



Adler University and Subsidiary

Independent Auditor's Reports, Consolidated Financial Statements and Supplementary Information

August 31, 2024 and 2023



Adler University and Subsidiary

August 31, 2024 and 2023

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Independent Auditor's Report

Board of Trustees
Adler University and Subsidiary
Chicago, Illinois

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Adler University and Subsidiary, which comprise the consolidated statements of financial position as of August 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Adler University and Subsidiary, as of August 31, 2024 and 2023, 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Adler University and Subsidiary, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 Adler University and Subsidiary'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 Adler University and Subsidiary'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 consolidating statements of financial position information and consolidating statements of activities information, which are not intended to present the financial position and results of operations of the individual entities, and financial responsibility supplemental schedule required by the U.S. Department of Education, and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis, and are 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 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 with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2024, on our consideration of Adler University and Subsidiary'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 Adler University and Subsidiary'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 Adler University and Subsidiary's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Chicago, Illinois
December 23, 2024

Adler University and Subsidiary
Consolidated Statements of Financial Position
August 31, 2024 and 2023

Assets

	2024	2023
Current Assets		
Cash and cash equivalents	\$ 4,564,694	\$ 1,947,304
Investments	3,784,484	5,490,988
Tuition receivables, less allowance for credit losses of \$405,454 in 2024 and \$492,942 in 2023	1,078,883	1,182,211
Other receivables	549,145	750,408
Pledges receivable, less allowance for credit losses of \$0 in 2024 and 2023, respectively	123,083	196,718
Prepaid expenses and other	1,315,217	1,882,695
Total current assets	<u>11,415,506</u>	<u>11,450,324</u>
Noncurrent Assets		
Property and equipment	47,601,495	47,285,486
Less accumulated depreciation and amortization	<u>(16,454,125)</u>	<u>(15,073,592)</u>
Property and equipment, net	31,147,370	32,211,894
Restricted investments	1,133,678	1,091,771
Right-of-use asset - operating lease	5,195,748	5,765,075
Pledges receivable, less allowance for credit losses of \$0 in 2024 and 2023, noncurrent	51,369	68,634
Postemployment and retirement assets	2,082,481	1,944,037
Security deposits	<u>31,585</u>	<u>29,313</u>
Total noncurrent assets	<u>39,642,231</u>	<u>41,110,724</u>
Total assets	<u><u>\$ 51,057,737</u></u>	<u><u>\$ 52,561,048</u></u>

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2024	2023
Current Liabilities		
Current maturities of long-term debt	\$ 971,984	\$ 1,092,691
Line of credit	1,500,000	-
Accounts payable	1,243,761	2,018,160
Accrued expenses		
Payroll	96,375	387,745
Other	192,451	220,058
Current portion of operating lease liability	683,069	658,050
Current portion of finance lease liabilities	96,334	89,665
Unearned tuition revenue and deposits	4,516,543	4,310,833
	<u>9,300,517</u>	<u>8,777,202</u>
Long-Term Obligations		
Long-term debt, net of current maturities	13,996,508	14,970,292
Less unamortized debt issuance costs	(254,578)	(269,917)
	<u>13,741,930</u>	<u>14,700,375</u>
Total long-term debt, net of current maturities and unamortized debt issuance costs	13,741,930	14,700,375
Operating lease liability	5,003,959	5,679,599
Finance lease liabilities	56,740	153,892
Postemployment and retirement liabilities	2,082,481	1,944,037
	<u>20,885,110</u>	<u>22,477,903</u>
Total long-term obligations	20,885,110	22,477,903
Total liabilities	<u>30,185,627</u>	<u>31,255,105</u>
Net Assets		
Without donor restrictions	19,858,530	19,972,980
With donor restrictions	1,013,580	1,332,963
	<u>20,872,110</u>	<u>21,305,943</u>
Total net assets	20,872,110	21,305,943
Total liabilities and net assets	<u>\$ 51,057,737</u>	<u>\$ 52,561,048</u>

Adler University and Subsidiary
Consolidated Statement of Activities
Year Ended August 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Tuition and fees, less scholarships and grants of \$5,333,712	\$ 39,870,326	\$ -	\$ 39,870,326
Contracts and sponsored activities	308,916	-	308,916
Government grants	312,446	-	312,446
Private gifts and grants	387,797	1,228,091	1,615,888
Interest and dividends	362,269	-	362,269
Unrealized gains on investments, net	723,434	(92,792)	630,642
Realized gains on investments, net	45,509	-	45,509
Adler Community Health Services fees	125,148	-	125,148
Other	49,903	-	49,903
Net assets released from restrictions	1,454,682	(1,454,682)	-
	<u>43,640,430</u>	<u>(319,383)</u>	<u>43,321,047</u>
Total revenue			
Expenses			
Program			
Instructional	19,318,113	-	19,318,113
Academic support	3,076,723	-	3,076,723
Student services	5,834,375	-	5,834,375
Management and general			
Institutional support	14,765,835	-	14,765,835
Fundraising	759,834	-	759,834
	<u>43,754,880</u>	<u>-</u>	<u>43,754,880</u>
Total expenses			
Decrease in Net Assets	(114,450)	(319,383)	(433,833)
Net Assets, Beginning of Year	<u>19,972,980</u>	<u>1,332,963</u>	<u>21,305,943</u>
Net Assets, End of Year	<u>\$ 19,858,530</u>	<u>\$ 1,013,580</u>	<u>\$ 20,872,110</u>

Adler University and Subsidiary
Consolidated Statement of Activities
Year Ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Tuition and fees, less scholarships and grants of \$5,846,527	\$ 42,817,670	\$ -	\$ 42,817,670
Contracts and sponsored activities	181,945	-	181,945
Government grants	316,995	-	316,995
Private gifts and grants	748,556	1,214,328	1,962,884
Interest and dividends	131,814	166,739	298,553
Unrealized gains on investments, net	387,031	-	387,031
Realized losses on investments, net	(41,566)	-	(41,566)
Adler Community Health Services fees	98,542	-	98,542
Other	256,951	-	256,951
Net assets released from restrictions	1,288,203	(1,288,203)	-
	<u>46,186,141</u>	<u>92,864</u>	<u>46,279,005</u>
Expenses			
Program			
Instructional	20,625,608	-	20,625,608
Academic support	3,113,676	-	3,113,676
Student services	6,223,202	-	6,223,202
Management and general			
Institutional support	15,731,342	-	15,731,342
Fundraising	933,998	-	933,998
	<u>46,627,826</u>	<u>-</u>	<u>46,627,826</u>
Increase (Decrease) in Net Assets	(441,685)	92,864	(348,821)
Net Assets, Beginning of Year	<u>20,414,665</u>	<u>1,240,099</u>	<u>21,654,764</u>
Net Assets, End of Year	<u>\$ 19,972,980</u>	<u>\$ 1,332,963</u>	<u>\$ 21,305,943</u>

Adler University and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended August 31, 2024

	Program Services				Support Services			Total
	Instruction	Academic Support	Student Services	Total	Institutional Support	Fundraising	Total	
Salaries	\$ 12,984,959	\$ 1,884,397	\$ 4,103,172	\$ 18,972,528	\$ 4,711,504	\$ 540,686	\$ 5,252,190	\$ 24,224,718
Benefits	1,599,076	266,963	536,284	2,402,323	2,672,654	65,303	2,737,957	5,140,280
Marketing	-	-	16,023	16,023	2,970,204	1,516	2,971,720	2,987,743
Facilities	1,847,595	190,858	163,064	2,201,517	419,567	31,427	450,994	2,652,511
Travel and meals	6,954	4,004	2,381	13,339	317,043	290	317,333	330,672
Software	625,560	125,901	486,075	1,237,536	283,779	63,117	346,896	1,584,432
Professional services	273,891	26,348	61,268	361,507	2,146,126	6,423	2,152,549	2,514,056
Supplies	696	101	22,469	23,266	86,335	29	86,364	109,630
Shipping	2,433	521	1,074	4,028	10,186	1,323	11,509	15,537
Library	8,969	307,078	-	316,047	-	-	-	316,047
Phones	22,229	2,058	6,509	30,796	11,732	478	12,210	43,006
Interest	447,807	45,967	37,228	531,002	79,147	7,419	86,566	617,568
Membership and dues	54,365	2,023	6,554	62,942	194,882	580	195,462	258,404
Depreciation	972,606	152,734	80,491	1,205,831	146,005	28,698	174,703	1,380,534
Insurance	241,479	24,574	18,906	284,959	41,761	3,875	45,636	330,595
Student service	2,203	-	194,286	196,489	4,290	2,085	6,375	202,864
Personnel	18,941	-	26,833	45,774	17,513	967	18,480	64,254
Other	208,350	43,196	71,758	323,304	653,107	5,618	658,725	982,029
Total	<u>\$ 19,318,113</u>	<u>\$ 3,076,723</u>	<u>\$ 5,834,375</u>	<u>\$ 28,229,211</u>	<u>\$ 14,765,835</u>	<u>\$ 759,834</u>	<u>\$ 15,525,669</u>	<u>\$ 43,754,880</u>

Adler University and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended August 31, 2023

	Program Services				Support Services			Total
	Instruction	Academic Support	Student Services	Total	Institutional Support	Fundraising	Total	
Salaries	\$ 14,129,791	\$ 1,974,501	\$ 4,528,171	\$ 20,632,463	\$ 4,926,709	\$ 714,573	\$ 5,641,282	\$ 26,273,745
Benefits	1,733,010	286,467	547,013	2,566,490	2,899,136	84,866	2,984,002	5,550,492
Marketing	55	-	100	155	3,200,490	-	3,200,490	3,200,645
Facilities	1,812,536	187,003	161,647	2,161,186	400,621	31,093	431,714	2,592,900
Travel and meals	2,522	336	1,274	4,132	273,669	147	273,816	277,948
Software	670,593	111,706	369,087	1,151,386	265,478	60,159	325,637	1,477,023
Professional services	270,270	23,155	57,609	351,034	2,095,357	8,380	2,103,737	2,454,771
Supplies	28	4	9,352	9,384	118,680	1	118,681	128,065
Shipping	2,037	314	894	3,245	11,895	335	12,230	15,475
Library	21,202	247,027	-	268,229	-	-	-	268,229
Phones	27,241	1,691	11,150	40,082	8,346	546	8,892	48,974
Interest	471,738	48,424	39,218	559,380	85,061	7,815	92,876	652,256
Membership and dues	9,406	7,174	18,346	34,926	202,686	3,255	205,941	240,867
Depreciation	971,845	176,368	80,428	1,228,641	161,239	16,028	177,267	1,405,908
Insurance	262,964	27,380	24,336	314,680	49,540	4,711	54,251	368,931
Student service	4,387	-	200,686	205,073	476,463	-	476,463	681,536
Personnel	33,493	231	34,785	68,509	122,909	84	122,993	191,502
Other	202,490	21,895	139,106	363,491	433,063	2,005	435,068	798,559
Total	<u>\$ 20,625,608</u>	<u>\$ 3,113,676</u>	<u>\$ 6,223,202</u>	<u>\$ 29,962,486</u>	<u>\$ 15,731,342</u>	<u>\$ 933,998</u>	<u>\$ 16,665,340</u>	<u>\$ 46,627,826</u>

Adler University and Subsidiary
Consolidated Statements of Cash Flows
Years Ended August 31, 2024 and 2023

	2024	2023
Operating Activities		
Decrease in net assets	\$ (433,833)	\$ (348,821)
Items not requiring (providing) cash		
Increase in allowance for credit losses	100,943	-
Depreciation and amortization	1,380,534	1,405,908
Unrealized gains on investments, net	(630,642)	(387,031)
Realized (gains) losses on investments, net	(45,509)	41,566
Amortization of deferred financing costs	15,339	15,340
Noncash operating lease expense	569,327	579,298
Changes in		
Tuition receivables	15,840	(182,954)
Other receivables	201,263	(300,149)
Pledges receivable	77,445	(122,013)
Prepaid expenses and other	567,478	(876,754)
Security deposits	(2,272)	13,787
Accounts payable	(774,399)	977,858
Accrued expenses	(318,977)	(429,985)
Unearned grant revenue	-	-
Unearned tuition revenue and deposits	205,710	(941,711)
Operating lease liability	(650,621)	(834,307)
Postemployment and retirement liabilities	138,444	298,238
Net cash provided by (used in) operating activities	<u>416,070</u>	<u>(1,091,730)</u>
Investing Activities		
Purchases of property and equipment	(316,010)	(242,508)
Purchases of investments and postretirement assets	(4,504,526)	(6,133,974)
Proceeds from sales of investments and postretirement assets	<u>6,706,830</u>	<u>3,607,872</u>
Net cash provided by (used in) investing activities	<u>1,886,294</u>	<u>(2,768,610)</u>
Financing Activities		
Principal payments on long-term debt	(1,094,491)	(1,192,738)
Proceeds from lines of credit	3,500,000	-
Principal payments on lines of credit	(2,000,000)	-
Payments on finance leases	<u>(90,483)</u>	<u>(84,851)</u>
Net cash provided by (used in) financing activities	<u>315,026</u>	<u>(1,277,589)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,617,390	(5,137,929)
Cash and Cash Equivalents, Beginning of Year	<u>1,947,304</u>	<u>7,085,233</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,564,694</u></u>	<u><u>\$ 1,947,304</u></u>
Supplemental Cash Flows Information		
Cash paid for interest	\$ 592,854	\$ 624,463
Capital lease obligations incurred for equipment	\$ -	\$ 123,750

Adler University and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2024 and 2023

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Adler University (University) is a private, non-profit institution of higher education that educates students to engage the world and create a more just society. Established in 1952, Adler University has enrolled more than 1,800 students in master's and doctoral programs uniquely designed to advance social change through its campuses in Chicago (IL), Vancouver (BC) and online. Adler University is accredited by the Higher Learning Commission (HLC), and all of the programs at the Vancouver campus are offered under the written consent of the British Columbia Minister of Advanced Education.

Principles of Consolidation

The accompanying consolidated financial statements include the amounts of the University and Adler University Vancouver Foundation (Foundation), which is wholly owned by the University. Inter-organization transactions and balances have been eliminated in consolidation. The Foundation was incorporated under the Societies Act on March 23, 2017, to solicit and receive gifts, bequests, trust funds and property on behalf of the University for the benefit of its Vancouver campus.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

The University records unconditional promises to give (pledges) as receivables and contributions within the appropriate net asset category based on the existence or absence of donor-imposed restrictions.

Use of Estimates

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

Cash and Cash Equivalents

The University considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents used by the University in managing its investments are reported as investments.

Investments

Investments are reported at fair value in the consolidated statements of financial position. Realized and unrealized gains and losses are included in the consolidated statements of activities. Investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near-term would materially affect investment values and the amounts reported in the consolidated financial statements.

Adler University and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2024 and 2023

Tuition Receivables

Tuition receivable are stated at the amount of consideration from students, of which the University has an unconditional right to receive. The University provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Amounts are written off when they are deemed to be uncollectible and the University is no longer attempting to collect the outstanding balance.

Other Receivables

The University records other receivables based on amounts owed for services or goods provided.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization, except for donated property, which is recorded at the fair value on the date received. Depreciation and amortization is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives. The estimated useful lives for each major depreciable classification of property and equipment are as follows:

	<u>Years</u>
Computer software and equipment	5
Furniture and equipment	5 - 10
Leasehold improvements	5 - 35
Library books and other	12
Building and building improvements	35 - 100

Long-Lived Asset Impairment

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended August 31, 2024 and 2023.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Adler University and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2024 and 2023

Contributions

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the University overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Unearned Tuition Revenue and Deposits – Contract Liabilities

Tuition and fees received in advance of services are reported as unearned tuition revenue and deposits in the consolidated statements of financial position. Such amounts are contract liabilities which represent the University's obligation to transfer goods or services to a customer when consideration has already been received from the customer.

Adler University and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2024 and 2023

Revenue Recognition

Tuition revenue is recognized over the term of the semester as the University provides services to students. Revenue is reported at the amount of consideration which the University expects to be entitled in exchange for providing tuition. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships and other price concessions provided to students.

Deferred Rent Obligation, Indebtedness to Landlord

For operating leases, rent expense is recorded on a straight-line basis over the terms of the leases and, accordingly, the difference between cash rent payments and the recognition of rent expense results in a deferred rent obligation.

Advertising

Advertising costs incurred by the University are expensed as incurred and approximated \$2,974,000 and \$3,201,000 in fiscal years 2024 and 2023, respectively.

Tax Status

The University is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University's Vancouver campus and the Foundation is exempt from Canadian federal and provincial income taxes.

The University files tax returns in the U.S. federal jurisdiction. The University also has Canadian jurisdiction filings for both the Vancouver campus and the Foundation.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general categories based on square footage and other methods.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

Change in Accounting Principle – ASU 2016-03, Financial Instruments – Credit

Effective July 1, 2023, the University adopted ASU 2016-13, *Financial Instrument – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, related to the impairment of financial instruments. This guidance, commonly referred to as current expected credit loss (CECL), changes impairment recognition to a model that is based on expected losses rather than incurred losses. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including notes receivables, trade receivables, and held-to-maturity debt securities. It also applies to off-balance-sheet credit exposures. The adoption of ASU 2016-13 resulted in no change to beginning net assets or change in net assets.

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Notes to Consolidated Financial Statements
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Note 2: Investments and Disclosures About Fair Values of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

Adler University and Subsidiary

Notes to Consolidated Financial Statements

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Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2024 and 2023:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total Fair Value			
August 31, 2024				
Investments				
Cash and cash equivalents	\$ 274,365	\$ 274,365	\$ -	\$ -
Mutual funds				
Fixed income	1,277,944	1,277,944	-	-
Equity	2,086,391	2,086,391	-	-
Alternative strategy	26,739	26,739	-	-
Real assets	119,045	119,045	-	-
Total investments	3,784,484	3,784,484	-	-
Restricted investments				
Guaranteed investment certificates	1,133,678	-	1,133,678	-
Postemployment and retirement assets				
Equity mutual funds	1,729,359	1,729,359	-	-
Fixed income mutual funds	353,122	353,122	-	-
Total postemployment and retirement assets	2,082,481	2,082,481	-	-
	<u>\$ 7,000,643</u>	<u>\$ 5,866,965</u>	<u>\$ 1,133,678</u>	<u>\$ -</u>

Adler University and Subsidiary
Notes to Consolidated Financial Statements
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		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total Fair Value			
August 31, 2023				
Investments				
Cash and cash equivalents	\$ 852,477	\$ 852,477	\$ -	\$ -
Mutual funds				
Fixed income	1,786,357	1,786,357	-	-
Equity	2,553,176	2,553,176	-	-
Alternative strategy	59,040	59,040	-	-
Real assets	239,938	239,938	-	-
Total investments	5,490,988	5,490,988	-	-
Restricted investments				
Guaranteed investment certificates	1,091,771	-	1,091,771	-
Postemployment and retirement assets				
Equity mutual funds	1,680,789	1,680,789	-	-
Fixed income mutual funds	263,248	263,248	-	-
Total postemployment and retirement assets	1,944,037	1,944,037	-	-
	\$ 8,526,796	\$ 7,435,025	\$ 1,091,771	\$ -

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended August 31, 2024.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Restricted Investments – Guaranteed Investment Certificates

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Notes to Consolidated Financial Statements

August 31, 2024 and 2023

Valued at fair value by discounting the related cash flows based on current yields or similar instruments with comparable durations considering the creditworthiness of the issuer (Level 2 – income approach).

Private institutions operating in Canada must post financial security in accordance with the *Degree Authorization Regulations and the Bonding Act*. The amount of financial security represents 75% of the highest monthly amount of unearned tuition revenue that the University will hold in a twelve-month period and cannot be less than \$100,000 per institution. Institutions must maintain valid security continuously while they are operating and, if they should close, two years beyond the date of closure. The Minister of Advanced Education, Innovation, and Technology of Canada will not provide consent to a private institution to offer a degree program until financial security is in place. The University was approved to conduct six programs which have consent expiration dates of August 17, 2026, June 5, 2029, November 9, 2029, May 9, 2033, and October 4, 2033. The University's ability to conduct programs after these dates is dependent upon the Ministry's approval of renewal applications. Investments restricted for this purpose totaled \$1,133,678 and \$1,091,771 as of August 31, 2024 and 2023, respectively. The University has no intentions to close its Vancouver campus.

Note 3: Pledges Receivable

Pledges receivable at August 31, 2024 and 2023, consisted of the following:

	2024	2023
Due within one year	\$ 123,083	\$ 196,718
Due within two to five years	51,369	68,634
	174,452	265,352
Less allowance for uncollectible contributions	-	-
	<u>\$ 174,452</u>	<u>\$ 265,352</u>

Adler University and Subsidiary
Notes to Consolidated Financial Statements
August 31, 2024 and 2023

Note 4: Property and Equipment

Property and equipment at August 31, 2024 and 2023, was as follows:

	2024	2023
Building	\$ 24,702,467	\$ 24,702,467
Building and leasehold improvements	11,533,868	11,491,840
Computer software and equipment	6,416,231	6,222,959
Furniture and equipment	4,086,833	4,079,170
Library books and other	846,473	773,267
Construction in process	15,623	15,783
	<hr/>	<hr/>
Total investment in property and equipment	47,601,495	47,285,486
Less accumulated depreciation and amortization	(16,454,125)	(15,073,592)
	<hr/>	<hr/>
Net investment in property and equipment	<u>\$ 31,147,370</u>	<u>\$ 32,211,894</u>

Note 5: Long-Term Debt

	2024	2023
Note payable, bank (A)	\$ 14,415,245	\$ 15,038,507
Note payable, bank (B)	553,247	863,674
Line of credit agreement (C)	-	160,802
	<hr/>	<hr/>
	14,968,492	16,062,983
Less unamortized debt issuance costs	(254,578)	(269,917)
Less current maturities	(971,984)	(1,092,691)
	<hr/>	<hr/>
	<u>\$ 13,741,930</u>	<u>\$ 14,700,375</u>

(A) Effective March 28, 2016, the University entered into a \$19,100,000 bond and loan agreement with Fifth Third Bank that was funded through the Illinois Finance Authority's Educational Facility Revenue Bond, Series 2016 bond issuance (Series 2016 bonds). The loan bears interest at a fixed rate of 3.19% through December 31, 2017. Effective January 1, 2017, the rate will fluctuate depending on changes to the lender's maximum marginal tax rate (3.55% as of August 31, 2024). Monthly principal and interest payments of \$92,828 are due until the loan is paid in full on March 15, 2041. The loan is collateralized by substantially all the assets of the University and requires the University to comply with certain covenants.

(B) In 2016, the University entered into a \$2,000,000 loan with Illinois Finance Fund (IFF) (a nonprofit community development financial institution). The loan bears interest at a fixed rate of 6.375%, with monthly principal and interest payments of \$17,285 due from May 1, 2016 through March 31, 2021. After April 1, 2021, until the loan is paid in full, the loan shall bear interest equal to the greater of

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Notes to Consolidated Financial Statements

August 31, 2024 and 2023

United States Treasury yield to maturity plus 3.00% (5.00% at August 31, 2024) or floor of 5.00%. Upon adjustment of the interest rate as of April 1, 2021, the amount of monthly payments shall be adjusted as of May 1, 2021. Beginning April 1, 2021 through maturity on April 1, 2026, the University shall make monthly payments determined by the lender to be sufficient to fully amortize the balance in payments of substantially equal amounts, approximately \$29,400. The loan is collateralized by substantially all assets of the University located at the Chicago campus and requires the University to comply with certain covenants, and is subordinated to the Series 2016 bonds.

- (C) On July 8, 2016, the University entered into a capex line of credit which converted into a term loan in February of 2017 with Fifth Third Bank to help fund the build-out of its Vancouver campus with a maximum commitment of \$2,250,000. The loan was repaid in full on January 5, 2024. The loan is collateralized by substantially all assets of the University. The loan also requires the University to comply with certain covenants.

Unamortized debt issuance costs incurred pursuant to issuance of the 2016 bond and loan agreement are being amortized on a straight-line basis, which approximates the effective interest method, over the term of the debt. Deferred financing costs of \$254,578 and \$269,917 are included in long-term debt as of August 31, 2024 and 2023, respectively. Amortization expense was approximately \$15,000 for the years ended August 31, 2024 and 2023.

Annual maturities of long-term debt subsequent to August 31, 2024, are as follows:

2025	\$ 971,984
2026	896,028
2027	693,681
2028	717,863
2029	745,334
Thereafter	<u>10,943,602</u>
	<u>\$ 14,968,492</u>

Interest expense for the years ended August 31, 2024 and 2023, was \$589,840 and \$622,082, respectively.

The Series 2016 loan agreement contains various financial covenants. The debt covenant requirements as of August 31, 2024, include (1) consolidated debt service coverage with a minimum covenant level of 1.25 times, (2) consolidated debt to net worth ratio not to exceed 2.75 times, (3) minimum liquidity requirement of \$3,450,000, (4) limit on capital expenditures and (5) requirement to maintain \$0 balance for 30 days during certain intervals. The University was not in compliance with a certain financial covenant for the year ended August 31, 2024, and on December 12, 2024, the University received a waiver of such noncompliance.

Note 6: Revolving Line of Credit

On November 30, 2009, the University entered into a revolving line of credit agreement with Fifth Third Bank with availability up to \$3,000,000. During the year ended August 31, 2024, the University extended the maturity date of this agreement through March 31, 2025 and on December 12, 2024, the maturity was extended to March 31, 2026. Interest is payable monthly at the index rate plus 2.05% (7.42% at

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Notes to Consolidated Financial Statements

August 31, 2024 and 2023

August 31, 2024). The revolving line of credit agreement is collateralized by substantially all assets of the University. The outstanding line of credit balance at August 31, 2024 and 2023 was \$1,500,000, and \$0, respectively. The line of credit also requires the University to comply with certain covenants. See Note 5. The University utilizes this financing for short-term, seasonal operating purposes.

Note 7: Leases

Accounting Policies

The University determines if an arrangement is a lease or contains a lease at inception if the contract conveys the right to control the use of identified property or equipment (an identified asset) for a period of time in exchange for consideration.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The University determines lease classification as operating or finance at the lease commencement date.

The University combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office buildings and office equipment.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The University has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the University is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The University has elected not to record leases with an initial term of 12 months or less on the consolidated statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Organization has entered into the following lease arrangements:

Finance Leases

The leases consist of office equipment leases and the termination of these leases is prohibited unless there is a violation under the lease agreement.

Operating Lease

On September 14, 2014, the University executed a lease for a new campus in Vancouver, British Columbia to support continuing enrollment growth. Located in downtown Vancouver, the new campus

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Notes to Consolidated Financial Statements

August 31, 2024 and 2023

was constructed with a student-centric design focus with state-of-the-art classroom technology. The term of the lease agreement is over fifteen years commencing February 1, 2017, the date the University relocated to the new campus.

Short-Term Leases

The Organization has additional month-to-month leases with lease terms less than 12 months.

The Organization lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the years ended August 31, 2024 and 2023, are:

Lease costs

Finance lease costs		
Amortization of right-of-use asset	\$ 90,965	\$ 69,616
Interest on lease liability	13,206	13,083
Operating lease costs	777,677	776,353
Variable lease costs	514,499	500,948
	<u>514,499</u>	<u>500,948</u>
	<u>\$ 1,396,347</u>	<u>\$ 1,360,000</u>
Total lease costs		

Other information

Cash paid for amounts included in the measurement of lease liabilities

Operating cash flows from finance leases	\$ 13,206	\$ 13,083
Financing cash flows from finance leases	90,486	90,486
Operating cash flows from operating leases	858,349	856,887

Right-of-use assets obtained in exchange for new finance lease liabilities

- 123,750

Weighted average remaining lease term

Finance leases	1.75 years	3.21 years
Operating lease	7.42 years	8.42 years

Weighted average discount rate

Finance leases	6.84%	7.33%
Operating lease	3.26%	3.26%

Adler University and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2024 and 2023

Future minimum lease payments and reconciliation to the consolidated statements of financial position at August 31, 2024, are as follows:

Fiscal Year	Finance Leases	Operating Lease
2025	102,871	\$ 858,349
2026	50,549	858,349
2027	10,944	871,597
2028	-	881,060
2028	-	881,060
Thereafter	-	2,055,807
Total future undiscounted lease payments	164,364	6,406,222
Less amounts representing interest	(11,290)	(719,194)
Lease liabilities	<u>\$ 153,074</u>	<u>\$ 5,687,028</u>

Property and equipment include the following under the finance leases at August 31, 2024:

Equipment	\$ 362,684
Less accumulated depreciation	<u>209,610</u>
	<u>\$ 153,074</u>

Note 8: Revenue From Contracts With Students

Performance Obligations

Tuition and Fees

Revenue from contracts with students for tuition is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and other services. Revenue is recognized over time as performance obligations are satisfied, which is ratably over the academic term. Generally, the University bills students prior to the beginning of the semester, and student accounts receivable are due in full before classes begin. Scholarships provided to students by the University are reflected as a reduction of gross tuition and fees. For the years ended August 31, 2024 and 2023, tuition and fees revenue was reduced by approximately \$5,000,000 and \$5,800,000, respectively, due to scholarships the University provided to students.

Disaggregation of Revenue

The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the University's policy and implicit price concessions provided to customers. The University determines its estimates of explicit price concessions based on its discount policies. The University determines its estimate of implicit price concessions based on its historical collection experience with this class of customers. The University elected to use the portfolio approach practical expedient to evaluate contracts with students and customers.

Adler University and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2024 and 2023

For the years ended August 31, 2024 and 2023, the University recognized tuition and fees and contracts and sponsored activities revenue of \$40,179,242 and \$42,999,615, respectively, that are recognized over time as the services are performed, and \$175,051 and \$355,493, respectively, from Adler Community Health Service fees and other revenue that are recognized at a point in time.

The University has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Students that have different reimbursement and payment methodologies
- Contracts and sponsored activities and participation will vary each year

Contract Balances

The following table provides information about the University's receivables and contract liabilities from contracts with students:

	2024	2023
Accounts receivable, beginning of year	\$ 1,182,211	\$ 999,257
Accounts receivable, end of year	1,078,883	1,182,211
Unearned tuition revenue, beginning of year	\$ 4,310,833	\$ 5,252,544
Unearned tuition revenue, end of year	4,516,543	4,310,833

Significant Judgments

For contracts where control is transferred over time, the University recognizes revenue over time as progress is made toward satisfying the performance obligations of each contract. The University measures a contract's progress based upon the performance of the service over time, a so-called output method.

In respect of contracts for which the transaction price includes amounts contingent on future events, the University estimates the amount to be included in the transaction price based on its experience with such contracts and only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is eventually resolved.

Accounting Policies and Practical Expedients Elected

For performance obligations satisfied over time, the University is also applying an accounting policy election, whereby the University recognizes such revenue in the amount of consideration to which the University has the right to invoice when it corresponds directly to the value transferred to the customer.

Note 9: Retirement and Postemployment Plans

The University has a defined contribution, money-purchase retirement plan qualified under Section 403(b) of the Internal Revenue Code for eligible academic and nonacademic personnel. The University has a

Adler University and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2024 and 2023

mandatory match in the 403(b) plan of 100% to 200% of an employee's contributions, based on years of service as defined in the plan document.

The University has postemployment plans under Sections 457(b) and 457(f) of the Internal Revenue Code for certain members of management. The University has a discretionary match in the 457(b) and 457(f) plans. The 457(b) and 457(f) plan assets of approximately \$2,082,000 and \$1,944,000 at August 31, 2024 and 2023, respectively, are recorded as postemployment and retirement assets in the consolidated statements of financial position. 457(b) and 457(f) plan liabilities of approximately \$2,082,000 and \$1,944,000 at August 31, 2024 and 2023, respectively, are recorded as postemployment and retirement liabilities within the consolidated statements of financial position.

Employer contributions totaled approximately \$784,000 and \$1,025,000 for the years ended August 31, 2024 and 2023, respectively.

Note 10: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at August 31, 2024 and 2023, are restricted for the following purposes or periods:

	2024	2023
Subject to expenditure for specified purpose		
Scholarships	\$ 131,359	\$ 255,231
Student programs	652,541	744,485
Perpetual in nature	<u>229,680</u>	<u>333,247</u>
	<u><u>\$ 1,013,580</u></u>	<u><u>\$ 1,332,963</u></u>

Net Assets Released From Restrictions

For the years ended August 31, 2024 and 2023, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2024	2023
Satisfaction of purpose and time restrictions		
Scholarships	\$ 212,823	\$ 91,354
Student programs	<u>1,241,859</u>	<u>1,196,849</u>
	<u><u>\$ 1,454,682</u></u>	<u><u>\$ 1,288,203</u></u>

Adler University and Subsidiary
Notes to Consolidated Financial Statements
August 31, 2024 and 2023

Note 11: Risks and Uncertainties

Uninsured Cash

The University maintains cash balances at three financial institutions located in Illinois and two financial institutions located in Canada. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) and the Canadian Deposit Insurance Corporation up to certain limits. The University has not experienced losses and believes it is not exposed to any significant credit risk on its cash and cash equivalents. At August 31, 2024, the University's cash accounts exceeded federally insured limits by approximately \$2,520,000.

Legal Proceedings

The University is subject to pending and threatened legal actions that arise in the normal course of operations. In the opinion of management, the disposition of outstanding legal actions will not have a material adverse impact on the financial position or operations of the University.

Federal Funds

Federal loans distributed to students are subject to audit and adjustment by the U.S. Department of Education. Any disallowed loans issued may constitute a liability of the disbursed funds. The amount, if any, of loans which may be disallowed cannot be determined at this time, although the University expects such amounts to be immaterial.

Adler University and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2024 and 2023

Note 12: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of August 31, 2024 and 2023, respectively, comprise the following:

	Financial Assets	Available Liquidity
August 31, 2024		
Cash and cash equivalents	\$ 4,564,694	\$ 3,551,114
Tuition receivable	1,078,883	1,078,883
Other receivables	549,145	549,145
Pledges receivable	174,452	123,083
Investments	4,918,162	3,784,484
	<u>\$ 11,285,336</u>	<u>\$ 9,086,709</u>
August 31, 2023		
Cash and cash equivalents	\$ 1,947,304	\$ 614,341
Tuition receivable	1,182,211	1,182,211
Other receivables	750,408	750,408
Pledges receivable	265,352	196,718
Investments	6,582,759	5,490,988
	<u>\$ 10,728,034</u>	<u>\$ 8,234,666</u>

The University's goal is generally to maintain financial assets to meet near term operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. The University has a \$3,000,000 line of credit available to meet seasonal cash flow needs with \$1,500,000 of the line of credit outstanding as of August 31, 2024.

Note 13: Higher Education Emergency Relief Funds

Federal relief efforts have been created to help offset revenue losses and expense increases that colleges and universities faced because of COVID-19. The CARES Act created a Higher Education Emergency Relief Fund (HEERF) to provide financial relief to students and institutions who were impacted by the COVID-19 pandemic. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) provided additional rounds of HEERF (II and III). The HEERF funds contained two components, an institutional award and a student aid award. The student aid portion must be distributed to students in the form of emergency financial aid grants to generally cover any component of the cost of attendance for the distribution of education or emergency costs that arose due to COVID-19. The institutional portion can be used for multiple items, but largely to cover lost revenue, defray and pay for expenses related to the disruption of campus operations due to COVID-19, and reimburse for costs associated with a transition to distance education environment, among other items.

Adler University and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2024 and 2023

The University received \$1,637,864 in HEERF funding, consisting of \$862,487 in institutional support and \$775,377 in student aid. As of August 31, 2023, HEERF funding was fully expended. The remaining balance of \$461,401 from HEERF III was recognized as non-operating revenue related to COVID-19 funding in the consolidated financial statements for the fiscal year ending August 31, 2023.

Note 14: Related Party Transactions

The University receives contributions from related parties including employees, faculty and trustees. The amounts received from related parties for the year ended August 31, 2024 were \$199,092.

Note 15: U.S. Department of Education Financial Responsibility Ratio Information

The following information is required by the U.S. Department of Education for the years ended August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Property, plant and equipment, including construction in progress, net of accumulated depreciation - pre-implementation	\$ 30,344,605	\$ 31,413,889
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	-	-
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	<u>802,765</u>	<u>798,005</u>
	<u>\$ 31,147,370</u>	<u>\$ 32,211,894</u>
Unsecured related party receivables	<u>\$ 95,206</u>	<u>\$ -</u>

Note 16: Subsequent Events

Management has evaluated subsequent events through December 23, 2024, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Adler University and Subsidiary
Consolidating Statements of Financial Position Information
August 31, 2024

	Adler University			Adler University Vancouver Foundation	Eliminations	Total
	United States Campuses	Vancouver Campus	Total			
Assets						
Current Assets						
Cash and cash equivalents	\$ 2,719,545	\$ 1,573,759	\$ 4,293,304	\$ 271,390	\$ -	\$ 4,564,694
Investments	3,784,484	-	3,784,484	-	-	3,784,484
Tuition receivables, less allowance for credit losses of \$405,454	918,803	160,080	1,078,883	-	-	1,078,883
Other receivables	485,010	63,952	548,962	183	-	549,145
Pledges receivable, less allowance for credit losses of \$0, current	58,586	-	58,586	64,497	-	123,083
Prepaid expenses and other	1,110,450	204,767	1,315,217	-	-	1,315,217
Total current assets	9,076,878	2,002,558	11,079,436	336,070	-	11,415,506
Noncurrent Assets						
Property and equipment	41,377,207	6,224,288	47,601,495	-	-	47,601,495
Less accumulated depreciation and amortization	(13,103,214)	(3,350,911)	(16,454,125)	-	-	(16,454,125)
Property and equipment, net	28,273,993	2,873,377	31,147,370	-	-	31,147,370
Restricted investments	-	1,133,678	1,133,678	-	-	1,133,678
Right-of-use asset - operating lease	-	5,195,748	5,195,748	-	-	5,195,748
Pledges receivable, less allowance for credit losses of \$0, noncurrent	43,955	-	43,955	7,414	-	51,369
Postemployment and retirement assets	2,082,481	-	2,082,481	-	-	2,082,481
Due from affiliate	640,376	-	640,376	12,500	(652,876)	-
Security deposits	-	31,585	31,585	-	-	31,585
Total noncurrent assets	31,040,805	9,234,388	40,275,193	19,914	(652,876)	39,642,231
Total assets	\$ 40,117,683	\$ 11,236,946	\$ 51,354,629	\$ 355,984	\$ (652,876)	\$ 51,057,737

Adler University and Subsidiary

Consolidating Statements of Financial Position Information

August 31, 2024

	Adler University			Adler University		
	United States	Vancouver	Total	Vancouver	Eliminations	Total
	Campuses	Campus		Foundation		
Liabilities and Net Assets						
Current Liabilities						
Current maturities of long-term debt	\$ 971,984	\$ -	\$ 971,984	\$ -	\$ -	\$ 971,984
Line of credit	1,500,000	-	1,500,000	-	-	1,500,000
Accounts payable	1,127,936	115,825	1,243,761	-	-	1,243,761
Accrued expenses						
Payroll	1,695	94,680	96,375	-	-	96,375
Other	20,036	172,415	192,451	-	-	192,451
Current portion of operating lease liability	-	683,069	683,069	-	-	683,069
Current portion of finance lease liabilities	96,334	-	96,334	-	-	96,334
Unearned tuition revenue and deposits	2,000,612	2,515,931	4,516,543	-	-	4,516,543
Total current liabilities	5,718,597	3,581,920	9,300,517	-	-	9,300,517
Long-Term Obligations						
Long-term debt, net of current maturities	13,996,508	-	13,996,508	-	-	13,996,508
Less unamortized debt issuance costs	(254,578)	-	(254,578)	-	-	(254,578)
Total long-term debt, net of current maturities and unamortized debt issuance costs	13,741,930	-	13,741,930	-	-	13,741,930
Operating lease liability	-	5,003,959	5,003,959	-	-	5,003,959
Finance lease liabilities	56,740	-	56,740	-	-	56,740
Postemployment and retirement liabilities	2,082,481	-	2,082,481	-	-	2,082,481
Due to affiliate	-	652,876	652,876	-	(652,876)	-
Total long-term obligations	15,881,151	5,656,835	21,537,986	-	(652,876)	20,885,110
Total liabilities	21,599,748	9,238,755	30,838,503	-	(652,876)	30,185,627
Net Assets						
Without donor restrictions	17,504,355	1,998,191	19,502,546	355,984	-	19,858,530
With donor restrictions	1,013,580	-	1,013,580	-	-	1,013,580
Total net assets	18,517,935	1,998,191	20,516,126	355,984	-	20,872,110
Total liabilities and net assets	\$ 40,117,683	\$ 11,236,946	\$ 51,354,629	\$ 355,984	\$ (652,876)	\$ 51,057,737

Adler University and Subsidiary
Consolidating Statements of Financial Position Information
August 31, 2023

	Adler University			Adler University		
	United States	Vancouver		Vancouver		
	Campuses	Campus	Total	Foundation	Eliminations	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 772,866	\$ 998,003	\$ 1,770,869	\$ 176,435	\$ -	\$ 1,947,304
Investments	5,490,988	-	5,490,988	-	-	5,490,988
Tuition receivables, less allowance for credit losses of \$492,942	1,090,061	92,150	1,182,211	-	-	1,182,211
Other receivables	682,216	68,010	750,226	182	-	750,408
Pledges receivable, less allowance for credit losses of \$0, current	100,800	-	100,800	95,918	-	196,718
Prepaid expenses and other	1,772,093	110,602	1,882,695	-	-	1,882,695
Total current assets	9,909,024	1,268,765	11,177,789	272,535	-	11,450,324
Noncurrent Assets						
Property and equipment	41,091,418	6,194,068	47,285,486	-	-	47,285,486
Less accumulated depreciation and amortization	(12,123,163)	(2,950,429)	(15,073,592)	-	-	(15,073,592)
Property and equipment, net	28,968,255	3,243,639	32,211,894	-	-	32,211,894
Restricted investments	-	1,091,771	1,091,771	-	-	1,091,771
Right-of-use asset - operating lease	-	5,765,075	5,765,075	-	-	5,765,075
Pledges receivable, less allowance for credit losses of \$0, noncurrent	63,100	-	63,100	5,534	-	68,634
Postemployment and retirement assets	1,944,037	-	1,944,037	-	-	1,944,037
Due from affiliate	1,115,518	-	1,115,518	12,500	(1,128,018)	-
Security deposits	-	29,313	29,313	-	-	29,313
Total noncurrent assets	32,090,910	10,129,798	42,220,708	18,034	(1,128,018)	41,110,724
Total assets	\$ 41,999,934	\$ 11,398,563	\$ 53,398,497	\$ 290,569	\$ (1,128,018)	\$ 52,561,048

Adler University and Subsidiary

Consolidating Statements of Financial Position Information

August 31, 2023

	Adler University			Adler University		
	United States	Vancouver	Total	Vancouver	Eliminations	Total
	Campuses	Campus		Foundation		
Liabilities and Net Assets						
Current Liabilities						
Current maturities of long-term debt	\$ 1,092,691	\$ -	\$ 1,092,691	\$ -	\$ -	\$ 1,092,691
Accounts payable	1,869,811	148,349	2,018,160	-	-	2,018,160
Accrued expenses						
Payroll	282,057	105,688	387,745	-	-	387,745
Other	65,953	154,105	220,058	-	-	220,058
Current portion of operating lease liability	-	658,050	658,050	-	-	658,050
Current portion of finance lease liabilities	89,665	-	89,665	-	-	89,665
Unearned tuition revenue and deposits	2,014,592	2,296,241	4,310,833	-	-	4,310,833
Total current liabilities	5,414,769	3,362,433	8,777,202	-	-	8,777,202
Long-Term Obligations						
Long-term debt, net of current maturities	14,970,292	-	14,970,292	-	-	14,970,292
Less unamortized debt issuance costs	(269,917)	-	(269,917)	-	-	(269,917)
Total long-term debt, net of current maturities and unamortized debt issuance costs	14,700,375	-	14,700,375	-	-	14,700,375
Operating lease liability	-	5,679,599	5,679,599	-	-	5,679,599
Finance lease liabilities	153,892	-	153,892	-	-	153,892
Postemployment and retirement liabilities	1,944,037	-	1,944,037	-	-	1,944,037
Due to affiliate	-	1,128,018	1,128,018	-	(1,128,018)	-
Total long-term obligations	16,798,304	6,807,617	23,605,921	-	(1,128,018)	22,477,903
Total liabilities	22,213,073	10,170,050	32,383,123	-	(1,128,018)	31,255,105
Net Assets						
Without donor restrictions	18,528,066	1,228,513	19,756,579	216,401	-	19,972,980
With donor restrictions	1,258,795	-	1,258,795	74,168	-	1,332,963
Total net assets	19,786,861	1,228,513	21,015,374	290,569	-	21,305,943
Total liabilities and net assets	\$ 41,999,934	\$ 11,398,563	\$ 53,398,497	\$ 290,569	\$ (1,128,018)	\$ 52,561,048

Adler University and Subsidiary

Consolidating Statements of Activities Information

Year Ended August 31, 2024

	Adler University			Adler University		
	United States	Vancouver	Total	University	Eliminations	Total
	Campuses	Campus		Vancouver		
				Foundation		
Revenues						
Tuition and fees	\$ 36,919,713	\$ 8,284,325	\$ 45,204,038	\$ -	\$ -	\$ 45,204,038
Student scholarships	(5,041,014)	(292,698)	(5,333,712)	-	-	(5,333,712)
Net tuition	31,878,699	7,991,627	39,870,326	-	-	39,870,326
Contracts and sponsored activities	175,854	133,062	308,916	-	-	308,916
Government grants	312,446	-	312,446	-	-	312,446
Private gifts and grants	1,521,674	14,836	1,536,510	79,378	-	1,615,888
Interest and dividends	317,347	44,922	362,269	-	-	362,269
Unrealized gain on investments, net	630,642	-	630,642	-	-	630,642
Realized gain on investments, net	45,509	-	45,509	-	-	45,509
Adler Community Health Services fees	125,148	-	125,148	-	-	125,148
Other	33,336	16,567	49,903	-	-	49,903
Total revenues	35,040,655	8,201,014	43,241,669	79,378	-	43,321,047
Expenses						
Program						
Instructional	14,747,166	4,570,947	19,318,113	-	-	19,318,113
Academic support	2,557,192	519,531	3,076,723	-	-	3,076,723
Student services	4,850,386	983,989	5,834,375	-	-	5,834,375
Management and general						
Institutional support	13,475,713	1,276,159	14,751,872	13,963	-	14,765,835
Fundraising	679,124	80,710	759,834	-	-	759,834
Total expenses	36,309,581	7,431,336	43,740,917	13,963	-	43,754,880
Change in Net Assets	(1,268,926)	769,678	(499,248)	65,415	-	(433,833)
Net Assets, Beginning of Year	19,786,861	1,228,513	21,015,374	290,569	-	21,305,943
Net Assets, End of Year	\$ 18,517,935	\$ 1,998,191	\$ 20,516,126	\$ 355,984	\$ -	\$ 20,872,110

Adler University and Subsidiary

Consolidating Statements of Activities Information

Year Ended August 31, 2023

	Adler University			Adler University		
	United States	Vancouver	Total	Vancouver	Eliminations	Total
	Campuses	Campus		Foundation		
Revenues						
Tuition and fees	\$ 40,963,428	\$ 7,700,769	\$ 48,664,197	\$ -	\$ -	\$ 48,664,197
Student scholarships	(5,458,318)	(388,209)	(5,846,527)	-	-	(5,846,527)
Net tuition	35,505,110	7,312,560	42,817,670	-	-	42,817,670
Contracts and sponsored activities	181,945	-	181,945	-	-	181,945
Government grants	316,995	-	316,995	-	-	316,995
Private gifts and grants	1,802,541	30,631	1,833,172	129,712	-	1,962,884
Interest and dividends	265,506	33,047	298,553	-	-	298,553
Unrealized gain on investments, net	387,031	-	387,031	-	-	387,031
Realized loss on investments, net	(41,566)	-	(41,566)	-	-	(41,566)
Adler Community Health Services fees	98,542	-	98,542	-	-	98,542
Other	80,934	176,017	256,951	-	-	256,951
Total revenues	38,597,038	7,552,255	46,149,293	129,712	-	46,279,005
Expenses						
Program						
Instructional	16,020,834	4,604,774	20,625,608	-	-	20,625,608
Academic support	2,578,936	534,740	3,113,676	-	-	3,113,676
Student services	5,276,221	946,981	6,223,202	-	-	6,223,202
Management and general						
Institutional support	14,406,078	1,253,533	15,659,611	71,731	-	15,731,342
Fundraising	826,624	107,374	933,998	-	-	933,998
Total expenses	39,108,693	7,447,402	46,556,095	71,731	-	46,627,826
Change in Net Assets	(511,655)	104,853	(406,802)	57,981	-	(348,821)
Net Assets, Beginning of Year	20,298,516	1,123,660	21,422,176	232,588	-	21,654,764
Net Assets, End of Year	\$ 19,786,861	\$ 1,228,513	\$ 21,015,374	\$ 290,569	\$ -	\$ 21,305,943

Adler University and Subsidiary
Financial Responsibility Supplemental Schedule
Required by the U.S. Department of Education
Year Ended August 31, 2024

Ratio Element	Reference to Financial Statements and/or Notes	2024
Primary Reserve Ratio		
Expendable Net Assets		
Net assets without donor restrictions	Statement of Financial Position	\$ 19,858,530
Net assets with donor restrictions	Statement of Financial Position	1,013,580
Net assets with donor restrictions - restricted in perpetuity	Note 10	229,680
 Annuities with donor restrictions	Not applicable to the University	-
Term endowments with donor restrictions	Not applicable to the University	-
Life income funds with donor restrictions	Not applicable to the University	-
 Total annuities, term endowments and life income funds with donor restrictions		<u>\$ -</u>
 Unsecured related party receivables	Note 15	\$ 95,206
 Intangible assets	Not applicable to the University	-
Postemployment and defined benefit pension plan liabilities	Statement of Financial Position	2,082,481
 Property, plant and equipment, including construction in progress, net of accumulated depreciation - pre-implementation	Note 16	30,344,605
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	Not applicable to the University	-
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	Note 16	<u>802,765</u>
 Total property, plant and equipment, net	Statement of Financial Position	<u>\$ 31,147,370</u>
 Right-of-use lease asset - operating leases, net of accumulated amortization - pre-implementation	Not applicable to the University	\$ -
Right-of-use lease asset - operating leases, net of accumulated amortization - post-implementation	Statement of Financial Position	<u>5,195,748</u>
Total Right-of-use lease asset - financing leases		5,195,748
 Right-of-use lease asset - finance leases, net of accumulated amortization - pre-implementation	Not applicable to the University	-
Right-of-use lease asset - finance leases, net of accumulated amortization - post-implementation	Note 7	<u>153,074</u>
Total Right-of-use lease asset - financing leases		153,074
 Long-term debt obtained for long-term purposes - pre-implementation	Note 5, August 31, 2024 balance	14,968,492
Long-term debt obtained for long-term purposes - post-implementation	Not applicable to the University	-
 Operating lease liability - pre-implementation	Not applicable to the University	-
Operating lease liability - post-implementation	Statement of Financial Position	<u>5,687,028</u>
Total operating lease liability		5,687,028
 Finance lease liability - pre-implementation	Not applicable to the University	-
Finance lease liability - post-implementation	Statement of Financial Position	<u>153,074</u>
Total operating lease liability		153,074
 Total Expenses and Losses		
Total expenses without donor restrictions	Statement of Activities	43,754,880
Loss on interest rate swap	Not applicable to the University	-

Adler University and Subsidiary
Financial Responsibility Supplemental Schedule
Required by the U.S. Department of Education
Year Ended August 31, 2024

Ratio Element	Reference to Financial Statements and/or Notes	2024
Equity Ratio		
Modified Net Assets		
Net assets without donor restrictions	Statement of Financial Position	\$ 19,858,530
Net assets with donor restrictions	Statement of Financial Position	1,013,580
Intangible assets	Not applicable to the University	-
Unsecured related party receivables	Note 15	95,206
Modified Assets		
Total assets	Statement of Financial Position	51,057,737
Intangible assets	Not applicable to the University	-
Unsecured related party receivables	Note 15	95,206
Net Income Ratio		
Change in net assets without donor restrictions	Statement of Activities	(114,450)
Total revenue and gains without donor restrictions	Statement of Activities	43,640,430

Adler University and Subsidiary
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2024

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Direct Student Loans				
Unsubsidized Stafford Loans	84.268	N/A	\$ -	\$ 16,168,084
PLUS Loans	84.268	N/A	-	18,036,283
Total Federal Direct Student Loans			-	34,204,367
Federal Work-Study Program	84.033	N/A	-	312,446
Total Student Financial Assistance Cluster			-	34,516,813
Total U.S. Department of Education			-	34,516,813
U.S. Department of Justice				
Passed through Illinois Criminal Justice Information Authority				
Restorative Justice Pilot Program	16.575	219005	-	146,404
Passed through Illinois Criminal Justice Information Authority				
Big Muddy Program	16.812	722000	-	160,920
Total U.S. Department of Justice			-	307,324
Department of Health and Human Services				
Graduate Psychology Education Programs	93.191	N/A	-	368,610
Total Federal Awards Expended			\$ -	\$ 35,192,747

Adler University and Subsidiary
Notes to Schedule of Expenditures of Federal Awards
Year Ended August 31, 2024

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Adler University and Subsidiary (University) under programs of the federal government for the year ended August 31, 2024. 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). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

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

Note 4: Federal Loan Programs

The University disbursed funds under the Federal Direct Loan Program, including Federal Unsubsidized Stafford Loans during the current year. The dollar amounts of loans processed under the Federal Direct Loan Program during the year ended August 31, 2024, are listed in the schedule of expenditures of federal awards, although the University is not the recipient of the funds. Such amounts are considered a component of the student financial assistance cluster. The University does not administer any other loan programs.

Note 5: Amounts Required for Matching

To comply with program requirements, amounts that are required to be expended from nonfederal sources have been excluded from reported expenditures. The University's portion of expenditures as of August 31, 2024, was as follows:

Federal Grantor/Program Title	Assistance Listing Number	Amount Provided for Matching
Federal Work-Study Program	84.033	\$ 95,453

**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***

Independent Auditor's Report

Board of Trustees
Adler University and Subsidiary
Chicago, Illinois

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 (*Government Auditing Standards*), the consolidated financial statements of Adler University and Subsidiary (University), which comprise the University's consolidated statement of financial position as of August 31, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon, dated December 23, 2024.

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 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 were not 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.

Forvis Mazars, LLP

**Chicago, Illinois
December 23, 2024**

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
Adler University and Subsidiary
Chicago, Illinois

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Adler University and Subsidiary's (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 the University's major federal program for the year ended August 31, 2024. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2024.

Basis for Opinion on the 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 (*Government Auditing Standards*); 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

Board of Trustees
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as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Forvis Mazars, LLP

**Chicago, Illinois
December 23, 2024**

Adler University and Subsidiary
Schedule of Findings and Questioned Costs
Year Ended August 31, 2024

Section I – Summary of Auditor’s Results

Consolidated Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
- ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
2. Internal control over financial reporting:
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
- Material weakness(es) identified? ☐ Yes ☒ No
3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal awards programs:
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
- Material weakness(es) identified? ☐ Yes ☒ No
5. Type of auditor’s report issued on compliance for major federal programs:
- ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

Adler University and Subsidiary
Schedule of Findings and Questioned Costs
Year Ended August 31, 2024

7. Identification of major federal programs:

Assistance Listing Number	Clusters/Program
	Student Financial Assistance Cluster
84.268	Federal Direct Student Loans
84.033	Federal Work-Study Program

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Adler University and Subsidiary
Summary Schedule of Prior Audit Findings
Year Ended August 31, 2024

Reference Number	Finding
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No matters are reportable.