



Reports of Independent Auditors in Accordance with
Audit Requirements for Federal Awards (Uniform Guidance) and
Consolidated Financial Statements with Supplementary Information

Charles R. Drew University of Medicine and Science

June 30, 2024 and 2023

Table of Contents

	Page
Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	5
Consolidated Statements of Activities	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	9
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	31
Supplementary Information	
Schedule of Financial Responsibility Ratios	35
Schedule of Expenditures of Federal Awards	39
Notes to the Schedule of Expenditures of Federal Awards	42
Schedule of Findings and Questioned Costs	44

Report of Independent Auditors

The Board of Trustees
Charles R. Drew University of Medicine and Science

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Charles R. Drew University of Medicine and Science, California not-for-profit corporation, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Charles R. Drew University of Medicine and Science as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Charles R. Drew University of Medicine and Science 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 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 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 Charles R. Drew University of Medicine and Science's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Charles R. Drew University of Medicine and Science'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 Charles R. Drew University of Medicine and Science's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and schedule of financial responsibility ratios are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of financial responsibility ratios are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2024, on our consideration of Charles R. Drew University of Medicine and Science's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Charles R. Drew University of Medicine and Science's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charles R. Drew University of Medicine and Science's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Irvine, California
December 9, 2024

Consolidated Financial Statements

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Consolidated Statements of Financial Position
(Rounded in Hundreds)
June 30, 2024 and 2023

	2024	2023
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 15,668,600	\$ 23,209,900
Restricted cash and cash equivalents (Note 2)	4,998,500	5,056,700
Grants and contracts receivable, net (Note 3)	16,454,600	23,382,400
Prepaid expenses and other assets, net	4,212,900	5,493,100
Deferred charge (Note 6)	-	421,800
Investments and investments held by others (Notes 4 and 5)	201,893,500	192,583,600
Loan receivable (Note 15)	9,565,000	9,602,700
Property, plant, and equipment, net (Note 6)	64,672,500	61,901,500
Total assets	\$ 317,465,600	\$ 321,651,700
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 3,463,000	\$ 1,863,000
Accrued expenses	8,119,100	8,797,500
Refundable advances (Note 9)	9,060,800	10,504,400
Notes payable (Note 7)	15,374,300	15,269,500
Bonds payable, net (Note 8)	28,477,900	29,280,600
Interest rate swap liability (Notes 5 and 8)	1,768,700	2,242,700
Deferred revenue	10,063,500	11,093,000
Obligations under financing leases (Note 10)	3,283,600	3,283,400
Total liabilities	79,610,900	82,334,100
NET ASSETS		
Without donor restrictions	71,776,700	78,150,200
With donor restrictions (Note 12)	166,078,000	161,167,400
Total net assets	237,854,700	239,317,600
Total liabilities and net assets	\$ 317,465,600	\$ 321,651,700

See accompanying notes.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Consolidated Statements of Activities
(Rounded in Hundreds)
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Tuition and fees, net	\$ 24,102,700	\$ -	\$ 24,102,700	\$ 25,563,200	\$ -	\$ 25,563,200
Federal grants and contracts	22,931,600	-	22,931,600	25,545,700	-	25,545,700
State and local government grants and contracts	22,831,700	-	22,831,700	27,601,300	-	27,601,300
Private gifts, grants, and contracts	4,198,400	4,589,200	8,787,600	322,100	7,845,300	8,167,400
Auxiliary enterprises	1,787,300	-	1,787,300	735,400	-	735,400
Total revenue and support	75,851,700	4,589,200	80,440,900	79,767,700	7,845,300	87,613,000
NET ASSETS RELEASED FROM RESTRICTIONS	8,931,700	(8,931,700)	-	10,325,500	(10,325,500)	-
Total revenue and support and net assets released from restrictions	84,783,400	(4,342,500)	80,440,900	90,093,200	(2,480,200)	87,613,000
EXPENSES						
Instruction	28,037,100	-	28,037,100	25,328,600	-	25,328,600
Public service	5,637,500	-	5,637,500	3,718,700	-	3,718,700
Research	12,780,300	-	12,780,300	12,549,500	-	12,549,500
Academic support	13,684,900	-	13,684,900	18,316,700	-	18,316,700
Student services	4,569,600	-	4,569,600	2,467,700	-	2,467,700
Institutional support	25,164,700	-	25,164,700	23,582,400	-	23,582,400
Special events	141,200	-	141,200	67,000	-	67,000
Operation and maintenance of plant	5,942,300	-	5,942,300	5,284,600	-	5,284,600
Auxiliary enterprises	623,400	-	623,400	658,100	-	658,100
Total expenses	96,581,000	-	96,581,000	91,973,300	-	91,973,300
CHANGES IN NET ASSETS BEFORE OTHER NON-OPERATING CHANGES	(11,797,600)	(4,342,500)	(16,140,100)	(1,880,100)	(2,480,200)	(4,360,300)
OTHER NON-OPERATING CHANGES						
Investment return, net (Note 4)	4,950,100	9,253,100	14,203,200	349,900	8,257,100	8,607,000
Unrealized gain on interest rate swap (Note 8)	474,000	-	474,000	1,089,600	-	1,089,600
Total other non-operating changes	5,424,100	9,253,100	14,677,200	1,439,500	8,257,100	9,696,600
CHANGES IN NET ASSETS	(6,373,500)	4,910,600	(1,462,900)	(440,600)	5,776,900	5,336,300
NET ASSETS, beginning of year	78,150,200	161,167,400	239,317,600	78,590,800	155,390,500	233,981,300
NET ASSETS, end of year	\$ 71,776,700	\$ 166,078,000	\$ 237,854,700	\$ 78,150,200	\$ 161,167,400	\$ 239,317,600

See accompanying notes.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Consolidated Statements of Cash Flows
(Rounded in Hundreds)
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,462,900)	\$ 5,336,300
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	4,477,800	3,780,700
Contributions received for long-term investment	(2,110,000)	(756,400)
Change in provision for credit losses	(901,100)	2,366,500
Amortization of bond issuance costs	73,600	31,700
Deferred charge	421,800	143,900
Realized and unrealized gain on investments	(9,021,000)	(6,046,600)
Unrealized gain on interest rate swap	(474,000)	(1,089,600)
Changes in operating assets and liabilities, net of effects of non-cash transactions		
Grants and contracts receivable	6,927,800	628,800
Prepaid expenses and other assets	2,181,300	(2,200,800)
Accounts payable	1,777,100	(456,800)
Accrued expenses	(678,400)	(943,800)
Refundable advances	(1,443,600)	2,216,400
Deferred revenue	(1,029,500)	(606,500)
Net cash (used in) provided by operating activities	<u>(1,261,100)</u>	<u>2,403,800</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(17,958,000)	(3,237,000)
Sales of investments	17,669,100	3,758,000
Principal collections received on loan receivable	37,700	14,100
Purchases of property, plant, and equipment	<u>(7,130,400)</u>	<u>(5,257,000)</u>
Net cash used in investing activities	<u>(7,381,600)</u>	<u>(4,721,900)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for long-term investment	2,110,000	756,400
Principal payments on notes payable	(88,600)	(83,400)
Principal payments on bonds payable	(860,000)	(745,000)
Principal payments on financing lease obligations	<u>(118,200)</u>	<u>(109,200)</u>
Net cash provided by (used in) financing activities	<u>1,043,200</u>	<u>(181,200)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	(7,599,500)	(2,499,300)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year	<u>28,266,600</u>	<u>30,765,900</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, end of year	<u>\$ 20,667,100</u>	<u>\$ 28,266,600</u>

See accompanying notes.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Consolidated Statements of Cash Flows
(Rounded in Hundreds)
Years Ended June 30, 2024 and 2023

	2024	2023
SUMMARY OF CASH AND CASH FLOW INFORMATION		
Cash and cash equivalents	\$ 15,668,600	\$ 23,209,900
Restricted cash and cash equivalents	4,998,500	5,056,700
Total cash and cash equivalents and restricted cash and cash equivalents	\$ 20,667,100	\$ 28,266,600
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 1,810,200	\$ 1,841,200
SUPPLEMENTAL NON-CASH ACTIVITIES INFORMATION		
New financing leases	\$ -	\$ 2,955,600

See accompanying notes.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies

Overview – Charles R. Drew University of Medicine and Science (the “University”) is a non-profit educational institution, which is comprised of the College of Medicine, the College of Science and Health, the Mervyn M. Dymally School of Nursing (“School of Nursing”), and a variety of educational, research, and community programs. The University is an academic health sciences center developing students and ideas that improve the quality of health for medically underserved and multicultural populations.

The CDU Foundation is a California nonprofit public benefit corporation, established during the year ended June 30, 2020. See Note 15 for more information on this entity.

Principles of consolidation – The consolidated financial statements include the accounts of the University and the CDU Foundation. All significant transactions between these entities have been eliminated in the consolidated financial statements.

Basis of consolidated financial statement presentation – The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The University recognizes unconditional contributions, including unconditional promises to give, as revenue in the period received. Revenue, gains, and losses are classified based on the existence or absence of restrictions imposed by donor or by law. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to stipulations imposed by donor or by law. Net assets without donor restrictions may be designated for specific purposes by actions of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donor or by law that may or will be met, either by actions of the University and/or the passage of time. As restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Some net assets with donor restrictions are subject to donor-imposed stipulations that resources be maintained in perpetuity by the University. Investment income generated from these funds is available for general support by the University unless otherwise stipulated by the donor or by law. (See Note 12.)

Cash and cash equivalents and restricted cash and cash equivalents – Cash and cash equivalents and restricted cash and cash equivalents consist primarily of cash in bank accounts and money market accounts with original maturities of three months or less.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Grants and contracts receivable and refundable advances – Grants and contracts receivable consist of expenses incurred by the University in connection with federal government, state, and local governments and unconditional private enterprise awards for which individual applicable award agreements and/or notices stipulate payment to the University on a reimbursement basis. The payment of such receivables generally occurs within one year from which expenses are incurred. The allowance for doubtful grants and contracts receivable is an estimate calculated by the University's management based on grant and contract specific reserves, if any, and the age of overall grants and contracts receivable. Once a grant or contract receivable is deemed uncollectible, it is written off against the allowance for doubtful grant and contract accounts.

Refundable advances consist of federal government, state, and local governments and conditional private enterprise award amounts received in advance of the incurrence of corresponding individual award expenses in accordance with applicable award agreements and/or notices. Such liabilities are generally short-term in nature, whereby advanced funds are most commonly not received more than one year ahead of the incurrence of related expenses. (See Note 9.)

Investments – Investments are stated at fair value in accordance with GAAP framework for measuring fair value. This also includes certain pooled investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. GAAP allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent.

A substantial portion of the University's investments are invested with the University of California, Los Angeles (UCLA) Foundation and UC Regents in the unitized endowed and short-term investment pools. The UCLA Foundation reports pooled investments in equity securities with readily determinable fair values and all debt securities at fair value based on quoted market prices. The pools also have investments which are reported at net asset value by the underlying funds, which approximate the fair value of such investments. Due to the nature of the investments held in the pools, changes in market conditions and the economic environment may significantly impact the net asset value of the pools and, consequently, the fair value of the University's investment in the pools. Other University investments are held in investment funds whose values are also reported at net asset value, which approximates the fair value.

Property, plant, and equipment – Property, plant, vehicles, and equipment are stated at cost, or if contributed, at fair value at the date of contribution. Such assets are capitalized with a minimum threshold of \$5,000. Depreciation and amortization are computed on a straight-line basis over the lesser of the estimated useful life or lease term of each asset, which is 35 years for buildings and improvements and five years for furniture, equipment, and library books. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the lease. Land and land improvements are not depreciated.

The University records the asset or assets associated with financing leases at the lesser of the minimum lease payments or the fair value of the equipment at the inception of the lease agreement. Depreciation and amortization expense includes the depreciation of assets under financing leases.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

The University reviews property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If an asset is determined to be impaired, impairment expense to be recognized is measured as the amount by which the carrying value of the asset exceeds its fair value.

During the years ended June 30, 2024 and 2023, there were no events or changes in circumstances indicating that the carrying amount of property, plant, and equipment may not be recoverable.

Leases – The Organization leases certain buildings, equipment, and vehicles. The determination of whether an arrangement is a lease is made at the lease's inception. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in our statements of financial position. Finance leases are included in property, plant, and equipment, and as obligations under financing leases on the consolidated statements of financial position.

ROU assets represent the University's right to use an underlying asset for the lease term, and lease liabilities represent its obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The University uses the implicit rate when it is readily determinable. Since most of the University's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the University's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The University's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

The University has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. For certain equipment leases, like vehicles, the University accounts for the lease and non-lease components as a single lease. Additionally, for certain equipment leases, it applies a portfolio approach to account for the operating lease ROU assets and liabilities. Certain optional renewal periods were not included in the determination of the lease liability and ROU asset if management determined it was not reasonably certain that the lease would be extended.

Student tuition, fees, and auxiliary enterprises – Tuition and fees revenue is recognized pro rata over the applicable period of instruction. A contract is entered into with a student and covers a course or semester. Revenue recognition occurs once a student starts attending a course. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. The University determined there are no costs that are capitalized to obtain or to fulfill a contract with a customer.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Auxiliary enterprises include revenue from dining services and housing, and these revenues are recognized over the period the services are provided. Amounts received in advance of delivery of services are recorded as deferred revenue. The auxiliary enterprise expenses include all costs incurred in providing these services.

Federal grants and contracts – The University’s primary sources of revenue are from federal, state, and local government grants and contracts for research and development activities. Revenue from grants and contracts is reported as allowable expenditures, under applicable agreements, are incurred. Revenue from sponsored programs, grants, and contracts that is nonreciprocal is treated like contributions. If the grant or contract is conditional, a barrier to entitlement and right of release exists. Revenue is recognized when the barrier and right of release are considered overcome and as allowable expenditures under such agreements are incurred, as an increase to net assets without donor restrictions. If the grant or contract is unconditional, revenue is reported as an increase in net assets without donor restrictions.

Private gifts – Private gifts, including unconditional promises to give, are recognized as revenues in the period pledged or received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Conditional promises to give are not recognized until they become unconditional; this is when the condition on which they depend and right of release are met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of net assets with donor restrictions, and a release to net assets without donor restrictions is made to reflect the expiration of such restrictions. All private gifts and other public support are included in net assets without donor restrictions unless specifically restricted by the donor or the terms of the gift or grant instrument.

Endowments – Endowments are subject to the restrictions of the underlying gift instruments requiring that the principal generally be invested in perpetuity and only the income be utilized for current and future needs.

Functional expenses – Expenses that can be specifically identified with a specific program or supporting service are charged directly to the related program or supporting service. Operation and maintenance of plant expenses are allocated based on square footage. Depreciation expense is allocated based on the usage of the related asset. Expenses that are associated with more than one program or supporting service are allocated based on the time and effort of use. Functional expenses are allocated based on the nature of their activity.

Use of estimates – The preparation of consolidated financial statements in conformity with GAAP requires the University’s management to make estimates and assumptions that affect the reported amounts and disclosures of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reported period. Accordingly, actual results could materially differ from those estimates.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Income taxes – The University is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, the University is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it is granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of the University's management, is not material to the consolidated financial statements taken as a whole.

The University accounts for the uncertainty in income taxes in accordance with an interpretation issued by the Financial Accounting Standards Board (FASB), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the University's tax returns to determine whether the tax positions are "more likely than not" to be sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold are required to be recorded as a tax benefit or expense in the current year. Additionally, this interpretation provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. The University had no uncertain tax positions that were not considered more likely than not to be sustained by applicable tax authorities as of both June 30, 2024 and 2023.

Concentration of credit risk – The University holds the majority of its operating cash and cash equivalents in major financial institutions. As of June 30, 2024, and at various times during the year then ended, the University's cash account balances exceeded the Federal Deposit Insurance Corporation (FDIC) insured limit. The University has not experienced and does not anticipate any losses related to balances at financial institutions in excess of FDIC insurance limits. The University also had cash, cash equivalents, and investments managed and held by the UCLA Foundation and the University of California (UC) of approximately \$201,893,500 and \$192,583,600 as of June 30, 2024 and 2023, respectively. (See Note 4.) The University has not experienced any losses related to the balances held by the UCLA Foundation and does not anticipate losses. Concentration of credit risk with respect to receivables is limited due to their source, which is mainly federal, state, and local governments.

Fair value of financial instruments – The fair value of the University's financial instruments as of June 30, 2024 and 2023, represents management's best estimates of the amounts that would be received if sold in an orderly transaction between market participants as of the same dates. Such fair value measurements maximize the use of observable inputs. However, in situations where there are little, if any, observable inputs, management's own judgments about the assumptions of market participants are used in pricing the asset. Those judgments are developed by management based on the best information available in the circumstances.

The University uses a hierarchy for measuring the fair value of all financial assets and liabilities that are being measured and reported at fair value on a recurring basis.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Fair value is measured in levels, which are described in more detail below, and is determined based on the observability and reliability of the assumptions used to determine fair value.

Level 1 – Valuation inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 – Valuation inputs are those other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data. Various factors, including current interest rates, spreads, and various trade activities, may affect the quoted prices for such holding.

Level 3 – Valuation inputs are unobservable and supported by little or no market activity and are significant to the fair value of the assets or liabilities. These valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest-level inputs that are significant to the fair value measurement in its entirety. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Reclassifications – Certain amounts presented in the prior year consolidated financial statements have been reclassified to conform to the current year presentation.

Accounting standard adopted – In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-03, *Credit Losses – Measurement of Credit Losses on Financial Instruments*. This ASU requires organizations to use a forward-looking approach based on current expected credit losses to estimate credit losses on certain types of financial instruments, including trade receivables. The University adopted the new standard on July 1, 2023, using the modified-retrospective approach, which did not have a significant effect on the financial statements as of and for the year ended June 30, 2024. Therefore, there was no cumulative effect to beginning retained earnings as it was determined to be de minimus.

Related-party transactions – The University had no significant related-party transactions for the years ended June 30, 2024 and 2023.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statements of financial position date but before the consolidated financial statements are available to be issued. The University recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The University's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statements of financial position but arose after the consolidated statements of financial position date and before the consolidated financial statements are issued.

The University has evaluated subsequent events through December 9, 2024, which is the date the consolidated financial statements are issued, and concluded that there were no other events or transactions that need to be disclosed.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Note 2 – Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of cash held at financial institutions in money market accounts whose use is limited by donors or debt agreements to specified purposes. The table below illustrates the composition of restricted cash and cash equivalents as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Community program funds	\$ 1,536,800	\$ 1,642,700
Grant advance	3,064,600	2,979,000
Donor-restricted funds (long-term)	220,900	177,500
Bond-redemption reserve	-	134,300
Reserves required by California Housing Finance Agency (CalHFA)	<u>176,200</u>	<u>123,200</u>
	<u>\$ 4,998,500</u>	<u>\$ 5,056,700</u>

Note 3 – Grants and Contracts Receivable

Grants and contracts receivable are expected to be collected in less than one year and consisted of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Federal agencies	\$ 10,258,700	\$ 13,847,600
State and local governments	6,845,300	10,029,100
Private enterprises	<u>458,500</u>	<u>542,800</u>
	17,562,500	24,419,500
Allowance for uncollectible amounts	<u>(1,107,900)</u>	<u>(1,037,100)</u>
Grants and contracts receivable, net	<u>\$ 16,454,600</u>	<u>\$ 23,382,400</u>

Note 4 – Investments and Investments Held by Others

Under the direction of agreements with the National Institutes of Health (NIH) (see Note 12), investments held by others represent funds invested in the UCLA Foundation's and UC Regent's endowed pool. The endowed pool is a unitized fund whereby the University participates in investment returns and income on an equivalent pro rata basis with all participants in the pool.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Investments within the pools include money market accounts, equity securities, corporate and U.S. government bonds, and limited partnerships. The table presented below illustrates the composition of investments and investments held by others as of June 30, 2024 and 2023:

	2024	2023
Investments		
Short-term investments held by others (UC Regents)	\$ 94,435,700	\$ 91,770,500
Beneficial interest in assets held by others (UCLA Foundation)	107,457,800	100,813,100
	\$ 201,893,500	\$ 192,583,600

The composition of investment returns, net for the years ended June 30, 2024 and 2023, was as follows:

	2024	2023
Interest and dividend income	\$ 6,837,800	\$ 3,932,200
Realized and unrealized gains (losses), net	9,021,000	6,046,600
Other investment expense, net	(1,655,600)	(1,371,800)
	\$ 14,203,200	\$ 8,607,000

Note 5 – Fair Value Measurements

The following tables show the balances of these assets and liabilities based on their GAAP-designated levels:

	June 30, 2024				Assets Measured at Net Asset Value (or Equivalent)
	Total	Level 1	Level 2	Level 3	
Short-term investments held by others (UC Regents)	\$ 94,435,700	\$ -	\$ -	\$ -	\$ 94,435,700
Beneficial interest in assets held by others (UCLA Foundation)	107,457,800	-	-	-	107,457,800
Interest rate swap	(1,768,700)	-	(1,768,700)	-	-
	\$ 200,124,800	\$ -	\$ (1,768,700)	\$ -	\$ 201,893,500
	June 30, 2023				Assets Measured at Net Asset Value (or Equivalent)
	Total	Level 1	Level 2	Level 3	(or Equivalent)
Short-term investments held by others (UC Regents)	\$ 91,770,500	\$ -	\$ -	\$ -	\$ 91,770,500
Beneficial interest in assets held by others (UCLA Foundation)	100,813,100	-	-	-	100,813,100
Interest rate swap	(2,242,700)	-	(2,242,700)	-	-
	\$ 190,340,900	\$ -	\$ (2,242,700)	\$ -	\$ 192,583,600

The University policy is to recognize transfers into and out of the various levels as of the actual date of the event or change in circumstances that caused the transfer.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

The following table represents the liquidity and redemption restrictions on the above investments that do not have a readily determinable fair value and utilize net asset value, or its equivalent, per share to determine fair value as of June 30, 2024:

	Fair Value at June 30, 2024	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Short-term investments held by others (UC Regents)	\$ 94,435,700	\$ -	Daily	2 days
Beneficial interest in assets held by others (UCLA Foundation) ^{a), b)}	<u>107,457,800</u>	<u>-</u>	Quarterly	90 days
Totals	<u>\$ 201,893,500</u>	<u>\$ -</u>		

^{a)} This investment consists of multiple individually invested amounts which have a one-year lockup restriction from the date of the individual investment and maximum redemption of either 25% of the fund quarterly or 15% of the fund annually.

^{b)} The Endowed Investment Pool has a long-term investment horizon and consists principally of equity securities, bonds, mutual funds, and alternative investments, which are managed in a unitized investment pool. The alternative instruments include hedge funds, private equity, and venture capital.

Investment strategy is long-term gain to support endowment activities while preserving original corpus.

Note 6 – Property, Plant, and Equipment

Property, plant, and equipment consisted of the following as of June 30, 2024 and 2023:

	2024	2023
Land improvements	\$ 2,343,400	\$ 2,343,400
Buildings and improvements	77,702,900	75,707,500
Leasehold improvements	1,063,100	1,063,100
Vehicles	565,300	565,300
Furniture, equipment, and library books	18,379,000	16,812,600
ROU equipment acquired under financing leases	920,400	920,400
ROU land acquired under financing leases	2,745,500	2,745,500
Construction in progress	<u>8,916,700</u>	<u>5,230,200</u>
	112,636,300	105,388,000
Less: accumulated depreciation and amortization	<u>(47,963,800)</u>	<u>(43,486,500)</u>
Property, plant, and equipment, net	<u>\$ 64,672,500</u>	<u>\$ 61,901,500</u>

Total depreciation expense for the University was \$4,182,900 and \$3,688,500 for the years ended June 30, 2024. The University did not have any significant construction commitments as of June 30, 2024.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Buildings – In 1988, the University entered into an agreement, related to another building, whereby the University’s School of Allied Health Building (the “Allied Health Building”) and related land were sold to the UC Regents through a sale and leaseback agreement with a lease term of 35 years. The Allied Health Building was capitalized at an original carrying value of approximately \$3,807,400. The difference between the total amount capitalized and the actual cash received was approximately \$1,769,400. This amount was initially recorded as a deferred charge and deferred revenue and was being amortized over the term of the lease until the University purchased the building for \$1 in 2023, at which point the remaining charges were amortized during the year ended June 30, 2024.

Note 7 – Notes Payable

Notes payable consisted of the following as of June 30, 2024 and 2023:

	2024	2023
Note payable related to the Community Programs (Note 15).	\$ 13,243,400	\$ 13,227,000
Mortgage payable to CalHFA in monthly installments of \$15,000, including interest at 7.75% per annum, with the final payment in the year 2034, secured by real property. There was no accrued interest as of June 30, 2024 or 2023.	1,275,700	1,177,100
Mortgage payable, secured by a second deed or trust, payable to CalHFA, bearing interest at 3% per annum. Interest of \$618,800 and \$597,700 was accrued as of June 30, 2024 and 2023, respectively. Annual payments of principal and interest are to be made in an amount equal to 25% of annual residual receipts, as defined in the regulatory agreements with CalHFA. No residual payment was made for the years ended June 30, 2024 or 2023. The final payment will be in the year 2034.	704,700	704,700
Mortgage payable, secured by a third deed of trust, payable to the County of Los Angeles Community Development Commission, bearing interest at 3% per annum. Monthly payment of principal and interest totals \$1,300. The final payment will be in year 2035. There was no accrued interest as of June 30, 2024 or 2023.	150,500	160,700
	\$ 15,374,300	\$ 15,269,500

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Future minimum annual principal payments due under notes payable outstanding as of June 30, 2024, for the fiscal years ending June 30 and thereafter are as follows:

2025	\$ 111,800
2026	118,900
2027	126,500
2028	134,700
2029	143,600
Thereafter	<u>14,034,100</u>
	14,669,600
Repayments based on residual receipts due in 2034	<u>704,700</u>
	<u>\$ 15,374,300</u>

Note 8 – Bonds Payable

Series 2014 bonds – On December 22, 2014, the University entered into an agreement with California Educational Facilities Authority for the issuance of \$32,875,000 of variable-rate demand revenue bonds (the “series 2014 bonds”) for the retirement of the series 2007 bonds that were used for capital improvements. The outstanding series 2014 bonds payable balance was approximately \$28,855,000 and \$29,715,000 as of June 30, 2024 and 2023, respectively, and is shown on the consolidated statements of financial position, net of debt issuance costs.

The series 2014 bonds bear interest at a variable rate determined monthly by the Wall Street Journal, one month reference rate. The interest rates for the years ended June 30, 2024 and 2023, ranged from 3.00% to 7.75% and 4.11% to 6.28%, respectively. The interest rate was 3.49% and 5.84% as of June 30, 2024 and 2023, respectively.

Scheduled annual principal maturities on the series 2014 bonds outstanding as of June 30, 2024, for the fiscal years ending June 30 and thereafter are as follows:

2025	\$ 965,000
2026	1,005,000
2027	1,060,000
2028	1,110,000
2029	1,165,000
Thereafter	<u>23,550,000</u>
	28,855,000
Unamortized debt issuances costs	<u>(377,100)</u>
	<u>\$ 28,477,900</u>

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Maturity – The series 2014 bonds are due to mature on November 1, 2042, subject to prior redemption, and are further subject to optional, extraordinary, or mandatory redemption.

Bond issuance costs – The University incurred approximately \$565,600 of bond issuance costs, which are reported as a direct deduction to the bonds payable on the accompanying consolidated statements of financial position. The bond issuance costs are being amortized over the life of the bond. Amortization expense was approximately \$57,300 and \$15,400 for the years ended June 30, 2024 and 2023, respectively, which has been included in institutional support expense in the accompanying consolidated statements of activities. The unamortized bond issuance costs amounted to approximately \$377,100 and \$434,400 as of June 30, 2024 and 2023, respectively.

Covenants and waivers – The series 2014 bonds have restrictive covenants measured every quarter, which include meeting certain debt coverage and leverage ratios and maintaining sufficient cash to cover the University's operating expenses for two months.

Swap agreement – In connection with the original issuance of the series 2014 bonds, the University entered into an Interest Rate Swap Agreement (the "Swap Agreement") with Piper Jaffray Financial Products, Inc. The Swap Agreement reduced the risk of interest rate changes with respect to the series 2014 bonds during the term of the agreement. The Swap Agreement was assigned by Piper Jaffray Financial Products, Inc. to Morgan Stanley Capital Services LLC ("Morgan Stanley"). The scheduled termination of the Swap Agreement is the same date as the final maturity of the series 2014 bonds, November 1, 2042.

Under the Swap Agreement, the University will pay Morgan Stanley a fixed interest rate of 3.58% per annum, and Morgan Stanley will pay the University a variable interest rate equal to 68% of one month Secured Overnight Financing Rate (SOFR). The notional amount will be adjusted as the principal is reduced to equal the outstanding principal amount of the series 2014 bonds. The University does not enter into derivative instruments for any purpose other than cash flow hedging purposes and does not speculate for investment purposes using derivative instruments. The University measures the fair value of the swap as the amount required to settle the swap. Changes in the fair value of the swap agreement are reported as unrealized gains (assets) or losses (liabilities) on interest rate swap related to bonds in the accompanying consolidated statements of activities.

At June 30, 2024 and 2023, respectively, a liability of \$1,768,700 and \$2,242,700 is included in liabilities with respect to the Swap Agreement. The change in the fair value of the Swap Agreement for the years ended June 30, 2024 and 2023, was \$474,000 and \$1,089,600, respectively, which is included as the unrealized gain on interest rate swap in the accompanying consolidated statements of activities.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Note 9 – Refundable Advances

Refundable advances consisted of the following as of June 30, 2024 and 2023:

	2024	2023
Advances on grants and contracts		
Federal agencies	\$ 3,382,500	\$ 5,089,700
State and local governments	2,067,800	3,094,800
Private enterprises	3,610,500	2,319,900
	\$ 9,060,800	\$ 10,504,400

Note 10 – Commitments and Contingencies

Obligations under equipment financing leases – The University leased certain equipment and land under lease agreements with values consisting of the following as of June 30, 2024 and 2023:

	2024	2023
Gross value of ROU equipment under lease	\$ 920,400	\$ 920,400
Less: accumulated amortization	(683,000)	(564,800)
Net book value	\$ 237,400	\$ 355,600

The future minimum lease payments under equipment financing leases were approximately \$264,100 for the years ended June 30, 2025 through 2028. These financing leases have interest rates ranging from 4.15% to 5.90%. The total estimated present value of these future minimum lease payments is approximately \$248,600. This includes interest payments of approximately \$15,600.

Obligations under land financing leases – In December 2022, the University obtained the use of land under an agreement with the County of Los Angeles. The land was capitalized at an original carrying value of \$2,854,100, which approximated the net present value of the rental expense the University would be required to pay over the 60-year term of the lease plus the optional 20-year extension term.

	2024	2023
Gross value of ROU land under lease	\$ 2,854,100	\$ 2,854,100
Less: accumulated amortization	(305,500)	(108,600)
Net book value	\$ 2,548,600	\$ 2,745,500

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

The future minimum lease payments under land financing leases were approximately \$29,199,300 for the years ended June 30, 2025 through 2101. Payment terms are \$50,000 for the first 3 years, \$100,000 for the following year, and increase 3% each year through expiration. The interest rate used in the capitalization of the lease was the University's incremental borrowing rate of 5.9%. The total estimated present value of these future minimum lease payments is approximately \$3,035,700. This includes interest payments of approximately \$26,163,600.

Grants – The University receives state and federal funds that are subject to review and audit by the grantor agencies. These programs are subject to program compliance audits by the grantor, or their representatives, and such audits could result in disallowed costs. The University's management believes that any such disallowed costs would not have a material adverse effect on the consolidated financial position of the University.

A substantial portion of tuition is paid through the students' participation in federally funded financial aid programs. Transfers of funds from the financial aid programs to the University are made in accordance with the U.S. Department of Education requirements. The financial aid and assistance programs are subject to political and budgetary considerations. The University's administration of these programs is periodically reviewed by various regulatory agencies.

On September 15, 2010, the University entered into various agreements with the UC Regents, which effectively facilitated a grant from the State of California through the UC Regents to support the development and opening of the new School of Nursing. Under the agreements, if the University fails to maintain the School of Nursing in operation, then the UC Regents can terminate such agreements and use a portion of the Life Sciences Research and Nursing Education (LSRNE) building for its own academic purposes.

Legal matters – The University is subject to various litigation claims that arise in the ordinary course of business. It is the opinion of the University's management, after consultation with its legal counsel, that the ultimate disposition of these matters will not have a material adverse effect on the University's financial position. Related amounts are reflected in the accompanying consolidated statements of financial position in accrued expenses.

Note 11 – Retirement Plan

The University has a defined contribution, non-contributory retirement plan covering substantially all employees who have completed one year of service. The retirement contribution rates were 7% for the years ended June 30, 2024 and 2023. As such, the University had retirement plan expense of \$2,563,000 and \$2,368,400 for the years ended June 30, 2024 and 2023, respectively.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Note 12 – Endowment Funds and Net Assets

Interpretation of relevant law – In approving endowment spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Trustees of the University, as authorized by California law, has relied upon the actions, reports, information, advice, and counsel taken or provided by its duly constituted committees and duly appointed officers of the University, including the University's legal counsel, and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor direction to the contrary. As a result of this interpretation, the University classifies as restricted net assets the historic dollar value of assets held as donor-restricted endowments, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instrument.

Investment income, gains, and losses are reported as an increase or decrease in net assets with donor restrictions until those amounts are appropriated by the Board of Trustees in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act.

Endowment funds with deficits – From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. There were no donor endowment deficits as of June 30, 2024 and 2023.

Investment strategy – Consistent with the investment and prudent spending policies stated below, the investment strategy is as follows:

Preservation of capital – To minimize the probability of loss of principal over the investment horizon of the portfolio relative to the market.

Long-term growth of capital – To seek long-term growth of principal.

Preservation of purchasing power – To seek return in excess of the rate of inflation over the long-term investment horizon of the portfolio relative to the market.

Return objectives and risk parameters – The University has adopted investment and prudent spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. This policy is intended to provide for the safety of principal through diversification in a portfolio of common stocks, bonds, mutual funds, cash equivalents, and other investments, including international equities and alternative investments, which may reflect varying rates of return. The objective of the endowment is to earn an average annualized total return of at least 5% per year over the long term, net of cost.

The investments are also diversified. This policy assumes that portfolio diversification provides protection against a single security or class of securities having a disproportionate impact on aggregate performance. The University's management reevaluates this assumption on a regular basis.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Spending policy – The University’s spending policy for endowment funds allows for the spending of 4.5% of the endowment principal invested for the years ended June 30, 2024 and 2023. During the year ended June 30, 2024, the University’s Board of Trustees approved a supplemental spending withdrawal of \$5,500,000 to support operational activities resulting from the expansion of programs and services made available to students. In total, the University’s Board of Trustees authorized spending of approximately \$9,142,300 and \$3,627,400 for the years ended June 30, 2024 and 2023, respectively.

Donor-restricted endowment – Beginning in 2002, the University received an initial \$4,000,000 and an additional \$5,000,000 in each of the five subsequent years from the NIH to establish endowment funds, which totaled \$29,000,000. The corpus of \$29,000,000 is to be maintained in perpetuity with the investment income earned from these funds used to support the following:

- The construction of a learning conference center, computer classroom, and two new seminar rooms
- Faculty and professional development, including creation of a faculty Research and Teaching Resource Center, and a comprehensive instructional program for faculty that will optimize the effectiveness of faculty as research mentors
- Enhancement of the University’s research infrastructure through modernization of the existing learning resource center for students

In addition to the NIH endowment, the University had other restricted endowments of approximately \$11,347,400 and \$10,646,400 as of June 30, 2024 and 2023, respectively, the earnings of which are available for various purposes, as permitted by law.

Term endowments – Beginning in 2008, the University received an initial \$5,000,000 term endowment contribution from NIH. The University received an additional \$5,000,000 in each of the years ended June 30, 2010 and 2009, from NIH. The corpus of \$20,000,000 is to be invested for a period of 20 years, after which such amount will be available for expenditure. During the grant period (20 years commencing on the date of each award), investment income on these funds is used to build the University’s research infrastructure and capacity but may not be used to directly support research itself.

On September 19, 2011, the University was awarded an additional \$25,000,000 in endowment funds from NIH. The funds were received by the University in \$5,000,000 annual increments during the years ended June 30, 2012 through June 30, 2016. The actual corpus received was \$24,675,000. The corpus of such awards is to be invested for a period of 20 years, after which such amount will be available for expenditure. During the grant period (20 years commencing on the date of each award) investment income on these funds is used to build the University’s research infrastructure and capacity but may not be used to directly support research itself.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

On July 28, 2023, the University was awarded the John Lewis NIMHD R\$10,000,000 in endowment funds from NIH. The funds are to be received by the University in \$2,000,000 annual increments during the years ended June 30, 2023 through June 30, 2028. The actual corpus as of June 30, 2024, is \$2,000,000. The corpus of such awards is to be invested for a period of 20 years, after which such amount will be available for expenditure. During the grant period (20 years commencing on the date of each award) investment income on these funds is used to build the University's research infrastructure and capacity to facilitate minority healthy and health disparities research.

Accumulated earnings on the NIH endowments were \$19,408,800 and \$20,085,600 as of June 30, 2024 and 2023, respectively.

In addition, the University also had other term endowments with a value of \$196,600 and \$180,900 as of June 30, 2024 and 2023, respectively.

The composition of endowment net assets by type is as follows:

	As of June 30, 2024		
	Total	Without Donor Restrictions	With Donor Restrictions
Donor-restricted	\$ 106,627,800	\$ -	\$ 106,627,800
Board-designated	3,295,000	3,295,000	-
	<u>\$ 109,922,800</u>	<u>\$ 3,295,000</u>	<u>\$ 106,627,800</u>
	As of June 30, 2023		
	Total	Without Donor Restrictions	With Donor Restrictions
Donor-restricted	\$ 104,407,000	\$ -	\$ 104,407,000
Board-designated	3,032,500	3,032,500	-
	<u>\$ 107,439,500</u>	<u>\$ 3,032,500</u>	<u>\$ 104,407,000</u>

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

The changes in endowment net assets for the year ended June 30, 2024, is as follows:

	2024		
	Total	Without Donor Restrictions	With Donor Restrictions
June 30, 2023	\$ 107,439,500	\$ 3,032,500	\$ 104,407,000
Contributions	2,110,000	-	2,110,000
Appropriations	(9,142,300)	-	(9,142,300)
Investment gain, net	822,800	74,400	748,400
Investment appreciation, net	8,692,800	188,100	8,504,700
June 30, 2024	<u>\$ 109,922,800</u>	<u>\$ 3,295,000</u>	<u>\$ 106,627,800</u>

The changes in endowment net assets for the year ended June 30, 2023, are as follows:

	2023		
	Total	Without Donor Restrictions	With Donor Restrictions
June 30, 2022	\$ 103,121,400	\$ -	\$ 103,121,400
Board designations	3,032,500	3,032,500	-
Contributions	756,400	-	756,400
Appropriations	(3,627,400)	-	(3,627,400)
Investment gain, net	71,600	-	71,600
Investment appreciation, net	4,085,000	-	4,085,000
June 30, 2023	<u>\$ 107,439,500</u>	<u>\$ 3,032,500</u>	<u>\$ 104,407,000</u>

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

A description of amounts classified as net assets with donor restrictions as of June 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Endowments		
Portion of endowment funds required to be retained perpetually by either explicit donor stipulation or law	\$ 40,347,400	\$ 39,646,400
Portion of term endowment funds subject to time restrictions	46,871,600	44,675,000
Accumulated earnings subject to time or purpose restriction(s)	<u>19,408,800</u>	<u>20,085,600</u>
Total endowments with donor restrictions	106,627,800	104,407,000
Other net assets with time and purpose restrictions	<u>59,450,200</u>	<u>56,760,400</u>
Total net assets with donor restrictions	<u>\$ 166,078,000</u>	<u>\$ 161,167,400</u>

Note 13 – Liquidity and Availability

The University structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the University invests cash in excess of its operating, capital expenditure, and debt service requirements in various investments according to its investment policy.

The University's financial assets available to meet general expenditures with one year of the consolidated statements of financial position date are as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 15,668,600	\$ 23,209,900
Investments, short-term	94,435,700	91,770,500
Grants and contracts receivable, net	16,454,600	23,382,400
Other receivable, net	<u>1,515,600</u>	<u>3,225,700</u>
	<u>\$ 128,074,500</u>	<u>\$ 141,588,500</u>

Additionally, the University has assets limited as to use for debt service, donor restrictions, and various required reserves. These assets limited as to use, which are more fully described in Note 1, are not available for general expenditure within the next year.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to Consolidated Financial Statements

Note 14 – Functional Allocation of Expenses

Functional expenses are allocated based on the nature of their activity. Expenses by function and nature consist of the following for the years ended June 30, 2024 and 2023:

	Instruction	Public Service	Research	Academic Support	Student Services	Institutional Support	Special Events	Operation and Maintenance of Plant	Auxiliary Enterprises	2024
Salaries, wages, and benefits	\$ 20,986,300	\$ 3,559,900	\$ 10,101,600	\$ 9,627,600	\$ 3,838,000	\$ 13,988,600	\$ -	\$ 1,145,800	\$ -	\$ 63,247,800
Service, supplies, and other expenses	7,050,800	2,069,300	2,647,400	4,006,100	602,900	7,288,800	130,400	414,200	-	24,209,900
Depreciation expense	-	-	-	-	-	692,700	-	3,490,200	-	4,182,900
Interest expense	-	-	-	-	-	2,550,500	-	-	-	2,550,500
Occupancy and utilities	-	8,300	31,300	51,200	128,700	644,100	10,800	892,100	623,400	2,389,900
Total operating expenses	\$ 28,037,100	\$ 5,637,500	\$ 12,780,300	\$ 13,684,900	\$ 4,569,600	\$ 25,164,700	\$ 141,200	\$ 5,942,300	\$ 623,400	\$ 96,581,000

	Instruction	Public Service	Research	Academic Support	Student Services	Institutional Support	Special Events	Operation and Maintenance of Plant	Auxiliary Enterprises	2023
Salaries, wages, and benefits	\$ 18,715,900	\$ 2,821,100	\$ 9,670,700	\$ 12,852,600	\$ 2,034,900	\$ 11,857,400	\$ -	\$ 787,100	\$ -	\$ 58,739,700
Service, supplies, and other expenses	6,612,700	838,200	2,848,800	5,366,500	378,000	7,670,700	-	135,000	-	23,849,900
Depreciation expense	-	-	-	-	-	685,200	-	3,003,300	-	3,688,500
Interest expense	-	-	-	-	-	3,156,100	-	-	-	3,156,100
Occupancy and utilities	-	59,400	30,000	97,600	54,800	280,000	-	1,359,200	658,100	2,539,100
Total operating expenses	\$ 25,328,600	\$ 3,718,700	\$ 12,549,500	\$ 18,316,700	\$ 2,467,700	\$ 23,649,400	\$ -	\$ 5,284,600	\$ 658,100	\$ 91,973,300

Note 15 – Community Programs

In 2019, the University began construction on a building with the intention of creating a Federally Qualified Health Center operated by AIDS Project Los Angeles, a student center, and a grand campus entry. Given the location of the construction, the project is eligible for new market tax credits (NMTC), a federal funding program to incentivize investment in low-income communities. The University partnered with a corporate investor and two community development entities (CDEs) to obtain approximately \$5,460,000 in NMTC funding, which resulted in approximately \$2,750,000 of additional funding for the project.

The CDU Foundation was created to act as the leveraged lender in the structure. The University can appoint the majority of the entity's Board members. Additionally, the University signed as guarantor on the CDU Foundation loan agreements. As such, the CDU Foundation is financially controlled by and has been consolidated with the University in these consolidated financial statements and notes thereto.

As a result of the transaction, the University has a note receivable from the corporate investor. The interest rate per annum is 1.66%. The University is receiving quarterly interest-only payments through January 2027. The University will begin to receive interest and principal payments from March 2027 through December 2045. The loan is secured by the corporate investor's equity interest in the CDEs.

Additionally, the University has a note payable to the CDEs (see Note 7). The interest rate per annum is 1.44%. The University will make quarterly interest-only payments through maturity in January 2050. The loan is secured by a first mortgage on the building and improvements. Loan proceeds are required to be held in separate bank accounts, accessible by the University only as authorized by the lenders in connection with construction expenditures, and as such are presented as restricted cash on the consolidated statements of financial position.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Charles R. Drew University of Medicine and Science

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Charles R. Drew University of Medicine and Science, a California not-for-profit corporation, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Moss Adams LLP".

Irvine, California
December 9, 2024

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees
Charles R. Drew University of Medicine and Science

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Charles R. Drew University of Medicine and Science's, a California not-for-profit corporation, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Charles R. Drew University of Medicine and Science's major federal program for the year ended June 30, 2024. Charles R. Drew University of Medicine and Science's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Charles R. Drew University of Medicine and Science complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Moss Adams LLP".

Irvine, California
December 9, 2024

Supplementary Information

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Schedule of Financial Responsibility Ratios
For the Year Ended June 30, 2024

Section 498(c)(1) of the Higher Education Act authorizes the secretary for the Department of Education (“Department”) to establish ratios and other criteria for determining whether an institution has sufficient financial responsibility. Section 668.172 established a methodology based on three ratios—primary reserve, equity, and net income—that measure different aspects of financial health and are combined into a composite score to measure financial responsibility. Several mathematical steps are required to combine an institution’s ratio results into a composite score:

- Determine the value of each ratio;
- Calculate a strength factor score for each ratio using the appropriate algorithm;
- Calculate a weighted score for each ratio by multiplying the strength factor score by its corresponding weighted percentage; and
- Add the weighted scores to arrive at the composite score.

Institutions receiving a composite score of 1.5 or greater are considered financially responsible. An institution that fails the financial responsibility standards may continue to participate in Title IV programs under provisional certifications for three years. To continue to participate in Title IV programs under provisional certification, an institution will be required to provide surety to the Department of 10 percent or more of its previous year’s Title IV funding, as determined by the Department.

The source for each balance below has been referenced to either the consolidated statement of financial position (SOFP), consolidated statement of activities (SOA), or a specific footnote except for the following:

The Department has set limits within the primary reserve calculation so that long-term debt issued by the University after July 1, 2019, must be limited to the portion spent on property, plant, and equipment. Therefore, the Department requires that all property, plant, and equipment and long-term debt acquired or issued after that date be reported separately. Note 6 to the consolidated financial statements provides information on the University’s total property, plant, and equipment, net, but does not provide a breakout of assets acquired before and after the implementation date of July 1, 2019. Similarly, Notes 7 and 8 to the consolidated financial statements provide information on total debt of the University but do not provide a breakout of debt issued before and after July 1, 2019. The following tables provide a breakdown at June 30, 2024, based on the respective implementation date.

	<u>Reference</u>			
Property, plant, and equipment – pre-implementation		\$	35,398,000	*
Property, plant, and equipment – post-implementation with outstanding debt for original purchase			9,770,500	**
Property, plant, and equipment – post-implementation without outstanding debt for original purchase			10,349,900	***
Lease right-of-use assets post-implementation	Note 10		237,400	****
Construction in progress	Note 6		8,916,700	*****
Total property, plant, and equipment at June 30, 2024	Note 6	\$	64,672,500	

See report of independent auditors.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Schedule of Financial Responsibility Ratios
For the Year Ended June 30, 2024

	Reference		
Long-term debt for long-term purposes pre-implementation			
CalHFA Mortgage payable (1)	Note 7	\$ 1,275,700	
CalHFA Mortgage payable (2)	Note 7	704,700	
County of Los Angeles Community Development Commission mortgage payable	Note 7	150,500	
Bonds payable	Note 8	28,477,900	
Total long-term debt for long-term purposes pre-implementation		30,608,800	†
Long-term debt for long-term purposes post-implementation			
Community programs note payable	Note 7	13,243,400	
Total long-term debt for long-term purposes post-implementation		13,243,400	††
Line of credit for construction in progress	n/a	-	†††
Total long-term debt at June 30, 2024		\$ 43,852,200	
Accumulated earnings subject to time or purpose restriction(s)	Note 12	\$ 19,408,800	
Other net assets with time and purpose restriction	Note 12	59,450,200	
Net assets with donor restrictions: other for purpose or time (less annuities)		\$ 78,859,000	^
			As of and for the Year Ended June 30,
Primary Reserve Ratio Calculation	Reference		2024
Net assets without donor restrictions	SOFP	\$ 71,776,700	
Net assets with donor restrictions	SOFP	166,078,000	
Total net assets		237,854,700	
Less:			
Annuities with donor restrictions	n/a	-	
Term endowments with donor restrictions	Note 12	(46,871,600)	
Life income funds with donor restrictions	n/a	-	
Net assets with donor restrictions: restricted in perpetuity (less annuities)	Note 12	(40,347,400)	
Unsecured related-party receivables	Note 1	-	
Unsecured other related-party assets	Note 1	-	
Property, plant, and equipment – pre-implementation	*	(35,398,000)	
Property, plant, and equipment – post-implementation with outstanding debt for original purchase	**	(9,770,500)	
Property, plant, and equipment – post-implementation without outstanding debt for original purchase	***	(10,349,900)	
Construction in progress	*****	(8,916,700)	
Lease right-of-use asset pre-implementation	n/a	-	
Lease right-of-use asset post-implementation	****	(237,400)	
Intangible assets	n/a	-	
Add:			
Post-employment and pension liabilities	n/a	-	
Long-term debt for long-term purposes pre-implementation	†	30,608,800	
Long-term debt for long-term purposes post-implementation	††	13,243,400	
Line of credit for construction in progress	†††	-	
Pre-implementation right-of-use lease liabilities	n/a	-	
Post-implementation right-of-use lease liabilities	SOFP	3,283,600	
Total expendable net assets			133,099,000
Total expenses without donor restrictions	SOA	96,581,000	
Add:			
Non-operating and net investment losses	n/a	-	
Net investment losses	n/a	-	
Pension – related changes other than net periodic costs	n/a	-	
Total expenses without donor restrictions and losses without donor restrictions			\$ 96,581,000
Primary reserve ratio			1.4
Net assets with donor restrictions: other for purpose or time (not included in the calculation)	^		\$ (78,859,000)

See report of independent auditors.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Schedule of Financial Responsibility Ratios
For the Year Ended June 30, 2024

Equity Ratio Calculation	Reference	June 30, 2024
Net assets without donor restrictions	SOFP	\$ 71,776,700
Net assets with donor restrictions	SOFP	<u>166,078,000</u>
		237,854,700
Less:		
Lease right-of-use assets pre-implementation	n/a	-
Intangible assets	n/a	-
Unsecured related-party receivables	Note 1	-
Unsecured related-party other assets	Note 1	-
Add:		
Pre-implementation right-of-use lease liabilities	n/a	<u>-</u>
Modified net assets		\$ 237,854,700
Total assets	SOFP	317,465,600
Less:		
Lease right-of-use assets pre-implementation	n/a	-
Intangible assets	n/a	-
Unsecured related-party receivables	Note 1	-
Unsecured related-party other assets	Note 1	<u>-</u>
Modified assets		<u>\$ 317,465,600</u>
Equity ratio		0.7
Net Income Ratio Calculation	Reference	For the Year Ended June 30, 2024
Change in net assets without donor restrictions	SOA	\$ (6,373,500)
Total operating revenue, gains, and other support without donor restrictions	SOA	\$ 84,783,400
Add:		
Investment return appropriated for spending (without donor restriction)	SOA	-
Non-operating revenue and other gains (without donor restriction)	SOA	<u>5,424,100</u>
Total revenue and gains without donor restrictions		<u>\$ 90,207,500</u>
Net income ratio		(0.1)

See report of independent auditors.

**Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Schedule of Financial Responsibility Ratios
For the Year Ended June 30, 2024**

Step 1: Calculate the strength factor score for each ratio by using the following algorithms:

Primary Reserve strength factor score = 10 x the primary reserve ratio result

Equity strength factor score = 6 x the equity ratio result

Negative net income ratio result: Net income strength factor = 1 + (25 x net income ratio result)

Positive net income ratio result: Net income strength factor = 1 + (50 x net income ratio result)

Zero result for net income ratio: Net income strength factor = 1

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3.

If the strength factor score for any ratio is less than or equal to -1, the strength factor score for the ratio is -1.

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores

Primary Reserve weighted score = 40% x the Primary Reserve strength factor score

Equity weighted score = 40% x the Equity strength factor score

Net income weighted score = 20% x the net income strength factor score

Composite Score = the sum of all weighted scores

Round the composite score to one digit after the decimal point to determine the final score

As of and for the Year Ended June 30, 2024				
RATIO DESCRIPTION	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	1.4	3.0	40%	1.2
Equity Ratio	0.7	3.0	40%	1.2
Net Income Ratio	(0.1)	(0.8)	20%	(0.2)
Composite Score				2.2

See report of independent auditors.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program and Cluster Title	Federal Assistance Listing Number	Federal ID or Pass-Through Entity or Other ID Number	Expenditures Recognized	Passed Through to Subrecipients
Research and Development Cluster				
U.S. Department of Defense				
Effects Electronic Cigarettes Cardiomyopathy Military	12.420	W81XWH2010584	\$ 81,893	\$ -
Subtotal U.S. Department of Defense			<u>81,893</u>	<u>-</u>
U.S. Department of Health and Human Services				
National Institutes of Health (NIH)				
The Next Generation Substance Abuse Research Training at CDU and UCLA (NGSART-CU)	93.279	5R25DA050723-05	296,324	-
Summer Substance Abuse Research Training (SART)	93.279	1R25DA057713-01	113,781	-
Passed through from University of Chicago				
Methodology and Advanced Analytics Resource Center (MAARC)	93.279	1U2CDA050098-01/ AWD100228 (SUB00001029)	56,192	-
Passed through from University of Southern California				
Rising STARS (Scientific Training in Alcohol Research and other Substances) Program	93.279	1R25DA056016-01	33,981	-
CDI Advancement Center/Health Endowment	93.307	2R25MD007610-11	470,593	-
Novel Pathway Pathogenesis & Pathophysiology on NAFLD	93.307	R01MD012579	78,661	-
Advancement Center/Health	93.307	1P50RR1717401	4,000,000	-
Office of Academic Computing	93.307	1S21MD00235	15,000,000	-
Medical Science Institute Endowment	93.307	2S21MD00010305	10,000,000	-
Medical Science Institute Temporary Endowment	93.307	5S21MD00010307	15,000,000	-
Medical Science Institute Endowment	93.307	5S21MD00010310	5,000,000	-
Sustaining Faculty Development & Community Engagement	93.307	5S21MD00010311	24,675,000	-
Research Endowment Program	93.307	1S21MD018960-01	4,000,000	-
NIH Endowment Interest Earned	93.307	n/a	2,133,064	-
LSI: Sustaining Faculty Development and Community Engagement Supplement	93.307	3S21MD000103-14S1	3,284,080	-
Accelerating Excellence in Translational Science (AXIS)	93.307	5U54MD007598-12	4,447,636	73,905
Passed through University of California Los Angeles				
Clinical & Translational Science Institution	93.350	1ULTR001881	846,799	-
CTSI: Drug Abuse Research Day and Diabetes Day	93.350	UL1TR000124	10,935	-
Passed through University of California Davis:				
UCLA Cancer Center Partnership to Eliminate Cancer	93.397	2U54CA143931-06	204,317	-
NIH/National Heart, Lung and Blood Institute				
Passed through University of California Los Angeles				
Cultivating Interest in Research Careers-(CIRC)	93.837	1557-GZB302	2,685	-
The Regents of UC - Advanced Research Training Kidney Disease	93.847	1652GZA087	15,212	-
Electronic cigarettes, oxidative stress and development of breast tumor	93.859	1R16GM149471-01	75,231	-
Follistatin Regulation of Energy & Lipid Metabolism Atheros	93.859	1R16GM145591-01	190,305	15,875
Co-Targeting Obesity in Prostrate Cancer Chemo Therapy	93.859	5SC1GM121202-04	112,420	-
Signaling mediators of CCL2/CCR2 and natural product discovery	93.859	5R35GM149318-02	196,719	-
Therapeutic Metabolism Elect CigA Ind Cardiac Dysf	93.859	5SC2GM135127-03	41,409	-
Engaging Underrepresented Racial/Ethnic Minority Students in Aging Research	93.866	5R25AG076399-02	305,707	-
ASCEND Training Increase Diversity Biomed Research (MSUCDU118973)	93.310	MSUCDU118973	110,186	-

(continued)

See notes to schedule of expenditures of federal awards.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program and Cluster Title	Federal Assistance Listing Number	Federal ID or Pass-Through Entity ID Number	Expenditures Recognized	Passed Through to Subrecipients
Passed through University of California Los Angeles				
COVID-19 Impact on Health and Well-Being	93.886	1557GZA584	\$ 24,386	\$ -
The Center for Health Improvement of Minority Elderly	93.886	5P30AG021684-20	18,996	-
Project REFOCUS: Phase II	93.421	6 NU38OT000288-04-02	5,152	-
Training Primary Care Champions (AitaMed) subaward	93.844	1 T I 3HP31896-01-00	19,000	-
Primary Care Training and Enhancement (HRSA)	93.844	5 T0BHP33101-03-00	495,812	119,393
Primary Care Training for Language and Disability Access	93.884	1T5CHP52051-01-00/ 1557 G IA831	101,940	-
Primary Care Training and Enhancement	93.884	1 TA2HP48938-01-00	557,583	-
NIH/National Institute of Minority Health (NIMH)				
Understanding HIV Biomedical prevention	93.307	SK01MD015002-04	167,730	-
Health Resources and Services Administration:				
Passed through University of California, Los Angeles:				
AIDS Regional Education and Training Center	93.149	2948SC	211,521	-
NIH/PHS/NIAID				
UCLA-CDU CFAR HBCU Global Health Consortium Meeting - Incubator Award	93.855	1559 G IB825	2,947	-
UCLA - CDU CFAR -1559 G LA625	93.855	P30A1152501	504,589	-
NIH/National Cancer Institute				
Beige Adipocytes & African American Breast Tumors		5SC1CA232319-09	146,520	-
Metabolic Repro Strategy Treatment Diabetes and Breast Cancer	93.396	1SC1GM135050	245,079	-
Passed through from HBCU Consortium				
Research on Healthcare Costs, Quality, and Outcomes - Zambia (Jhieppo Corporation)	93.266	U92HA31460	1,783	-
Research on Healthcare Costs, Quality, and Outcomes - Zambia (Malawi)	93.266	6 UV9OA47276-01-03	144,015	-
Research on Healthcare Costs, Quality, and Outcomes - Zambia (Zambia)	93.266	6 UV9OA47276-01-03	1,354,470	-
Subtotal U.S. Department of Health and Human Services			<u>94,702,760</u>	<u>209,173</u>
U.S. Social Security Administration				
Passed through Regents of the University of Michigan:				
Michigan Retirement and Disability Research Center FY24-FY28	96.007	1 RDR23000008-01-00/ SUBK00021230	29,356	-
Subtotal U.S. Social Security Administration			<u>29,356</u>	<u>-</u>
Total Research and Development Cluster			<u>94,814,009</u>	<u>209,173</u>
Student Financial Assistance Cluster				
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007	P007A05191	85,250	-
Federal Direct Loans	84.268	P033A05191	25,748,691	-
Federal Work-Study Program	84.033	n/a	168,548	-
Federal Pell Grant Program	84.063	P063P50645	835,645	-
Subtotal U.S. Department of Education			<u>26,838,134</u>	<u>-</u>

(continued)

See notes to schedule of expenditures of federal awards.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program and Cluster Title	Federal Assistance Listing Number	Federal ID or Pass-Through Entity ID Number	Expenditures Recognized	Passed Through to Subrecipients
U.S. Department of Health and Human Services:				
Health Resources and Services Administration				
Nurse Faculty Loan Program	93.264	E01HP25828	\$ 476,834	\$ -
Scholarships for Health Professionals Students from Disadvantaged Backgrounds - ELM	93.925	5 T08HP39272-04-00	650,000	-
Scholarships for Health Professionals Students from Disadvantaged Backgrounds - MPH	93.925	6 T08HP39271-03-01	551,140	-
Subtotal U.S. Department of Health and Human Services			1,677,974	-
Total Student Financial Assistance Cluster			28,516,108	-
Other Programs				
U.S. Department of Justice:				
Child Advocacy Center Program (Cal Governor OES)				
	16.575	KC22 01 1279	232,480	-
Subtotal U.S. Department of Justice			232,480	-
U.S. Department of Education:				
Higher Education Institutional Aid - Historically Black Colleges and Universities				
	84.031B	P031B141016	(7,412)	-
	84.031B	P031K190023	4,138,959	-
Total Higher Education Institutional Aid			4,131,547	-
COVID-19 Education Stabilization Fund				
Higher Education Emergency Relief Funds (HBCU)				
	84.425J	P425E202540	20,504	-
Subtotal U.S. Department of Education			4,152,051	-
U.S. Department of Health and Human Services:				
Health Careers Opportunity Program				
	93.822	D18HP32116-05-00	185,336	106,089
	93.822	6 D18HP32116-06-02	419,945	-
Total Health Careers Opportunity Program			605,281	106,089
Public Health Scholarship Program				
	93.516	6 T52HP46759-01-01	507,587	-
Health Resources and Services Administration				
Integrated Maternal Health Services				
	93.110	1 U2EMC52097-01-00	288,510	-
National Library of Medicine				
COVID-19 Health and Environmental Impact on Community				
	93.U01	608421	2,233	-
Centers for Medicare and Medicaid Services				
Ryan White Title III Outpatient EIS Program-Yr 18				
	93.918	2H7HA021631600	378,442	-
Subtotal U.S. Department of Health and Human Services			1,782,053	106,089
Total Other Programs			6,166,584	106,089
Total Expenditures of Federal Awards			\$ 129,496,701	\$ 315,262

See notes to schedule of expenditures of federal awards.

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Note 1 – General

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the activity for all federal award programs of Charles R. Drew University of Medicine and Science (the “University”) for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the consolidated operations of the University, it is not intended to and does not present the consolidated financial position, activities, or cash flows of the University.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 – Federal Student Loan Programs

The federal student loan programs listed subsequently are administered directly by the University and balances and transactions relating to these programs are included in the University’s consolidated financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2024, consists of:

Assistance Listing Number	Program Name	Loans Outstanding at June 30, 2023	Loans Awarded During Fiscal 2024	Loan Principal Repaid / Cancelled Written Off / Assigned During Fiscal 2024	Loans Outstanding at June 30, 2024
93.264	Nurse Faculty Loan Program	\$ 469,895	\$ 6,939	\$ 30,380	\$ 446,454

Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Note 4 – Endowment Award

The accompanying Schedule includes \$79,808,064 in research and development endowment grants, which consist of \$77,675,000 in corpus and \$2,133,064 of interest earned on the cumulative endowment corpus, which is considered program income in accordance with the grant award terms from the National Institutes of Health (Federal Assistance Listing Number No. 93.307) to establish an endowment fund.

Of the \$77,675,000 corpus, \$29,000,000 is to be maintained in perpetuity and the investment income will be used to support: (1) the construction of a learning conference center, computer classroom, and two new seminar rooms; (2) faculty and professional development, including creation of a faculty Research and Teaching Resource Center, and a comprehensive instructional program for faculty that will optimize the effectiveness of faculty as research mentors; and (3) enhancement of the University's research infrastructure through modernization of the existing learning resource center for students.

The remaining \$48,675,000 consists of term endowment funds, which allow for the use of the corpus 20 years after the end of the grant period. The investment income on these term endowment funds will be used to build the University's research infrastructure and capacity but may not be used to directly support the research itself.

**Charles R. Drew University of Medicine and Science
(California Not-for-Profit Corporation)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies)? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of Major Federal Programs and Type of Auditors’ Report Issued on Compliance

<i>Federal Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
Various	Research and Development Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as a low-risk auditee? Yes No

Section II – Financial Statement Findings

None reported.

Section III – Findings and Questioned Costs Relating to Federal Awards

None reported.

