

DRAKE UNIVERSITY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024



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**DRAKE UNIVERSITY
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YEARS ENDED JUNE 30, 2025 AND 2024**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Drake University
Des Moines, Iowa

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Drake University, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of Drake University as of June 30, 2025 and 2024, and the changes in their net assets and their 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). 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 Drake University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 Drake 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

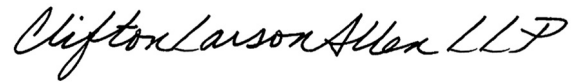
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 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 Drake 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 Drake University's ability to continue as a going concern for a reasonable period of time.

Board of Trustees
Drake University

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 15, 2025

DRAKE UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 14,711,194	\$ 19,752,723
Accounts Receivable - Students and Other (Net of Allowance of \$565,000 in 2025 and \$611,000 in 2024)	7,230,256	5,299,507
U.S. Government Receivables	1,783,218	2,202,833
Prepaid Expenses and Inventories	10,894,144	10,185,921
Contributions Receivable, Net	31,093,024	34,219,511
U.S. Government Loans Receivable (Net of Allowance of \$195,000 in 2025 and \$161,000 in 2024)	5,428,313	5,999,072
Investments	319,236,929	292,296,803
Land, Buildings, and Equipment, Net	224,045,715	224,149,306
Right-of-Use Asset, Net	341,593	541,203
Funds Held in Trust by Others	13,576,420	12,841,208
Total Assets	\$ 628,340,806	\$ 607,488,087
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 8,597,912	\$ 12,030,232
Student Deposits and Deferred Income	10,398,480	10,490,187
Other Liabilities	1,332,766	1,261,887
Annuities Payable	896,927	930,385
Loans and Bonds Payable	44,231,683	47,285,781
Lease Liabilities	353,036	552,965
Accrued Postretirement Benefit Obligation	8,794,196	9,242,431
U.S. Government Grants Refundable	4,331,122	4,242,237
Total Liabilities	78,936,122	86,036,105
NET ASSETS		
Without Donor Restrictions	240,944,401	229,931,823
With Donor Restrictions:		
Time or Purpose	109,374,167	100,496,819
Perpetual	199,086,116	191,023,340
Total With Donor Restrictions	308,460,283	291,520,159
Total Net Assets	549,404,684	521,451,982
Total Liabilities and Net Assets	\$ 628,340,806	\$ 607,488,087

See accompanying Notes to Consolidated Financial Statements.

DRAKE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Student Tuition and Fees, Net of Scholarships and Fellowships of \$85,678,326	\$ 79,535,211	\$ -	\$ 79,535,211
Government Grants and Contracts	15,795,455	-	15,795,455
Private Grants and Contracts	542,529	618,969	1,161,498
Private Gifts	3,463,114	8,438,832	11,901,946
Endowment Income Used in Operations	4,212,994	9,797,956	14,010,950
Sales and Services of Auxiliary Enterprises	15,743,107	-	15,743,107
Other Operating Revenue	12,929,670	-	12,929,670
Net Assets Released from Restriction	20,164,843	(20,164,843)	-
Total Operating Revenues	152,386,923	(1,309,086)	151,077,837
OPERATING EXPENSES			
Instruction	51,295,088	-	51,295,088
Research	1,109,857	-	1,109,857
Public Service	17,490,789	-	17,490,789
Academic Support	25,247,026	-	25,247,026
Student Services	33,178,024	-	33,178,024
Institutional Support	17,188,030	-	17,188,030
Auxiliary Enterprises	14,243,993	-	14,243,993
Total Operating Expenses	159,752,807	-	159,752,807
CHANGE IN NET ASSETS FROM OPERATIONS	(7,365,884)	(1,309,086)	(8,674,970)
NONOPERATING ACTIVITIES			
Contributions for Nonoperating Purposes	-	10,345,765	10,345,765
Net Realized, Unrealized Gains and Income from Investments	9,222,544	27,905,811	37,128,355
Allocation of Endowment Income to Operations	(4,212,994)	(9,797,956)	(14,010,950)
Change in Value of Split Interest Agreements	-	(105,199)	(105,199)
Loss on Disposal of Property and Equipment	(1,455,080)	-	(1,455,080)
Other Nonoperating Activities	4,360,716	(122,086)	4,238,630
Net Assets Released from Restrictions	9,977,125	(9,977,125)	-
Other Components of Net Periodic Postretirement Benefit Cost	(171,780)	-	(171,780)
Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost	657,931	-	657,931
Change in Net Assets from Nonoperating Activities	18,378,462	18,249,210	36,627,672
CHANGE IN NET ASSETS	11,012,578	16,940,124	27,952,702
Net Assets - Beginning of Year	229,931,823	291,520,159	521,451,982
NET ASSETS - END OF YEAR	\$ 240,944,401	\$ 308,460,283	\$ 549,404,684

See accompanying Notes to Consolidated Financial Statements.

DRAKE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Student Tuition and Fees, Net of Scholarships and Fellowships of \$85,166,780	\$ 82,988,510	\$ -	\$ 82,988,510
Government Grants and Contracts	15,585,142	-	15,585,142
Private Grants and Contracts	437,089	773,937	1,211,026
Private Gifts	3,245,046	8,281,440	11,526,486
Endowment Income Used in Operations	4,203,406	9,336,665	13,540,071
Sales and Services of Auxiliary Enterprises	16,946,294	-	16,946,294
Other Operating Revenue	13,945,925	-	13,945,925
Net Assets Released from Restriction	18,574,265	(18,574,265)	-
Total Operating Revenues	155,925,677	(182,223)	155,743,454
OPERATING EXPENSES			
Instruction	54,714,401	-	54,714,401
Research	1,345,765	-	1,345,765
Public Service	17,481,055	-	17,481,055
Academic Support	26,570,563	-	26,570,563
Student Services	33,888,214	-	33,888,214
Institutional Support	16,581,847	-	16,581,847
Auxiliary Enterprises	14,011,683	-	14,011,683
Total Operating Expenses	164,593,528	-	164,593,528
CHANGE IN NET ASSETS FROM OPERATIONS	(8,667,851)	(182,223)	(8,850,074)
NONOPERATING ACTIVITIES			
Contributions for Nonoperating Purposes	1,697,014	22,446,260	24,143,274
Net Realized, Unrealized Gains and Income from Investments	10,615,563	29,663,859	40,279,422
Allocation of Endowment Income to Operations	(4,203,406)	(9,336,665)	(13,540,071)
Change in Value of Split Interest Agreements	-	(269,652)	(269,652)
Loss on Disposal of Property and Equipment	(228,313)	-	(228,313)
Other Nonoperating Activities	1,167,746	(13,144)	1,154,602
Net Assets Released from Restrictions	7,108,524	(7,108,524)	-
Other Components of Net Periodic Postretirement Benefit Cost	(243,623)	-	(243,623)
Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost	1,398,761	-	1,398,761
Change in Net Assets from Nonoperating Activities	17,312,266	35,382,134	52,694,400
CHANGE IN NET ASSETS	8,644,415	35,199,911	43,844,326
Net Assets - Beginning of Year	221,287,408	256,320,248	477,607,656
NET ASSETS - END OF YEAR	\$ 229,931,823	\$ 291,520,159	\$ 521,451,982

See accompanying Notes to Consolidated Financial Statements.

DRAKE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 27,952,702	\$ 43,844,326
Adjustments to Reconcile Change in Net Assets To		
Net Cash Used by Operating Activities:		
Depreciation and Amortization	11,310,500	11,339,474
Net Unrealized Gains from Investments	(17,589,387)	(30,365,257)
Net Realized Gains from Investments	(15,551,897)	(6,921,210)
Loss on Disposal of Property and Equipment	1,455,080	228,313
Change in Value of Split Interest Agreements	105,199	269,652
Other Components of Net Periodic Postretirement Benefit Cost	171,780	243,623
Postretirement Benefit Plan Related Changes, Other Than Net Periodic Postretirement Benefit Cost	(657,931)	(1,398,761)
Contributions Restricted for Long-Term Investment	(3,815,000)	(14,858,667)
Noncash Contributions of Investments	(1,332,980)	(9,456,082)
Sales of Donated Marketable Securities Converted to Cash Nearly Immediately	1,268,651	5,051,272
Change In:		
Student Accounts, Other, and U.S. Government Receivables	(1,511,134)	(1,523,229)
Prepaid Expenses and Inventories	(708,223)	(2,348,567)
Contributions Receivable	(3,230,949)	2,013,476
Accounts Payable and Accrued Expenses	(1,565,480)	2,090,353
Student Deposits and Deferred Income	(91,707)	(1,632,784)
Operating Lease Asset and Liability	23	(56,132)
Other Liabilities	11,842	(119,331)
Accrued Postretirement Benefit Obligation	37,916	47,070
Net Cash Used by Operating Activities	(3,740,995)	(3,552,461)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(114,929,800)	(34,575,613)
Proceeds from Sales and Maturities of Investments	120,478,998	35,575,157
Purchases of Property and Equipment	(14,291,461)	(13,338,840)
Proceeds from Sales of Property and Equipment	-	58,000
Issuance of U.S. Government Loans Receivable	(790,720)	(751,960)
Payments from U.S. Government Loans Receivable	1,361,479	1,706,472
Net Cash Used by Investing Activities	(8,171,504)	(11,326,784)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings of Loans Payable	12,000,000	-
Repayments of Loans Payable	(13,767,000)	(2,495,000)
Repayments of Bonds Payable	(1,305,000)	-
Change in Annuities Payable	(138,657)	(217,928)
Payments on Financing Leases	(179,693)	(130,416)
Contributions Restricted for Long-Term Investment	10,172,436	12,820,492
Change in U.S. Government Grants Refundable	88,884	(885,178)
Net Cash Provided by Financing Activities	6,870,970	9,091,970

See accompanying Notes to Consolidated Financial Statements.

DRAKE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (5,041,529)	\$ (5,787,275)
Cash and Cash Equivalents - Beginning of Year	19,752,723	25,539,998
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 14,711,194	\$ 19,752,723
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 1,240,378	\$ 1,275,059
Right-of-Use Asset Obtained in Exchange for New Financing Liability	\$ -	\$ 55,168
Amounts Included in Period-End Accounts Payable for Purchases of Property and Equipment	\$ 846,960	\$ 2,732,722

See accompanying Notes to Consolidated Financial Statements.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Drake University (the University) is a private, professions-focused undergraduate and graduate-doctorate, university in Des Moines, Iowa.

The University's mission is to provide an exceptional learning environment that prepares students for meaningful personal lives, professional accomplishments, and responsible global citizenship. The Drake University experience is distinguished by collaborative learning among students, faculty, and staff and by the integration of the liberal arts and sciences with professional preparation.

Drake University has been on the approved list of the North Central Association of Colleges and Schools since that association was established in 1913. Since reorganization of the Association in 2000, Drake University is accredited by the Higher Learning Commission (the "Commission") and a member of the North Central Association of Colleges and Schools. In 2018, the University's accredited status was continued by the Commission. The next Reaffirmation of Accreditation is scheduled to be completed in 2027–2028.

Consolidated Financial Statements

Community Holdings, LLC (CH) is a single-member limited liability company with the University being the sole member. CH was created to take advantage of the New Markets Tax Credit Program, a federal financial program aimed at stimulating business and real estate investment in low-income communities via a federal tax credit. In accordance with the provisions of FASB Accounting Standards Codification (ASC) 958-810, the financial statements of the University and CH have been consolidated and all inter-organization transactions and accounts have been eliminated.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed restrictions, including those designated by the Board of Trustees as funds functioning as endowment (quasi-endowment), and board-designated net assets.

Net Assets with Donor Restrictions – Net assets that are subject to donor-imposed restrictions expiring with the passage of time, the occurrence of an event, or the fulfillment of certain conditions. When donor restrictions are met or the restrictions expire, net assets with donor restriction are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Net assets subject to donor-imposed restrictions may also require assets be retained permanently and invested in perpetuity. Restrictions generally permit the use of some or all of the income earned on the invested assets for specific purposes.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The University follows guidance within FASB ASC 205-958, which codified FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act*, and *Enhanced Disclosures for All Endowment Funds* (FSP No. 117-1). This ASC provides guidance on the net asset classification of donor-restricted endowment funds for nonprofit entities subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Subsequently, Iowa enacted a version of the Iowa Uniform Prudent Management of Institutional Funds Act (IUPMIFA).

IUPMIFA establishes regulations in regard to the expenditure and consolidated financial statement disclosure of donor-restricted endowment funds. The Board has interpreted IUPMIFA as requiring the preservation of the historic value of the original gift absent explicit donor stipulation stating otherwise. Therefore, the University classifies the following as net assets with donor restrictions in relation to donor-restricted endowment funds: (a) the value of the original gifts to the endowment at the time of the gift, (b) the value of all new gifts to the endowment as of the date of the gift, and (c) reinvestments to the endowment specifically stated in the donor gift instrument at the time added to the fund.

In accordance with IUPMIFA, the University considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- The purpose of the University and of the donor-restricted endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effects of inflation and deflation
- The investment policies of the University
- The expected total return from income and the appreciation of investments
- Other University resources

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at fair value. Contributions received with donor-imposed restrictions that are met within the same year as received are reported as revenues in net assets with donor restrictions. Expirations of restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between net assets with donor restrictions and net assets without donor restrictions.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Contributions to be received after one year are discounted at a risk-free rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues in net assets without donor restrictions. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues in net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Net unrealized and realized gains (losses) on investments and income from investments are reported as follows:

- As increases (decreases) in net assets with donor restrictions if the terms of the gift require that it be added to the principal of a permanent endowment fund.
- As increases (decreases) in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income.
- As increases (decreases) in net assets without donor restrictions in all other cases.
- Capital gains and dividends are recorded net with other realized gains and losses on the statement of activities in reinvested net gains (losses).

Measure of Operations

The consolidated statements of activities report the change in net assets from operating and nonoperating activities. The University's measure of operations as presented in the consolidated statements of activities includes revenue from tuition (net of certain scholarships and fellowships) and fees, grants and contracts, contributions for operating programs, the allocation of endowment spending for operations and other revenues. Operating expenses are reported in the consolidated statements of activities by functional classification.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations (Continued)

Operating revenues consist of substantially all the activity of the University except for certain items specifically considered to be of a nonoperating nature. Contributions included in nonoperating activities consist of bequests and other gifts without donor restrictions not solicited as part of the annual fundraising campaigns, gifts with donor restrictions for the acquisition of capital assets, and gifts with donor restrictions made to endowment funds. Nonoperating activities also include realized and unrealized gains/losses on investments, endowment income not used in operations, change in net present value of split-interest agreements, gains/losses on disposal of property and equipment, change in fair value of interest rate swap agreements, the change in the funded status of the postretirement benefit obligation and significant items of an unusual or nonrecurring nature.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing money market accounts, repurchase agreements, and short-term investments with a maturity of three months or less at the date of purchase that are available for current operating purposes. The total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The University had cash balances on deposit with banks that exceeded the balance insured by the F.D.I.C. in the amount of approximately \$12,000,000 and \$18,000,000 at June 30, 2025 and 2024, respectively.

Income Taxes

The University has received a tax determination letter from the Internal Revenue Service (IRS) indicating it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") as a charitable educational institution. As such, the University is taxed only on any net unrelated business income under Section 511 of the Code.

GAAP requires management to evaluate tax positions taken by the University and recognize a tax liability (or asset) if the University has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the University, and has concluded that as of June 30, 2025 and 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The statute of limitations on the University's U.S. federal tax returns remains open for the years ended June 30, 2022, through the present.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are recorded at fair value, with gains and losses included in the consolidated statements of activities. Direct investments in real estate are stated at historical cost.

Split Interest Agreements

The University has a number of split-interest agreements with individuals that generally require annuity payments to these individuals in exchange for property, securities, or cash. The assets in the split interest agreements are stated at fair value in the University's consolidated financial statements. These assets total approximately \$2,350,000 and \$2,294,000 at June 30, 2025 and 2024, respectively, and are included in "Investments" in the consolidated statements of financial position. The University's liability to the annuitants is recorded based on the present value of the expected payments using discount rates between 4.4% and 8.9% as of June 30, 2025 and 2024, respectively. Annuities payable total approximately \$897,000 and \$930,000 at June 30, 2025 and 2024, respectively.

Insurance Policies

Insurance policies donated to the University are recorded at the cash surrender value of the policy and adjusted annually for changes in such values. Certain insurance policies require premium payments over several years.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or, if received by gift, at the market or appraised value at the date of gift. Depreciation is provided on the straight-line basis over estimated useful lives ranging from 5 to 50 years.

Expenditures for new equipment, buildings, and improvements which substantially extend the useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. The University capitalizes interest on major projects during construction and amortizes the amounts over the related assets' estimated useful lives. Costs incurred for building materials and equipment comprises construction in progress.

Works of Art

The University maintains several collections, which are not reported for financial statement purposes. These collections include works of art, natural history artifacts, and other similar objects. Collections are held for public exhibition, education and research in furtherance of the University's goal to provide public service. Various University departments have the responsibility to control, preserve and protect these collections. In the event the University determines it is appropriate and feasible to sell a piece of art, and absent any donor restrictions to the contrary, any proceeds from such sale must be used to acquire other items in the collection or to preserve, restore, display, or secure the collection.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Held in Trust by Others

The University is the beneficiary of funds held in perpetual trust. The University does not control or have possession of these funds but receives income from the trust. Funds held in trust by others are recorded at the estimated fair value of future cash flows, which is estimated to equal the fair value of the trust assets.

U.S. Government Grants Refundable

Funds provided by the U.S. government under the Federal Perkins Loan and Health Professions Student Loan Programs are loaned to qualified students. These funds are ultimately refundable to the U.S. government and are included as a liability in the consolidated statements of financial position.

Fair Value of Financial Instruments

Financial instruments are generally described as cash, contractual obligations or rights to pay or receive cash. The carrying amount approximates fair value for certain financial instruments because of the short-term maturity of these instruments, which include cash and cash equivalents, accounts receivable, U.S. government receivables, accounts payable, and student deposits.

Fair value estimates are made at a specific point in time based on relevant market information. Fair value of a financial instrument is the amount 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. If available, quoted market prices are used to value investments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Investments are recorded at fair value primarily as determined by values provided by external investment managers or quoted market prices. See Note 4 for further information on investment fair value measurements.

U.S. government loans receivable and U.S. government grants refundable are not saleable and can only be assigned to the U.S. Government or its designees. The carrying value approximates fair value because the notes bear interest at rates which approximate current rates the University could obtain on notes with similar maturities and credit qualities.

Revenue Recognition

Revenue is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration the University expects to receive in exchange for those goods or services. The University disaggregates revenue based on revenue stream and believes that the following information provides a reasonable representation of how performance obligations relate to the nature, amount, timing and uncertainty of revenue and cash flows.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Student Tuition and Fees, Net of Scholarships and Fellowships

The University's operating revenue is primarily derived from academic programs provided to students, including undergraduate, graduate, and professional degree granting programs. Tuition and fees revenue is earned by the University for these educational services delivered during an academic term. Tuition is charged at different rates depending on the program in which the student is enrolled. As part of a student's course of instruction, certain fees, such as technology fees, and laboratory fees, are billed to students. Tuition and fees are earned over the applicable academic term and are not considered separate performance obligations.

Tuition scholarships and fellowships awarded by the University represent a reduction of the tuition transaction price. The University awards both need-based and merit-based scholarships. Scholarships are generally awarded for the academic year and are applied to the student's account during each academic term.

Academic terms are determined by regulatory requirements mandated by the federal government and/or applicable accrediting body. The University's academic terms generally consist of Fall, Spring, and Summer terms. Except for certain programs in the Summer term, the academic terms generally have start and end dates that fall within the University's fiscal year.

The University bills tuition and fees in advance of each academic term, and recognizes the tuition and fees revenue on a straight-line basis, as the educational services are performed, over the academic term or program. Students are typically entitled to a partial refund through approximately 40% of an academic term. Once a student reaches the point in the academic term where no refund is given, generally no refunds are due if the student withdraws subsequent to that date.

Students pay tuition and fees (net of scholarships and fellowships) through a variety of funding sources, including among others, federal loan and grant programs, state grant programs, institutional payment plans, employer reimbursement, Veterans' Administration and other military funding and grants, private and institutional scholarships and borrowings, and cash payments.

Sales and Services of Auxiliary Enterprises

Auxiliary services revenue consists primarily of fees for room and dining services (board) during the student's education. The University considers that room fees and dining services are each separate performance obligations.

Room fees are charged at different rates depending on the residence hall and room accommodations. Room fees are billed in advance of each academic term, and recognized as revenue on a straight-line basis over the period housing is provided. While the University believes the residential experience is an integral part of a student's education, the University considers the residential arrangement to be a distinct performance obligation from the academic services.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Sales and Services of Auxiliary Enterprises (Continued)

Dining service fees are charged at different rates depending on the level of access to dining services during the term of the agreement. Dining services are billed in advance of each academic term, and are recognized as revenue ratably over the period during which the dining services are offered.

In addition to room and board, auxiliary services include revenue earned for various conference services offered by the University. Revenue from conference services is recognized once the performance obligations are complete.

Other Operating Revenue

This category consists of revenue generated by the University under contractual arrangements deemed to be exchange transactions. Major revenue streams in this category include rental income generated by various residential and commercial properties owned by the University, revenue from seminars and workshops, athletic-related ticket sales and sponsorships, health center membership fees, and royalties. Revenue from these activities is generally recognized at a point in time as services are performed.

The majority of the University's revenue from contracts with customers are from performance obligations with an initial duration of one year or less. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

Deferred Revenues

The University records deferred revenue in situations when amounts are invoiced but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met. Deferred revenues from revenue from contracts with customers are classified as liabilities on the statements of financial position within student deposits and deferred income and as of June 30, 2025, 2024, and 2023, were approximately \$3,578,000, \$4,201,000, and \$4,484,000, respectively.

All deferred revenue recorded at the end of each fiscal year was recognized as revenue in the subsequent fiscal year.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Student Accounts Receivable

Student accounts receivable represents payment not yet received for academic terms already completed or in progress. The following table depicts activities for student accounts receivable related to tuition, fees, and auxiliary services as of June 30:

	2025	2024
Student Accounts Receivable, Beginning of the Year	\$ 3,443,701	\$ 3,354,745
Charges for Tuition, Fees, and Auxiliary Services	177,048,714	181,123,058
Scholarships and Fellowships	(85,687,325)	(85,166,780)
Payments Applied	(91,112,501)	(95,630,203)
Other	(263,633)	(237,119)
Students Accounts Receivable, End of the Year	\$ 3,428,956	\$ 3,443,701

Significant Judgments

Significant judgment is required in determining the appropriate approach to applying the revenue recognition criteria. While ASC Topic 606 is generally applied to an individual contract with a customer, as a practical expedient, the University applies this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. The University reasonably expects that the effects of applying this guidance to the portfolio would not differ materially from applying the guidance to the individual contracts (or performance obligations) within the portfolio.

For tuition and fees, room, and dining services, the University has determined that students can be grouped into a portfolio for each of these three performance obligations. Based on the University's experience, students in different programs have similar characteristics concerning the University's approach to revenue recognition. Agreements concerning enrollment, student financial responsibility, housing, and dining plans each contain terms which clarify the performance obligations and eligibility for refunds or fee adjustments. These agreements are fundamentally the same regardless of the program of study.

For contracts with customers not pertaining to tuition and fees, and board, the University generally applies the revenue recognition guidance on an individual contract basis. Significant judgment is also required to assess collectability. For the majority of tuition and fees, the University receives cash receipts for tuition payments from various Federal and State government agencies. Students are required to provide documentation to the Department of Education to be eligible and approved for funding. The University monitors the progress of students through the eligibility and approval process for these financial aid programs. These cash receipts represent a substantial portion of overall billings and have an expected low risk of collectability. For the remainder of tuition and fees, room, and board, the University monitors for situations which would require a reassessment of collectability.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Significant Judgments (Continued)

For contracts with customers not pertaining to tuition and fees, room, and board, the University generally assesses collectability on an individual contract basis. See Note 3 for additional information concerning student and other receivables and related allowances for expected credit losses. Given the nature of the University's contracts with customers, there are no incremental costs of obtaining a contract and no significant financing components. During the fiscal year, there were no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers.

Grants from Governmental Agencies

Conditional government grants and contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each contract, are made. Funds received but not yet earned are shown as deferred revenue. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the final assessment is made. A portion of the University's revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific contract or grant provisions. The University received cost reimbursable grants of \$697,605 and \$581,103 that have not been recognized at June 30, 2025 and 2024, respectively, because qualifying expenditures have not yet been incurred.

Fundraising Expenses

Fundraising expenses for the University consist of development expenses, capital campaign costs, and alumni relations. Total fundraising expenses were approximately \$3,279,000 and \$3,675,000 for the years ended June 30, 2025 and 2024, respectively.

Advertising Expenses

Advertising costs for the years ended June 30, 2025 and 2024, of \$549,739 and \$722,680, respectively, are expensed as incurred and included in the consolidated statements of activities.

Auxiliary Enterprises

The University's auxiliary enterprises exist primarily to furnish goods and services to students. Managed as essentially self-supporting activities, the University's auxiliaries consist principally of residence halls, dining halls, and parking. Auxiliary enterprise revenues and expenses are reported as changes in net assets without donor restrictions.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Postretirement Benefit Obligation

The University follows ASC 715, *Compensation—Retirement Benefits*. ASC 715 requires an employer to recognize in its consolidated statements of financial position the over-funded or under-funded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation. For a postretirement plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation. In addition, ASC 715 requires that the measurement date of the plan obligation coincide with an employer's fiscal year-end. The University presents the change in the funded status of its postretirement benefit obligation within non-operating activities in the consolidated statements of activities, while the net periodic postretirement benefit cost is presented within operating activities in the consolidated statements of activities.

Related-Party Transactions

The University bylaws incorporate a conflict of interest policy. The purpose of this policy is to protect the University's interest when it is contemplating a transaction or arrangement that might benefit the private interest of a member of its Board of Trustees, officer, or senior employees of the University or a voting member of a committee with board-delegated powers. A person who has a financial interest may have a conflict of interest only if the Board of Trustees or appropriate committee decides that a conflict of interest exists. All members of the board and senior level administrators complete a conflict of interest disclosure survey annually.

The outstanding balances of pledges receivable from members of the University's Board of Trustees and key employees total \$12,171,172 and \$16,015,061 as of June 30, 2025 and 2024, respectively. Contribution revenue from members of the University's Board of Trustees and key employees total \$1,284,847 and \$11,286,389 for the years ended June 30, 2025 and 2024, respectively.

Leases

The University leases various equipment and vehicles and determines if an arrangement is a lease at inception. Both operating and finance leases are reported on the consolidated statement of financial position as a right-of-use (ROU) asset and lease liability.

ROU assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The University has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the consolidated statement of financial position. The individual lease contracts do not provide information about the rate implicit in the lease. Therefore, the University has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. The University has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements. There is no effect on net assets as previously reported.

Revisions

Certain revisions of amounts previously reported have been made to the accompanying financial statements. In footnote 2 of the financial statements, the disclosure of the financial assets available for general expenditures for the prior year has been revised to \$23,981,681. The revisions had no impact on previously reported net assets.

Subsequent Events

Management has evaluated subsequent events through October 15, 2025, the date the consolidated financial statements were available to be issued.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

The University's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the consolidated statements of financial position were as follows:

	<u>2025</u>	<u>2024</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 14,711,194	\$ 19,752,723
Accounts Receivable - Student and Other, Net	7,230,256	5,299,507
Investments	<u>319,236,929</u>	<u>292,296,803</u>
Total Financial Assets	341,178,379	317,349,033
Less Amounts Not Available to be Used		
Within One Year:		
Investments Underlying Endowments Without Donor Restrictions	(77,739,243)	(74,826,326)
Investments Underlying Endowments With Donor Restrictions	<u>(242,300,951)</u>	<u>(218,541,026)</u>
Total Financial Assets Not Available to be Used Within One Year	<u>(320,040,194)</u>	<u>(293,367,352)</u>
Total Financial Assets Available Within One Year	<u><u>\$ 21,138,185</u></u>	<u><u>\$ 23,981,681</u></u>

The University's board-designated endowment funds of \$77,739,243 and \$74,826,326 as of June 30, 2025 and 2024, respectively, are included in the table above as financial assets not available to be used within one year. Although the University does not intend to spend from its board-designated endowment funds, amounts from its board-designated endowment funds could be made available at any time, if necessary, through approval by the University's Board of Trustees. If the University's Board of Trustees made any such approvals, financial assets available within one year could be increased up to \$98,877,428 and \$98,808,007 as of June 30, 2025 and 2024, respectively.

The University actively monitors its liquidity and structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. General expenditures include operating expenses, principal and interest payments on debt, postretirement benefit plan payments, and internally funded capital construction costs. 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.

In addition to the available financial assets above, a significant portion of the University's annual expenditures will be funded by current year operating revenues including tuition and fees, grants and contract income.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

The cash cycle has seasonal variations related to the timing of tuition billings, third-party reimbursements, and the receipt of gifts and pledge payments. Cash in excess of daily requirements is invested in short-term investments and money market funds. Cash withdrawals normally coincide with the endowment spending distribution, but may be adjusted higher or lower based on the timing of gift receipts, capital calls, income and capital distributions, operating expenses and other factors affecting available cash. Endowment funds appropriated for spending are distributed to University department and program budgets for spending, subject to donor-restrictions where applicable, however, cash withdrawals from investment pools are available for general liquidity purposes.

NOTE 3 RECEIVABLES

Financing Receivables Student Loans

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs and other institutional and private loans. At June 30, 2025 and 2024, student loans represented 1.0% and 1.0%, respectively, of total assets.

Student loans at June 30, 2025 and 2024, are summarized as follows:

	2025	2024
Federal Government Programs	\$ 5,628,741	\$ 6,160,072
Institutional and Private Loans	198,930	198,930
Total	<u>5,827,671</u>	<u>6,359,002</u>
Less Allowance for Doubtful Accounts:		
Beginning of Year	(272,000)	(289,000)
(Increases)/Decrease	<u>12,000</u>	<u>17,000</u>
End of Year	<u>(260,000)</u>	<u>(272,000)</u>
Student Loans Receivable, Net	<u><u>\$ 5,567,671</u></u>	<u><u>\$ 6,087,002</u></u>

Institutional and private loans, net of the allowance for expected credit losses are included within Accounts Receivable—Student and Other, Net, on the consolidated statements of financial position.

The University participates in the Perkins and Health Professions Student Loan (HPSL) Federal revolving loan programs. The federal Perkins loan program expired in 2017. Per guidance issued from the U.S. Department of Education, Perkins loans that have been in default for more than two years must be assigned back to the government or purchased by the institution.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 3 RECEIVABLES (CONTINUED)

Financing Receivables Student Loans (Continued)

The availability of funds for loans under HPSL is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the U.S. Government under the Perkins and HPSL programs of \$4,331,122 and \$4,242,237 as of June 30, 2025 and 2024, respectively, are ultimately refundable to the U.S. Government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under these programs result in a reduction of the funds available for loan and a decrease in the liability to the U.S. Government.

The following amounts were past due under student loan programs at June 30, 2025:

	<u>Amount</u>
Past Due:	
1 - 60 Days	\$ 90,907
60 - 90 Days	9,066
90+ Days	<u>178,211</u>
Total Past Due	<u><u>\$ 278,184</u></u>

Allowances for expected credit losses 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.

Contributions Receivable

Net contributions receivable at June 30, 2025 and 2024, are summarized as follows:

	<u>2025</u>	<u>2024</u>
Unconditional Promises Expected to be Collected in:		
Less Than One Year	\$ 12,872,447	\$ 14,224,154
One Year to Five Years	15,854,145	17,506,536
Over Five Years	<u>5,685,580</u>	<u>6,353,783</u>
Total	34,412,172	38,084,473
Less:		
Unamortized Discount on Contributions Receivable (with Discount Rates Ranging from 0.2% - 4.5% for 2025 and 2024)	(2,286,148)	(2,722,962)
Allowance for Uncollectible Contributions	<u>(1,033,000)</u>	<u>(1,142,000)</u>
Contributions Receivable, Net	<u><u>\$ 31,093,024</u></u>	<u><u>\$ 34,219,511</u></u>

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 3 RECEIVABLES (CONTINUED)

Contributions Receivable (Continued)

Contributions receivable distributed between net asset classifications at June 30, 2025 and 2024, are as follows:

	2025	2024
With Donor Restrictions - Time or Purpose:		
Capital Projects	\$ 15,426,526	\$ 18,216,448
Other	6,577,570	7,236,233
Total	22,004,096	25,452,681
With Donor Restrictions - Perpetual	9,088,928	8,766,830
Contributions Receivable - Net	\$ 31,093,024	\$ 34,219,511

For the years ended June 30, 2025 and 2024, contributions receivable from one donor accounted for approximately 16% and 12% of the total balance, respectively.

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The University records certain of its assets and liabilities at fair value. Fair value is defined as 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. Securities are carried at fair value on a recurring basis. The University uses quoted market prices and observable inputs to the maximum extent possible when measuring fair value. When market data is not available, fair value is determined using valuation models that incorporate management's estimates of the assumptions a market participant would use in pricing the asset or liability.

Under ASC 820, fair value measurements are classified among three levels based on the observability of the inputs used to determine fair value:

Level 1 – Unadjusted quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instrument. Level 3 valuations are typically performed using pricing models, discounted cash flow methodologies, or similar techniques, which incorporate management's own estimates of assumptions that market participants would use in pricing the instrument or valuations that require significant management judgment or estimation.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Transfers between levels occur when there is a change in the observability of significant inputs. This may occur between Level 1 and Level 2 when the availability of quoted prices changes, or when market activity significantly changes to active or inactive. A transfer between Level 2 and Level 3 generally occurs when the underlying inputs become, or can no longer be, corroborated with market observable data. The University's policy is to recognize all transfers at the end of each reporting period. There were no transfers between levels during the years ended June 30, 2025 and 2024.

The University's Level 3 investments consist of beneficial interests in trusts valued at \$13,576,420 and \$12,841,208 as of June 30, 2025 and 2024, respectively. Beneficial interests in trusts are measured using a principal valuation technique of fair market value. Unobservable inputs include time period of the trusts. The range and weighted average of significant unobservable inputs is not applicable.

The tables below illustrate the composition of the University's investments as of June 30, 2025 and 2024. In addition, in accordance with ASC 820, the tables below include the major categorization for assets and liabilities measured at fair value on a recurring basis on the basis of their nature and risk at June 30, 2025 and 2024.

	Fair Value Measurements at June 30, 2025			
	Level 1	Level 2	Level 3	Total
ASSETS				
Cash Equivalents	\$ -	\$ -	\$ -	\$ 8,029,385
Investments:				
Money Market Accounts and Certificates of Deposits	2,045,860	140,000	-	2,185,860
Mutual Funds:				
Domestic Equity	71,193,749	-	-	71,193,749
International Equity	12,073,320	-	-	12,073,320
Fixed Income	23,259,107	-	-	23,259,107
Common Stocks - Domestic Equity	12,671	-	-	12,671
Government Bonds	-	3,868,552	-	3,868,552
Total Investments Measured at Fair Value Under ASC 820	108,584,707	4,008,552	-	112,593,259
Funds Valued at NAV:				
Domestic Equity				57,964,080
Global Equity				64,126,053
Emerging Market Equity				9,194,397
Diversifiers (Primarily Hedge Funds)				34,042,558
Private Equity				30,768,614
Public Real Assets				1,769,656
Investments Valued at Cost:				
Real Estate				5,010,527
Cash Surrender Value of Life Insurance Policies				3,767,785
Total Investments	-	-	-	319,236,929
Funds Held in Trust by Others	-	-	13,576,420	13,576,420
Total				<u>\$ 340,842,734</u>

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

ASSETS	Fair Value Measurements at June 30, 2024			
	Level 1	Level 2	Level 3	Total
Cash Equivalents	\$ -	\$ -	\$ -	\$ 5,245,046
Investments:				
Money Market Accounts and Certificates of Deposits	3,653,060	160,000	-	3,813,060
Mutual Funds:				
Domestic Equity	69,711,617	-	-	69,711,617
International Equity	14,502,918	-	-	14,502,918
Fixed Income	30,310,538	-	-	30,310,538
Common Stocks - Domestic Equity	10,706	-	-	10,706
Government Bonds	-	4,013,537	-	4,013,537
Total Investments Measured at Fair Value Under ASC 820	118,188,839	4,173,537	-	122,362,376
Funds Valued at NAV:				
Domestic Equity				35,171,089
Global Equity				55,022,874
Emerging Market Equity				8,561,583
Diversifiers (Primarily Hedge Funds)				29,411,933
Private Equity				26,436,060
Public Real Assets				2,336,256
Investments Valued at Cost:				
Real Estate				9,225,956
Cash Surrender Value of Life Insurance Policies				3,768,676
Total Investments	-	-	-	292,296,803
Funds Held in Trust by Others	-	-	12,841,208	12,841,208
Total				\$ 310,383,057

Fair values on marketable securities, such as mutual funds and common stocks, are based on quoted market prices from an active exchange or from an active dealer market. The University's cash equivalents, and money market accounts are highly liquid assets with daily pricing. Certificates of deposit and government bonds are often traded in less active markets with pricing determined by looking at a similar asset that is currently trading.

Private equity funds primarily include investments with managers who implement long-only equity strategies, but also include certain global macro strategies, with some exposure to the credit markets. Private equity funds have original redemption lock-up periods that range from 5 years to 12 years, with remaining periods ranging from 1 year to 4 years as of June 30, 2025 and 2024, at which time the investments close. Assets in this category are invested in side pockets, which are less liquid and are generally restricted from redemption. Unfunded commitments as of June 30, 2025 and 2024, are \$21,012,976 and \$23,611,192, respectively.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Diversifiers, consisting primarily of hedge funds, are generally master fund arrangements which invest in long/short equity, commodity, and fixed income instruments. Some of these investments have redemption lock-up periods and have redemption notice periods ranging from quarterly to annual. The University has no unfunded commitments as of June 30, 2025 and 2024.

The fair value of the University's investments in funds valued at NAV represent the net asset value (NAV) in these investments as reported by the fund managers in accordance with the practical expedient, as defined by ASU 2009-12. In accordance with ASU 2015-07, investments valued at NAV are not included within any level in the fair value hierarchy. All valuations utilize financial information supplied by the general partner of each limited partnership or the fund manager and are net of management fees and incentive allocations pursuant to the applicable investment agreements. The fair value of the University's investments in these investment vehicles generally starts with the NAV of the University's investment in the investment vehicle as reported by the general partner of each limited partnership or the fund manager, who determines the value of the limited investment vehicle's NAV in a manner consistent with ASC Topic 946, *Financial Services—Investment Companies*. The University may conclude in certain circumstances that, after considering information reasonably available at the time the valuation is made and that the University believes to be reliable, the NAV provided by the general partner of each limited partnership or the fund manager is not representative of the fair value of the University's interest in the investment vehicle. At June 30, 2025 and 2024, no valuation adjustments to the NAV provided by the general manager or fund manager have been made by the University. Due to the inherent uncertainty of valuation, the value of the University's investments in such investment vehicles may differ significantly from the values that would have been used had an active market for the investments held by the University been available.

In accordance with the fair value measurements and disclosures guidance, the following tables present the category, fair value, redemption frequency, and redemption notice period for investments where the fair values have been estimated using NAV as of June 30, 2025 and 2024.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Year Ended June 30, 2025	Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Lockup Period
Investment Type:				
Limited Partnerships	\$ 35,323,770	Monthly	10 Business Days	N/A
Limited Partnerships	14,059,749	Weekly	7 Calendar Days	N/A
Limited Partnerships	2,883,034	Monthly	60 Calendar Days	N/A
Limited Partnerships	20,625,495	Monthly	31 Calendar Days	N/A
Limited Partnerships	1,769,656	Quarterly	90 Calendar Days	N/A
Private Equity Funds	49,437,330	None	N/A	N/A
Private Equity Funds	10,538	None	N/A	1 Year
Hedge Funds	9,860,501	Quarterly	60 Calendar Days	N/A
Hedge Funds	4,669,726	Monthly	3 Business Days	N/A
Hedge Funds	5,383,730	Quarterly	90 Calendar Days	N/A
Hedge Funds	3,548,450	Every Two Years	60 Calendar Days	N/A
Hedge Funds	625,011	Semi-annually	60 Calendar Days	N/A
Hedge Funds	5,392,852	Quarterly	65 Calendar Days	N/A
Hedge Funds-Equity Inv Trust	4,806,675	Monthly	10 Business Days	N/A
Hedge Funds-Equity Inv Trust	15,709,318	Semi-monthly	6 Business Days	N/A
Commingled Equity Funds	5,147,149	Daily	10 Business Days	N/A
Commingled Equity Funds	4,047,248	Weekly	4 Business Days	N/A
Commingled Equity Funds	14,565,126	Monthly	30 Calendar Days	N/A
Total	<u>\$ 197,865,358</u>			

Year Ended June 30, 2024	Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Lockup Period
Investment Type:				
Limited Partnerships	\$ 30,579,755	Monthly	10 Business Days	N/A
Limited Partnerships	13,013,532	Weekly	7 Calendar Days	N/A
Limited Partnerships	2,362,596	Monthly	60 Calendar Days	N/A
Limited Partnerships	20,271,866	Monthly	31 Calendar Days	N/A
Limited Partnerships	2,336,256	Quarterly	90 Calendar Days	N/A
Private Equity Funds	26,331,699	None	N/A	N/A
Private Equity Funds	104,360	None	N/A	1 Year
Hedge Funds	9,017,031	Quarterly	60 Calendar Days	N/A
Hedge Funds	4,393,523	Monthly	3 Business Days	N/A
Hedge Funds	4,986,282	Quarterly	90 Calendar Days	N/A
Hedge Funds	3,220,310	Every Two Years	60 Calendar Days	N/A
Hedge Funds	484,582	Semi-annually	60 Calendar Days	N/A
Hedge Funds	4,947,610	Quarterly	65 Calendar Days	N/A
Hedge Funds-Equity Inv Trust	4,101,683	Monthly	10 Business Days	N/A
Hedge Funds-Equity Inv Trust	12,495,586	Semi-monthly	6 Business Days	N/A
Commingled Equity Funds	2,541,076	Daily	10 Business Days	N/A
Commingled Equity Funds	3,080,613	Weekly	4 Business Days	N/A
Commingled Equity Funds	12,671,435	Monthly	30 Calendar Days	N/A
Total	<u>\$ 156,939,795</u>			

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

For the years ended June 30, 2025 and 2024, investment gain consisted of the following:

	<u>2025</u>	<u>2024</u>
Interest, Rents, and Dividends	\$ 5,508,092	\$ 4,323,639
Realized Gains from Investments - Without Donor Restricted	3,713,280	1,913,673
Realized Gains from Investments - With Donor Restricted	11,819,623	5,007,537
Investment Expenses	<u>(1,502,919)</u>	<u>(1,308,943)</u>
Investment Income, Net	19,538,076	9,935,906
Unrealized Gains from Investments - Without Donor Restricted	3,800,672	7,149,439
Unrealized Gains from Investments - With Donor Restricted	<u>13,789,607</u>	<u>23,194,077</u>
Net Investment Gain	<u><u>\$ 37,128,355</u></u>	<u><u>\$ 40,279,422</u></u>

NOTE 5 LAND, BUILDINGS, AND EQUIPMENT, NET

Land, buildings, and equipment, net consisted of the following as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Land, Buildings, and Equipment:		
Land	\$ 31,082,382	\$ 30,670,367
Buildings	316,054,349	302,699,820
Equipment	82,783,633	83,447,391
Construction in Progress	<u>3,278,943</u>	<u>9,873,020</u>
Total	433,199,307	426,690,598
Less: Accumulated Depreciation	<u>(209,153,592)</u>	<u>(202,541,292)</u>
Land, Buildings, and Equipment, Net	<u><u>\$ 224,045,715</u></u>	<u><u>\$ 224,149,306</u></u>

Depreciation expense for the years ended June 30, 2025 and 2024, was \$11,054,210 and \$11,052,710, respectively. As of June 30, 2025, the University has outstanding construction commitments of approximately \$1,522,000.

Construction in process by project at June 30, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Morehouse Renovation	\$ -	\$ 7,411,258
Utility Infrastructure Upgrades	1,532,347	1,192,197
Olmsted Renovation	1,052,285	-
Knapp Center Improvements	658,903	751,583
Architect and Planning Fees for Multiple Projects	7,360	442,010
Other	<u>28,048</u>	<u>75,972</u>
Total Construction in Process	<u><u>\$ 3,278,943</u></u>	<u><u>\$ 9,873,020</u></u>

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 6 LEASES

The University has numerous lease commitments for equipment and vehicles. The following tables provide quantitative information concerning leases for the years ended June 30, 2025 and 2024:

	2025	2024
Lease Cost:		
Finance Lease Cost:		
Amortization of Right-of-Use Assets	\$ 179,351	\$ 178,894
Interest on Lease Liabilities	10,051	13,445
Operating Lease Cost	21,953	21,953
Total Lease Cost	\$ 211,355	\$ 214,292
Other Information:		
Operating Cash Flows from Financing Leases	\$ 10,051	\$ 13,445
Operating Cash Flows from Operating Leases	\$ 21,930	\$ 21,930
Financing Cash Flows from Financing Leases	\$ 179,693	\$ 186,580
Right-of-Use Asset Obtained in Exchange for New Financing Lease Liabilities	\$ -	\$ 55,168
Right-of-Use Asset Obtained in Exchange for New Operating Lease Liabilities	\$ -	\$ -
Weighted-Average Remaining Lease Term - Financing Lease	1.8 Years	2.8 Years
Weighted-Average Remaining Lease Term - Operating Lease	2.9 Years	3.3 Years

As of June 30, 2025, contractual payment obligations related to the University's lease liability are as follows:

Year Ending June 30,	Operating Leases	Financing Leases
2026	\$ 9,960	\$ 189,744
2027	9,960	128,560
2028	9,130	12,378
2029	-	3,070
2030	-	-
Total	29,050	333,752
Amount Representing Interest	(3,263)	(18,148)
Total Lease Liability	\$ 25,787	\$ 315,604

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 7 LOANS AND BONDS PAYABLE

Loans and bonds payable at June 30, 2025 and 2024, are as follows:

<u>Description</u>	<u>2025</u>	<u>2024</u>
Loan agreement with commercial bank related to Series 2021 - Private College Facility Revenue Bonds	\$ 15,950,000	\$ 17,717,000
Series 2016 - Private College Facility Revenue and Refunding Bonds maturing April 1, 2038. The bonds bear interest at fixed rates ranging from 3.0% to 4.0%.	20,645,000	21,950,000
Loan agreements with qualified community development entity related to QLICI A and QLICI B - Community Holdings, LLC	<u>7,840,000</u>	<u>7,840,000</u>
Loans and Bonds Payable Subtotal	44,435,000	47,507,000
Less: Debt Issuance Costs - Net	<u>(203,317)</u>	<u>(221,219)</u>
Loans and Bonds Payable	<u>\$ 44,231,683</u>	<u>\$ 47,285,781</u>

The University issued a Series 2021 direct purchase, tax-exempt bond on September 29, 2021 in the amount of \$25,065,000 through IHELA via a loan agreement with a commercial bank dated September 1, 2021. Series 2021 proceeds refinanced the outstanding Series 2017A and 2017B bonds which provided partial financing for two new academic buildings as part of the STEM@Drake project, and refunded previous bonds that financed, in part, the Goodwin Kirk renovation, Knapp Center, and Opperman Hall. The underlying bond matures on April 1, 2031, and may be paid at any time with 30 days' notice. Principal payments are due annually on April 1, with interest payments due semi-annually on April 1 and October 1. The interest rate is fixed at 2.00%.

Community Holdings, LLC entered into two loan agreements with a qualified community development entity as part of a New Markets Tax Credit financing arrangement related to the Gregory and Suzie Glazer Burt Boys & Girls Club building which was opened on August 23, 2019. The two loans (QLICI A and QLICI B) were issued on November 27, 2019 for \$5,623,100 and \$2,216,900, respectively. Both loans were issued at a fixed interest rate of 2.07%, and are repaid by interest-only quarterly loan payments through December 1, 2026, and thereafter by quarterly principal and interest payments through the maturity date of November 27, 2049. Quarterly payment dates occur on the 1st day of March, June, September, and December. The loans are collateralized by a mortgage on the building and the University has guaranteed the loans on behalf of Community Holdings, LLC.

The University's loans and bonds are general obligations of the University. The loan and bond agreements contain various financial covenants, such as liquidity ratios. As of June 30, 2025 and 2024, management is not aware with any violations with financial covenants.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 7 LOANS AND BONDS PAYABLE (CONTINUED)

Contractual maturities on loans and bonds payable of the University subsequent to June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 3,146,000
2027	3,357,539
2028	3,586,890
2029	3,687,561
2030	3,761,352
Thereafter	26,895,658
Total	<u>\$ 44,435,000</u>

The above schedule has been prepared based on the contractual maturities of the debt outstanding as of June 30, 2025.

NOTE 8 ENDOWMENT NET ASSETS

The University's endowment consists of donor gifts (net assets with donor restrictions—perpetual) plus other Board-designated funds (net assets without donor restrictions) and funds held in trust by others which are deemed to be held and invested in perpetuity. The Board of Trustees approves a spending policy for the endowment.

The University follows the IUPMIFA. IUPMIFA prescribes guidelines for expenditure of donor-restricted endowment funds. Per IUPMIFA, an institution may appropriate for expenditure as the institution determines is prudent for uses, benefits, purposes and duration for which the endowment is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. Appropriation for expenditure is deemed to occur upon approval for expenditure unless approval is for a future period, in which case appropriation is deemed to occur when that period is reached. IUPMIFA does not apply to board-designated endowment funds and therefore the appreciation on these funds remains a part of net assets without donor restrictions.

The endowment net assets activity consisted of the following for the year ended June 30, 2025:

<u>June 30, 2025</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets - Beginning of Year	\$ 74,826,326	\$ 231,382,234	\$ 306,208,560
Total Gifts (Excluding Pledges)	790	6,974,764	6,975,554
Total Other Changes	(2,488,110)	(25,248)	(2,513,358)
Total Investment Return, Net	9,613,231	27,343,577	36,956,808
Endowment Income Used in Operations	(4,212,994)	(9,797,956)	(14,010,950)
Endowment Net Assets - End of Year	<u>\$ 77,739,243</u>	<u>\$ 255,877,371</u>	<u>\$ 333,616,614</u>

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 8 ENDOWMENT NET ASSETS (CONTINUED)

The endowment net assets activity consisted of the following for the year ended June 30, 2024:

June 30, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 68,661,044	\$ 198,240,911	\$ 266,901,955
Total Gifts (Excluding Pledges)	1,248,696	12,890,836	14,139,532
Total Other Changes	(1,965,880)	571,076	(1,394,804)
Total Investment Return, Net	11,085,872	29,016,076	40,101,948
Endowment Income Used in Operations	(4,203,406)	(9,336,665)	(13,540,071)
Endowment Net Assets - End of Year	<u>\$ 74,826,326</u>	<u>\$ 231,382,234</u>	<u>\$ 306,208,560</u>

All endowment net assets classified as net assets without donor restrictions are board-designated funds. All endowment net assets classified as net assets with donor restrictions are classified accordingly based on donor-imposed restrictions.

Endowment net assets were classified as follows as of June 30, 2025 and 2024:

June 30, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds	\$ -	\$ 242,300,951	\$ 242,300,951
Funds Held in Trust	-	13,576,420	13,576,420
Board-Designated Funds Functioning as Endowment Funds	77,739,243	-	77,739,243
Total Endowment Net Assets	<u>\$ 77,739,243</u>	<u>\$ 255,877,371</u>	<u>\$ 333,616,614</u>

June 30, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds	\$ -	\$ 218,541,026	\$ 218,541,026
Funds Held in Trust	-	12,841,208	12,841,208
Board-Designated Funds Functioning as Endowment Funds	74,826,326	-	74,826,326
Total Endowment Net Assets	<u>\$ 74,826,326</u>	<u>\$ 231,382,234</u>	<u>\$ 306,208,560</u>

Funds with Deficiencies

A donor-restricted endowment fund is considered to be underwater if the fair value of the fund is less than either the original gift amount or the amount required to be maintained by the donor or by law. At times, the University may have individual donor-restricted endowment funds that are underwater. The University has a policy that permits spending from underwater funds depending on the degree to which the fund is underwater, unless specifically prohibited by the donor or relevant laws and regulations. At June 30, 2025 and 2024, the amount by which funds were underwater was calculated as follows:

	2025	2024
Aggregate Original Gift Amount	\$ 130,246	\$ 3,266,844
Aggregate Fair Value	121,100	3,202,166
Aggregate Deficiency	<u>\$ 9,146</u>	<u>\$ 64,678</u>

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 8 ENDOWMENT NET ASSETS (CONTINUED)

Return Objectives and Risk Parameters

The University intends that its endowment will be invested to enhance the real purchasing power of the principal of the fund and to provide reasonably stable and predictable cash flows from the endowment for its operating purposes.

The primary investment objective of the endowment fund is to achieve at least an annualized total return, after investment management fees, of 5% in excess of inflation (as defined by the Consumer Price Index) based on the endowment's long-term goal of distributing between 4% and 5% of a twelve-quarter average of the endowment's fair values as established by the Board of Trustees.

Spending Policy

For the years ended June 30, 2025 and 2024, the endowment distribution under the Board of Trustees approved spending policy was calculated as 5% of a twelve-quarter average of the fair value of endowment net assets.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following, at June 30:

	<u>2025</u>	<u>2024</u>
Time or Purpose Restrictions:		
Unexpended for Restricted Purposes	\$ 18,289,583	\$ 18,244,609
Contributions for Capital Asset Acquisition	1,524,015	6,101,855
Endowment	66,941,617	50,131,208
Annuity and Life Income	614,856	566,466
Contributions Receivable	<u>22,004,096</u>	<u>25,452,681</u>
Total Net Assets With Donor		
Restrictions - Time or Purpose	109,374,167	100,496,819
Perpetual Restrictions:		
Student Loans	223,485	207,980
Endowment	175,359,334	168,409,818
Annuity and Life Income	837,948	797,504
Funds Held in Trust by Others	13,576,420	12,841,208
Contributions Receivable	<u>9,088,929</u>	<u>8,766,830</u>
Total Net Assets With Donor		
Restrictions - Perpetual	<u>199,086,116</u>	<u>191,023,340</u>
Total Net Assets With Donor Restrictions	<u>\$ 308,460,283</u>	<u>\$ 291,520,159</u>

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 10 RETIREMENT BENEFITS

The University is a participant in the Teachers Insurance and Annuity Association—College Retirement Equity Fund (TIAA-CREF), which is a defined contribution plan. TIAA-CREF does not segregate the assets, liabilities, or costs by participating employer, since the accounts are maintained on an employee-basis only. Total retirement benefit expense was approximately \$4,508,000 and \$5,148,000 for the years ended June 30, 2025 and 2024, respectively. Accrued retirement benefit costs are funded on a current basis.

In addition to providing retirement benefits, the University provides certain health care insurance benefits for retired employees. Substantially all of the University’s employees who were hired prior to September 15, 1994, may become eligible for those benefits if they reach normal retirement age while working for the University or have elected to take early retirement under voluntary early retirement agreements. Employees hired after September 15, 1994, may elect to participate in the health care plans while bearing the full cost of premiums. The plan is contributory with retiree contributions adjusted annually, and contains other cost-sharing features, such as deductibles and coinsurance. The University’s policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

The following tables set forth the plan’s benefit obligation, fair value of plan assets, components of net periodic benefit cost, and weighted average actuarial assumptions as of June 30, 2025 and 2024:

	2025	2024
Change in Benefit Obligation:		
Benefit Obligation - Beginning of Period	\$ 9,242,431	\$ 10,350,499
Service Cost	37,916	47,070
Interest Cost	450,046	465,155
Actuarial Gain (Loss)	238,741	(543,939)
Benefits Paid	(1,174,938)	(1,076,354)
Benefit Obligation - End of Period	\$ 8,794,196	\$ 9,242,431
	2025	2024
Change in Fair Value of Plan Assets:		
Fair Value of Plan Assets - Beginning of Period	\$ -	\$ -
Contributions	1,174,938	1,076,354
Benefits Paid	(1,174,938)	(1,076,354)
Fair Value of Plan Assets - End of Period	\$ -	\$ -
	2025	2024
Components of Net Periodic Benefit Cost:		
Service Cost	\$ 37,916	\$ 47,070
Interest Cost	450,046	465,155
Amortization of (Gain) Loss	(278,266)	(221,532)
Net Periodic Benefit Cost	\$ 209,696	\$ 290,693

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 10 RETIREMENT BENEFITS (CONTINUED)

	<u>2025</u>	<u>2024</u>
Actuarial Assumptions:		
Discount Rate	5.22 %	5.25 %
Health Care Cost Present Trend Rate	6.40 %	7.40 %
Health Care Cost Ultimate Trend Rate (Year of Stabilization)	3.70% (2076)	3.70% (2075)

Mortality assumptions: Pri-2012 Total Dataset Mortality Tables (Employee and Retiree tables) with MP-2021 generational projection from the 2012 base year for 2025 and 2024.

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

<u>As of June 30, 2025</u>	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on Total of Service and Interest Cost	\$ 36,692	\$ (32,130)
Effect on Postretirement Benefit Obligations	694,195	(609,405)
 <u>As of June 30, 2024</u>		
Effect on Total of Service and Interest Cost	\$ 41,319	\$ (35,704)
Effect on Postretirement Benefit Obligations	770,774	(667,198)

Cash Contributions, Benefit Payments, and Asset Allocation

The University's postretirement benefits are unfunded, therefore cash contributions for postretirement benefits are equal to the current year benefit payments.

The following table details the expected cash contributions and benefit payments for the years ended June 30, 2025 through 2034:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 895,161
2027	854,055
2028	769,915
2029	776,428
2030	751,740
2031 through 2034	3,362,261

All benefit payments for other postretirement benefits are voluntary, as the postretirement plans are not funded, and are not subject to any minimum regulatory funding requirements. The University's postretirement plan had no plan assets as of June 30, 2025 and 2024. Benefit payments for each year represent claims paid for medical expenses, and the University anticipates the 2025 postretirement benefit payments will be made from cash generated from operations.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 11 ASSET RETIREMENT OBLIGATIONS

The University records an asset retirement obligation (ARO) for legal obligations related to the retirement of long-lived physical assets. The University estimates its ARO liabilities based upon a third-party estimate of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation and discounted at a credit-adjusted, risk-free rate. The University then records an ARO asset associated with the liability. The ARO assets are depreciated over their expected lives, and the ARO liabilities are accreted to the projected spending date. Changes in estimates could occur due to plan revisions, changes in estimated costs, or changes in timing of the performance of removal activities.

The University follows ASC 410-20, *Asset Retirement and Environmental Obligations*. ASC 410-20 clarifies that the term refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Accordingly, the University is required to recognize a liability for the fair value of a conditional ARO if the fair value of the liability can be reasonably estimated. Uncertainty about the timing or method of settlement of a conditional ARO is factored into the measurement of the liability when sufficient information exists.

The change in the balance of the total ARO liability which is recorded in “Other Liabilities” in the consolidated statements of financial position is summarized as follows:

<u>Year Ending June 30,</u>	<u>2025</u>	<u>2024</u>
Beginning Balance	\$ 1,206,614	\$ 1,272,643
Accretion	59,037	56,362
Change in Assumptions	1,713	(122,391)
Ending Balance	<u>\$ 1,267,364</u>	<u>\$ 1,206,614</u>

The ARO liability represents the University’s legal obligation to remove asbestos in an environmentally acceptable manner from certain buildings on campus.

NOTE 12 EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATION

Expenses are presented in the consolidated statements of activities by functional classification in alignment with the overall mission of the University. The University’s primary program services are comprised of instruction, research, public service, academic support, student services, institutional support, and auxiliary enterprises. Expenses reported as student services and auxiliary enterprises are incurred in support of primary activities.

Natural expenses attributable to more than one functional expense category are allocated using reasonable cost allocation techniques. The University allocates operation and maintenance of plant, depreciation, amortization, and asset retirement obligation expense based on proportional expenditures using estimates of building square footage. The University allocates interest expense to the functional categories which have benefited from the associated debt.

DRAKE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 12 EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATION (CONTINUED)

Expenses by functional and natural classification for the years ended June 30, 2025 and 2024, were as follows:

Year Ended June 30, 2025						
Natural Classification	Instruction and					Total
	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Other	
Salaries and Wages	\$ 43,670,143	\$ 11,009,185	\$ 8,337,466	\$ 414,060	\$ 7,597,655	\$ 71,028,509
Employee Benefits	14,703,435	3,606,637	235,001	611,966	2,050,738	21,207,777
Nonpersonnel Operating Expenses	9,578,024	13,230,544	7,376,684	7,166,972	8,605,143	45,957,367
Allocations:						
Depreciation, Amortization, ARO Expense	4,419,720	2,930,387	698,347	3,153,297	108,749	11,310,500
Interest Expense	582,621	26,703	51,025	417,741	162,288	1,240,378
Operations and Maintenance	3,588,171	2,374,568	489,507	2,479,957	76,073	9,008,276
Total Operating Expenses	<u>\$ 76,542,114</u>	<u>\$ 33,178,024</u>	<u>\$ 17,188,030</u>	<u>\$ 14,243,993</u>	<u>\$ 18,600,646</u>	<u>\$ 159,752,807</u>
Year Ended June 30, 2024						
Natural Classification	Instruction and					Total
	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Other	
Salaries and Wages	\$ 45,406,273	\$ 11,358,218	\$ 8,369,248	\$ 492,767	\$ 7,448,734	\$ 73,075,240
Employee Benefits	17,053,322	4,150,069	-	715,366	1,942,550	23,861,307
Nonpersonnel Operating Expenses	9,873,462	12,941,675	6,935,533	6,469,403	9,081,131	45,301,204
Allocations:						
Depreciation, Amortization, ARO Expense	4,443,425	2,882,387	718,799	3,185,519	109,344	11,339,474
Interest Expense	606,112	29,212	25,896	451,513	162,326	1,275,059
Operations and Maintenance	3,902,370	2,526,653	532,371	2,697,115	82,735	9,741,244
Total Operating Expenses	<u>\$ 81,284,964</u>	<u>\$ 33,888,214</u>	<u>\$ 16,581,847</u>	<u>\$ 14,011,683</u>	<u>\$ 18,826,820</u>	<u>\$ 164,593,528</u>

Expenses are categorized on a functional expenses basis as follows:

Instruction and academic support includes expenses for all activities that are part of an institution's instruction program. Expenses for credit and noncredit courses; academic, vocational, and technical instruction; remedial and tutorial instruction; and regular, special, and extension sessions are included. It also includes expenses incurred to provide support services for the institution's primary programs of instruction.

Student services are considered programmatic and include activities that, as their primary purpose, contribute to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program.

Institutional support includes centralized expenses incurred to provide support services for the institution's primary mission and program functions. This classification includes the University's governing board, executive management, fiscal operations, information technology services, and activities concerned with community and alumni relations, including development and fundraising.

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NOTE 12 EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATION (CONTINUED)

Auxiliary enterprises support the furnishing of goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. These activities are managed to operate as a self-supporting activity and include expenses relating to the operation of the institution’s auxiliary activities such as housing, food service, parking, and so forth.

The Other classification is made up of the functional classifications of Research and Public Service. The research classification includes all expenses for activities specifically organized to produce research, whether commissioned by an agency external to the institution or separately managed by an organizational unit within the institution. The public service classification includes expenses for activities established primarily to provide noninstructional services for the benefit of individuals and groups that are external to the institution.

NOTE 13 COMPOSITE SCORE

The composite score is prepared pursuant to Appendix B of 34 CFR Part 668 – Subpart L, Ratio Methodology for Private Non-Profit Institutions. The University prepares the calculation based on the audited financials for the year ended June 30, 2024. The composite score calculated reflects the overall relative financial health of institutions along a scale from negative 1.0 to positive 3.0. The composite score for the year ended June 30, 2024 is as follows:

Calculating the Composite Score				Ratio
Primary Reserve Ratio = Expendable Net Assets/ Total Expenses and Losses Without Donor Restrictions	166,288,252	161,379,667		1.0304
Equity Ratio = Modified Net Assets/ Modified Assets	537,233,512	616,169,634		0.8719
Net Income Ratio = Change in Net Assets Without Donor Restrictions/Total Revenue and Gains Without Donor Restrictions	11,012,578	172,392,245		0.0639
Ratio	Ratio	Strength Factor	Weight	Composite Score
Primary Reserve Ratio	1.0304	3.0000	40%	1.2000
Equity Ratio	0.8719	3.0000	40%	1.2000
Net Income Ratio	0.0639	3.0000	20%	0.6000
Total				3.0000
Total Composite Score - Rounded				3.0

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NOTE 13 COMPOSITE SCORE (CONTINUED)

See below for additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

Property, Plant, and Equipment, net

3	Pre-implementation property, plant, and equipment, net	
a.	Ending balance of pre-implementation as of June 30, 2023	\$ 164,619,031
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>(9,086,850)</u>
d.	Balance pre-implementation property, plant, and equipment, net	155,532,181
4	Debt financed post-implementation property, plant, and equipment, net	
	Long-lived assets acquired with debt subsequent to June 30, 2019:	
a.	Equipment	292,312
b.	Land improvements	-
c.	Building	<u>6,044,513</u>
d.	Total property, plant, and equipment, net acquired with debt exceeding 12 months	6,336,825
5	Construction in progress - acquired subsequent to June 30, 2019	3,278,943
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>58,897,766</u>
7	Total Property, Plant, and Equipment, net - June 30, 2024	<u><u>\$ 224,045,715</u></u>

Debt to be excluded from expendable net assets

8	Pre-implementation debt:	
a.	Ending balance of pre-implementation as of June 30, 2023	\$ 39,575,855
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>(3,068,496)</u>
d.	Balance Pre-implementation Debt	36,507,359
9	Allowable post-implementation debt used for capitalized long-lived assets:	
a.	Equipment - all capitalized	592,760
b.	Land improvements	-
c.	Buildings	<u>6,895,669</u>
d.	Balance Post-implementation Debt	7,488,429
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	235,895
	Total Long Term Debt - June 30, 2024	<u><u>\$ 44,231,683</u></u>

Unsecured related-party receivables

19	Secured related-party receivables	\$ -
20	Unsecured related-party receivables	<u>12,171,172</u>
21	Total secured and unsecured related-party receivables	<u><u>\$ 12,171,172</u></u>



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