,896            |
| Interest                       | 98,952                | 21,989              | 18,241              | 12,494              | 27,764              | -                            | 179,440              | 98,202                          | -                         | -                   | -                | 98,202               | 277,642              |
| Grants and Contributions       | 268,580               | 99,837              | 377,639             | 582,949             | 342,100             | -                            | 1,671,105            | -                               | -                         | -                   | -                | -                    | 1,671,105            |
| PA DHS Appropriation           | -                     | -                   | -                   | -                   | -                   | -                            | -                    | 1,000,080                       | -                         | -                   | -                | 1,000,080            | 1,000,080            |
| COVID-19 Student Support       | -                     | -                   | -                   | -                   | -                   | 371,582                      | 371,582              | -                               | -                         | -                   | -                | -                    | 371,582              |
| <b>Total</b>                   | <b>\$ 24,409,995</b>  | <b>\$ 3,297,140</b> | <b>\$ 4,367,266</b> | <b>\$ 1,484,772</b> | <b>\$ 8,939,959</b> | <b>\$ 371,582</b>            | <b>\$ 42,870,714</b> | <b>\$ 11,799,482</b>            | <b>\$ 1,096,906</b>       | <b>\$ 1,592,886</b> | <b>\$ 17,436</b> | <b>\$ 14,506,710</b> | <b>\$ 57,377,424</b> |

Expenses reported in the consolidated financial statements are classified among program services and management and general services for the year ended June 30, 2022 as follows:

|                                | PROGRAM SERVICES      |                     |                     |                     |                     |                              |                      | MANAGEMENT AND GENERAL SERVICES |                           |                     |                  |                      |                      |
|--------------------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|------------------------------|----------------------|---------------------------------|---------------------------|---------------------|------------------|----------------------|----------------------|
|                                | Instruction           | Academic Support    | Student Services    | Research            | Patient Care        | Scholarships and Fellowships | Subtotal             | Management and General          | Institutional Advancement | Auxiliary           | Foundation       | Subtotal             | Total                |
|                                | Salaries and Benefits | \$ 19,054,852       | \$ 1,952,302        | \$ 2,318,633        | \$ 460,685          | \$ 3,456,181                 | \$ -                 | \$ 27,242,653                   | \$ 5,147,009              | \$ 684,610          | \$ -             | \$ -                 | \$ 5,831,619         |
| Services and Professional Fees | 1,214,448             | 47,219              | 806,866             | 56,861              | 1,427,708           | -                            | 3,553,102            | 851,947                         | 128,782                   | 175,128             | -                | 1,155,857            | 4,708,959            |
| Supplies and Travel            | 369,245               | 11,324              | 138,957             | 22,741              | 445,311             | -                            | 987,578              | (29,008)                        | 18,218                    | 12,089              | -                | 1,299                | 988,877              |
| Cost of Goods Sold             | -                     | -                   | -                   | -                   | 332,576             | -                            | 332,576              | -                               | -                         | -                   | -                | -                    | 332,576              |
| Rent                           | -                     | -                   | -                   | -                   | 87,792              | -                            | 87,792               | -                               | -                         | -                   | -                | -                    | 87,792               |
| Insurance                      | -                     | -                   | -                   | -                   | 273,180             | -                            | 273,180              | 200,632                         | -                         | 33,504              | -                | 234,136              | 507,316              |
| Technology and Equipment       | 79,493                | 559,175             | 40,341              | 39,281              | 730,244             | -                            | 1,448,534            | 1,318,322                       | 26,843                    | 114,795             | -                | 1,459,960            | 2,908,494            |
| Other                          | 41,286                | 21,189              | (43,404)            | (173,640)           | 137,347             | -                            | (17,222)             | 274,457                         | 110,345                   | 286,314             | 34,617           | 705,733              | 688,511              |
| Tuition and Trainee Stipends   | -                     | -                   | -                   | -                   | -                   | -                            | -                    | -                               | -                         | -                   | -                | -                    | -                    |
| Plant Operations - Facilities  | 1,236,035             | 246,871             | 198,419             | 148,759             | 442,784             | -                            | 2,272,868            | 843,148                         | -                         | 105,206             | -                | 948,354              | 3,221,222            |
| Depreciation                   | 945,959               | 171,274             | 137,019             | 126,479             | 587,601             | -                            | 1,968,332            | 666,650                         | -                         | 283,625             | -                | 950,275              | 2,918,607            |
| Interest                       | 108,150               | 27,316              | 22,020              | 13,937              | 30,971              | -                            | 202,394              | 107,314                         | -                         | -                   | -                | 107,314              | 309,708              |
| Grants and Contributions       | 396,144               | 77,652              | 344,478             | 526,135             | 292,448             | -                            | 1,636,857            | 364,583                         | -                         | -                   | -                | 364,583              | 2,001,440            |
| COVID-19 Student Support       | -                     | -                   | -                   | -                   | -                   | 1,041,765                    | 1,041,765            | -                               | -                         | -                   | -                | -                    | 1,041,765            |
| <b>Total</b>                   | <b>\$ 23,445,612</b>  | <b>\$ 3,114,322</b> | <b>\$ 3,963,329</b> | <b>\$ 1,221,238</b> | <b>\$ 8,244,143</b> | <b>\$ 1,041,765</b>          | <b>\$ 41,030,409</b> | <b>\$ 9,745,054</b>             | <b>\$ 968,798</b>         | <b>\$ 1,010,661</b> | <b>\$ 34,617</b> | <b>\$ 11,759,130</b> | <b>\$ 52,789,539</b> |



**SALUS UNIVERSITY AND ITS FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 22 COMPOSITE SCORE**

The University participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the University is required to demonstrate financial responsibility by meeting a certain composite score based on a formula developed by the Department of Education. This score uses financial ratios based on the University's audited consolidated financial statements. The composite score calculated reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0.

The composite score for the year ended June 30, 2023 is as follows:

Primary Reserve Ratio:

|                       |               |             |
|-----------------------|---------------|-------------|
| Expendable Net Assets | \$ 43,682,859 |             |
| Total Expenses/Losses | \$ 57,530,833 | <u>0.76</u> |

Equity Reserve Ratio:

|                     |                |             |
|---------------------|----------------|-------------|
| Modified Net Assets | \$ 81,692,707  |             |
| Modified Assets     | \$ 126,917,050 | <u>0.64</u> |

Net Income Ratio:

|   |               |             |
|---|---------------|-------------|
| Change in Net Assets<br>Without Donor Restriction | \$ 173,466    |             |
| Total Revenues/Gains                              | \$ 62,024,280 | <u>0.00</u> |

|                       | <u>Ratios</u> | <u>Strength<br/>Factors</u> | <u>Weight</u> | <u>Composite<br/>Score</u> |
|-----------------------|---------------|-----------------------------|---------------|----------------------------|
| Primary Reserve Ratio | 0.76          | 3.0                         | 40%           | 1.2                        |
| Equity Reserve Ratio  | 0.64          | 3.0                         | 40%           | 1.2                        |
| Net Income Ratio      | 0.00          | 1.1                         | 20%           | <u>0.2</u>                 |
| Composite Score       |               |                             |               | <u><u>2.6</u></u>          |

**SALUS UNIVERSITY AND ITS FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 22 COMPOSITE SCORE (CONTINUED)**

**Net Assets**

|    |   |              |
|----|---|--------------|
| 1  | Net assets with donor restrictions: restricted in perpetuity                    | \$ 6,035,691 |
| 2  | Other net assets with donor restrictions (not restricted in perpetuity):        |              |
| a. | Annuities with donor restrictions   | \$ -         |
| b. | Term endowments   | -            |
| c. | Life income funds (trusts)  | -            |
| d. | Total annuities, term endowments, and life income funds with donor restrictions | <u>\$ -</u>  |

**Property, Plant, and Equipment, net**

|    |  |                      |
|----|--|----------------------|
| 3  | Pre-implementation property, plant, and equipment, net   |                      |
| a. | Ending balance of pre-implementation as of June 30, 2022   | \$ 29,674,314        |
| b. | Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard | -                    |
| c. | Less subsequent depreciation and disposals (net of accumulated depreciation)   | <u>(2,961,896)</u>   |
| d. | Balance pre-implementation property, plant, and equipment, net   | 26,712,418           |
| 4  | Debt financed post-implementation property, plant, and equipment, net  |                      |
|    | Long-lived assets acquired with debt subsequent to June 30, 2019:  |                      |
| a. | Equipment  | -                    |
| b. | Land improvements  | -                    |
| c. | Building   | <u>3,010,533</u>     |
| d. | Total property, plant, and equipment, net acquired with debt exceeding 12 months   | 3,010,533            |
| 5  | Construction in progress - acquired subsequent to June 30, 2019  | 2,212,348            |
| 6  | Post-implementation property, plant, and equipment, net, acquired without debt:  |                      |
| a. | Long-lived assets acquired without use of debt subsequent to June 30, 2019   | <u>6,969,998</u>     |
| 7  | Total Property, Plant, and Equipment, net - June 30, 2023  | <u>\$ 38,905,297</u> |

**Debt to be excluded from expendable net assets**

|    |   |                      |
|----|---|----------------------|
| 8  | Pre-implementation debt:  |                      |
| a. | Ending balance of pre-implementation as of June 30, 2022  | \$ 479,323           |
| b. | Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard. | -                    |
| c. | Less subsequent debt repayments   | <u>(336,162)</u>     |
| d. | Balance Pre-implementation Debt   | 143,161              |
| 9  | Allowable post-implementation debt used for capitalized long-lived assets:  |                      |
| a. | Equipment - all capitalized   | -                    |
| b. | Land improvements   | -                    |
| c. | Buildings   | -                    |
| d. | Balance Post-implementation Debt  | <u>-</u>             |
| 10 | Construction in progress (CIP) financed with debt or line of credit   | -                    |
| 11 | Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value                | <u>13,167,951</u>    |
|    |   | <u>\$ 13,311,112</u> |

12 Terms of current year debt and line of credit for PPE additions:

|    | Issue Date   | Maturity Date | Nature of Capitalized Amounts | Amount Capitalized |
|----|--------------|---------------|-------------------------------|--------------------|
| a. | Sep 25, 2019 | Sep 25, 2024  | Buildings                     |                    |

**SALUS UNIVERSITY AND ITS FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 22 COMPOSITE SCORE (CONTINUED)**

**Lease right-of-use assets and liabilities**

|    |   |    |           |
|----|---|----|-----------|
| 13 | Lease right-of-use assets   |    |           |
|    | Right-of-use assets as of balance sheet date June 30, 2023  | \$ | 2,173,746 |
| 14 | Lease right-of-use assets - Pre-implementation  |    |           |
|    | Right-of-use assets as of balance sheet date June 30, 2023, excluding leases entered into before December 15, 2018      | \$ | -         |
| 15 | Lease right-of-use assets - Post-implementation   |    |           |
|    | Right-of-use assets as of balance sheet date June 30, 2023, excluding leases entered into on or after December 15, 2018 | \$ | -         |
| 16 | Lease right-of-use liability  |    |           |
|    | Lease liabilities as of balance sheet date June 30, 2023  | \$ | 1,173,660 |
| 17 | Lease right-of-use liability - Pre-implementation   |    |           |
|    | Lease liabilities as of balance sheet date June 30, 2023, excluding leases entered into before December 15, 2018        | \$ | -         |
| 18 | Lease right-of-use liability - Post-implementation  |    |           |
|    | Lease liabilities as of balance sheet date June 30, 2023, excluding leases entered into on or after December 15, 2018   | \$ | -         |

**Unsecured related-party receivables**

|    |   |           |          |
|----|---|-----------|----------|
| 19 | Secured related-party receivables                     | \$        | -        |
| 20 | Unsecured related party receivables                   |           | -        |
| 21 | Total secured and unsecured related-party receivables | <u>\$</u> | <u>-</u> |

**Sale of fixed assets (if loss)**

|    |   |           |          |
|----|---|-----------|----------|
| 22 | Loss on sale of fixed assets  | \$        | -        |
| 23 | Remaining balances in expense category in which loss on sale of assets is included on SOA |           | -        |
| 24 | Expense category in which loss on sale of assets is included on SOA                       | <u>\$</u> | <u>-</u> |

**Sale of fixed assets (if gain)**

|    |  |           |          |
|----|--|-----------|----------|
| 25 | Gain on sale of fixed assets   | \$        | -        |
| 26 | Remaining balances in nonoperating other income category in which gain on sale of assets is included |           | -        |
| 27 | Other income category in which gain on sale of assets is included on SOA                             | <u>\$</u> | <u>-</u> |

**SALUS UNIVERSITY AND ITS FOUNDATION**  
**FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE**  
**JUNE 30, 2023**

**Primary Reserve Ratio:**

|                                   |                                       |  |                      |
|-----------------------------------|---------------------------------------|--|----------------------|
| 1                                 | Statement of Financial Position (SFP) | Net assets without donor restrictions  | \$ 69,877,428        |
| 2                                 | SFP                                   | Net assets with donor restrictions   | 11,815,279           |
| 3                                 | Supplemental Disclosure (SD) Line 1   | Net assets restricted in perpetuity  | 6,035,691            |
| 4                                 | SD Line 20                            | Unsecured related-party receivable   | -                    |
| 5                                 | SD Line 2d                            | Donor restricted annuities, term endowments, life income funds                                 | -                    |
| 6                                 | SD Line 3d                            | Property, plant, and equipment pre-implementation  | 26,712,418           |
| 7                                 | SD Line 4d                            | Property, plant, and equipment post-implementation with outstanding debt for original purchase | 3,010,533            |
| 8                                 | SD Line 5                             | Construction in progress purchased with long-term debt   | 2,212,348            |
| 9                                 | SD Line 35                            | Post-implementation property, plant, and equipment, net, acquired without debt                 | 6,969,998            |
| 10                                | SD Line 14                            | Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)         | -                    |
| 11                                | SD Line 15                            | Lease right-of-use asset, post-implementation  | -                    |
| 12                                | SFP                                   | Intangible assets  | -                    |
| 13                                | SFP                                   | Post-employment and pension liabilities  | 6,787,979            |
| 14                                | SD Line 8d                            | Long-term debt - for long-term purposes pre-implementation                                     | 143,161              |
| 15                                | SD Line 9d                            | Long-term debt - for long-term purposes post-implementation                                    | -                    |
| 16                                | SD Line 10                            | Line of credit for construction in progress  | -                    |
| 17                                | SD Line 17                            | Pre-implementation right-of-use asset liability  | -                    |
| 18                                | SD Line 18                            | Post-implementation right-of-use asset liability   | -                    |
|                                   |                                       | Total Expendable Net Assets  | <u>\$ 43,682,859</u> |
| <b>Total Expenses and Losses:</b> |                                       |  |                      |
| 19                                | Statement of Activities (SOA)         | Total expenses (operating and nonoperating) without donor restrictions                         | \$ 57,530,833        |
| 20                                | SOA                                   | Non-service component of pension/postemployment (nonoperating) cost, (if loss)                 | -                    |
| 21                                | SD Line 22                            | Sale of fixed assets (if loss)   | -                    |
| 22                                | SOA                                   | Change in value of interest-rate swap agreements (if loss)                                     | -                    |
|                                   |                                       | Total Expenses and Losses  | <u>\$ 57,530,833</u> |

**Equity Ratio:**

|                         |            |   |                       |
|-------------------------|------------|---|-----------------------|
| 23                      | SFP        | Net assets without donor restrictions             | \$ 69,877,428         |
| 24                      | SFP        | Net assets with donor restrictions                | 11,815,279            |
| 25                      | Line 14    | Lease Right-of-use asset - Pre-implementation     | -                     |
| 26                      | Line 17    | Lease Right-of-use liability - Pre-implementation | -                     |
| 27                      | SFP        | Intangible assets                                 | -                     |
| 28                      | SD Line 20 | Unsecured related-party receivables               | -                     |
|                         |            | Total Modified Net Assets                         | <u>\$ 81,692,707</u>  |
| <b>Modified Assets:</b> |            |   |                       |
| 29                      | SFP        | Total assets                                      | \$ 126,917,050        |
| 30                      | SD Line 14 | Lease right-of-use asset pre-implementation       | -                     |
| 31                      | SFP        | Intangible assets                                 | -                     |
| 32                      | SD Line 20 | Unsecured related-party receivables               | -                     |
|                         |            | Total Modified Assets                             | <u>\$ 126,917,050</u> |

**Net Income Ratio:**

|  |            |  |                      |
|--|------------|--|----------------------|
| 33   | SOA        | Change in Net Assets Without Donor Restrictions  | \$ 173,466           |
| <b>Total Revenues and Gains Without Donor Restriction:</b> |            |  |                      |
| 34   | SOA        | Total operating revenue (including net assets released from restrictions)  | 57,545,066           |
| 35   | SOA        | Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains) | 3,927,069            |
| 36   | SOA        | Non-service component of pension/postemployment (nonoperating) cost (if gain)                                    | 552,145              |
| 37   | SOA        | Pension-related changes other than net periodic pension costs (if gain)  | -                    |
| 38   | SOA        | Change in value of annuity agreement (typically in nonoperating)   | -                    |
| 39   | SOA        | Change in value of interest-rate swap agreements (if gain)   | -                    |
| 40   | SD Line 25 | Sale of fixed assets (if gain)   | -                    |
| 41   | SOA        | Other gains  | -                    |
|  |            | Total Revenues and Gains Without Donor Restriction   | <u>\$ 62,024,280</u> |



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Salus University and Its Foundation  
Elkins Park, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Salus University and Its Foundation (the University), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 13, 2023, except for Note 22 as to which the date is December 19, 2023.

***Report on Internal Control Over Financial Reporting***

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

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

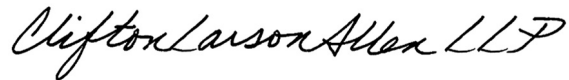
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

***Report on Compliance and Other Matters***

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

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

King of Prussia, Pennsylvania  
October 13, 2023, except for Note 22 as to which the date is December 19, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Salus University and Its Foundation  
Elkins Park, Pennsylvania

**Report on Compliance for Each Major Federal Program**

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

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

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

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

***Auditors' Responsibilities for the Audit of Compliance***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

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



### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

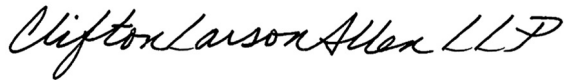
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

**Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance**

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2023, and have issued our report thereon dated October 13, 2023, except for Note 22 as to which the date is December 19, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



**CliftonLarsonAllen LLP**

King of Prussia, Pennsylvania  
December 19, 2023

**SALUS UNIVERSITY AND ITS FOUNDATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED JUNE 30, 2023**

| <u>Grantor/Pass-Through Grantor/Program Title</u>   | <u>Federal<br/>Assistance<br/>Listing<br/>Number</u> | <u>Passed<br/>Through to<br/>Subrecipients</u> | <u>Expenditures</u> |
|---|--|--|---------------------|
| <b>Federal Awards</b>   |  |  |                     |
| Student Financial Aid Cluster:  |  |  |                     |
| United States Department of Education:  |  |  |                     |
| Federal Direct Student Loans  | 84.268   | \$ -   | \$ 44,980,720       |
| Federal Perkins Loan Program (Note 3)   | 84.038   | -  | 3,111,927           |
| Federal Work Study Program  | 84.033   | -  | 377,639             |
| Total United States Department of Education - Student Financial Aid                               |  | -  | 48,470,286          |
| United States Department of Health and Human Services:  |  |  |                     |
| Loans for Health Professionals (Note 4)   | 93.342   | -  | 8,509,004           |
| Loans for Disadvantaged Students (Note 4)   | 93.342   | -  | 669,305             |
| Total United States Department of Health and Human Services                                       |  | -  | 9,178,309           |
| Total Student Financial Aid Cluster   |  | -  | 57,648,595          |
| Education Stabilization Fund:   |  |  |                     |
| Higher Education Emergency Relief Funds (HEERF):  |  |  |                     |
| HEERF Student Aid Portion   | COVID 19,<br>84.425E                                 | -  | 371,158             |
| HEERF Institutional Portion   | COVID 19,<br>84.425F                                 | -  | 361,175             |
| Total Education Stabilization Fund  |  | -  | 732,333             |
| Research and Development Cluster:   |  |  |                     |
| United States Department of Health and Human Services:  |  |  |                     |
| Vision Research:  |  |  |                     |
| Regulation in Cyclic GMP Synthesis in Photoreceptors  | 93.867   | -  | 363,070             |
| Mech to Rescue Photoreceptors   | 93.867   | -  | 7,417               |
| CITT ART Study Chair  | 93.867   | -  | 85                  |
| Total United States Department of Health and Human Services -<br>Research and Development Cluster |  | -  | 370,572             |
| Special Education Personnel Development to Improve Services and Results<br>for Children:          |  |  |                     |
| Learning Experiences Grounded in Interprofessional Training                                       | 84.325K  | -  | 68,730              |
| Total Special Education   |  | -  | 68,730              |
| Rehabilitation - Long-Term Training<br>MORE   | 84.129P  | -  | 153,267             |
| Total   |  | -  | 221,997             |
| Total Federal Awards  |  | \$ -   | \$ 58,973,497       |
| <b>State Awards</b>   |  |  |                     |
| PA DHS Appropriation  | N/A  | \$ -   | \$ 1,000,000        |
| Visual Impaired Services Program  | N/A  | -  | 134,567             |
| Protein Interactions Related to LCA 12 and rd3 Retinal Degenerations                              | N/A  | -  | 17,273              |
| Prevention of Blindness   | N/A  | -  | 107,885             |
| Total State Awards  |  | -  | 1,259,725           |
| Total Expenditures of Federal and State Awards  |  | \$ -   | \$ 60,233,222       |

See accompanying Notes to Schedule of Expenditures of Federal and State Awards.

**SALUS UNIVERSITY AND ITS FOUNDATION**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED JUNE 30, 2023**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) presents a summary of those activities of Salus University and Its Foundation (the University) which relate to federal or state government awards. The Schedule presents only a selected portion of the activities of the University and is not intended to present either the financial position, or changes in net assets or cash flows of the University. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the basic consolidated financial statements.

**NOTE 2 BASIS OF ACCOUNTING**

Expenditures for direct costs are recognized as incurred using the accrual method of accounting.

The University uses an indirect cost rate to charge facility and administrative costs to particular sponsored projects. During the year ended June 30, 2023, the University charged facility and administrative costs at the Department of Health and Human services approved fixed rate for federal awards and the grant approved fixed rate for state awards. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 FEDERAL PERKINS LOAN PROGRAM (FEDERAL ASSISTANCE LISTING #84.038)**

The University administers and accounts for all aspects of the Federal Perkins Loan Program under its direct student programs. Therefore, the University's consolidated financial statements include the Federal Perkins Loan Program's net assets and transactions. The balance of loans outstanding under the Federal Perkins Loan Program is \$1,468,902 as of June 30, 2023.

**NOTE 4 HEALTH PROFESSIONS STUDENT LOANS (FEDERAL ASSISTANCE LISTING #93.342)**

For the year ended June 30, 2023, the outstanding balance for the Health Professions Student Loans program was \$7,339,355, including Primary Care Loans to Disadvantaged Students totaling \$590,525.

**SALUS UNIVERSITY AND ITS FOUNDATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2023**

**NOTE 5 PREVENTION OF BLINDNESS**

Revenues and expenditures for the period July 1, 2022 through June 30, 2023 relating to the Prevention of Blindness contract included in the Schedule are as follows:

|                        |                   |
|------------------------|-------------------|
| Revenues               | \$ 107,885        |
| Expenditures:          |                   |
| Salary and Fringe      | 34,003            |
| Consultants            | 54,500            |
| Supplies and Materials | 9,515             |
| Program Supplies       | 9,867             |
| Total Expenditures     | <u>\$ 107,885</u> |

**SALUS UNIVERSITY AND ITS FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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***Section I – Summary of Auditors’ Results***

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**Financial Statements**

Type of Auditors' Report Issued: Unmodified

Internal Control over Financial Reporting:

- Material Weakness(es) Identified?                      Yes           X           No
- Significant Deficiency(ies) Identified that are not Considered to be Material Weakness(es)?                      Yes           X           None Reported

**Federal Awards**

Internal Control over Major Programs:

- Material Weakness(es) Identified?                      Yes           X           No
- Significant Deficiency(ies) Identified that are not Considered to be Material Weakness(es)?                      Yes           X           None Reported

Type of Auditors' Report Issued on Compliance for the Major Programs: Unmodified

Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR 200.516(a)?                      Yes           X           No

Identification of Major Programs:

| <u>Federal Assistance Listing Number(s)</u> | <u>Name of Federal Program or Cluster</u>                 |
|---|---|
|   | <u>Student Financial Aid Cluster:</u>                     |
| 84.033                                      | Federal Work-Study Program                                |
| 84.038                                      | Federal Perkins Loan Program                              |
| 84.268                                      | Federal Direct Loan Program                               |
|   | Loans for Health Professionals and Disadvantaged Students |
| 93.342                                      |   |

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$750,000

Auditee Qualified as Low-Risk Auditee?           X           Yes                      No

**SALUS UNIVERSITY AND ITS FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.