

November 4, 2019

Results of the 2019 consolidated financial statement audit, internal control matters and other required communications.

**BKD**  
CPA & Advisor

November 4, 2019

Board of Trustees and Audit Committee  
Park University  
Parkville, Missouri

Dear Board of Trustees and Audit Committee:

We have completed our audit of the consolidated financial statements of Park University (the University) as of and for the year ended June 30, 2019. This report includes communication required under auditing standards generally accepted in the United States of America as well as other matters.

Our audit plan represented an approach responsive to the assessment of risk of material misstatement in financial reporting for the University. Specifically, auditing standards require us to:

Express an opinion on the June 30, 2019, consolidated financial statements and supplementary information of the University.

Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with

*David H. ...*

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An audit performed in accordance with Auditing Standards Generally Accepted in the United States of America, Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements* , V Vminis D



# Summary of Our Audit Approach & Results

## Our Approach

BKD's audit approach focuses on areas of higher risk—the unique characteristics of Park University's  
Operating environment,  
The design effectiveness of your internal controls, and  
Financial statement amounts and disclosures.

The objective is to express an opinion on the conformity of your consolidated financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

## Areas of Audit Emphasis

The principal areas of audit emphasis and results were as follows:

Risk Area	Results
<i>Management override of controls</i> – The risk that management may override existing and functioning accounting controls is an inherent risk to the University	No matters are reportable.
<i>Revenue recognition</i> – The risk that revenue is improperly categorized or recorded in the improper period	The University adopted ASC 2014-09, <i>Revenue from Contracts with Customers</i> (Topic 606) during 2019. See additional disclosures in <i>Note 3</i> to the consolidated financial statements.
<i>Existence and valuation of investments and funds held in trusts</i> – The assumptions and methods used by management to value difficult-to-value investments, such as alternative investments	No matters are reportable.
<i>Existence and valuation of accounts and notes receivable</i> – The assumptions used by management to value collectibility of accounts and notes receivable	No matters are reportable.
<i>Long-term debt and financial covenant compliance</i>	No matters are reportable.
<i>Compliance with major federal award program regulations</i>	No matters are reportable.

## Unmodified, or “Clean,” Opinion Issued on Consolidated Financial Statements

We have issued an unmodified opinion as to whether the consolidated financial statements of Park University, as of and for the year ended June 30, 2019, attached, are fairly presented, in all material respects.

# Required Communications

## 6LJQLILFDQW (VWLPDWHV

7KH SUHSDUDWLRQ HRC WKH DERQDYG OLVGDWFRPHQLVGH WDEOHFUMXGJ VFRQW DVVH  
OLDELOLWLHV UHYHDXHVHYVWG FDVWHGDEHDFHGWFO DDQXPSWLRQV DERXW  
RXWFRPHV (VWLPDWHVGHQW) FEH DVHSXP S WLFRRQR RIHFO BWHG WLR RQPHQWDO  
UHJXODWRU\ UHIRUP RU FKDQJHV LQ LQGXVWU\ WUHQGV

6RPH HVWLPDWHV DRUHLQIKIHUFKOWO WRK EY DDXDMSWDEG GHKWR YDULDWLRQ  
DVVXPSWLRQV UHGDWERPHWRKIDYFK DHK LJKFHUWGDJLQWH R7R WKH H[WHQW I  
DUH GLIIHUHQW WKDQ HQSWHFWHHGW IPDDQDHLVFDIXW XIGHI SWW HRGV V RPHWLP  
VLJQLILFDQW HIIHFWRUHQGXEQBQXHDQV SWDWHPHQWV

7KH IROORZLQJ DUH FRQVLGHUHG WRNEHQVLYLQWVLLFDQW HVWLPDWHV IRU

x \$FFRXQWV 5HFHLYDEOH DQGHVDEOH \$DQDJHPHQW±EHOLHYHV WKDW  
DFFRXQWV UHFHLYDEOH DQG SOHGJHVQDEHCHL YDERIH- DDQRZDQFHV7DE  
HVWLPDWH FRXOG SKDQRB GQHXWRX UKDROGHFH HQXPVHVDQVHV

x ,QYHVWPHQWV )XQGV +HOG E7KHJ8QLVYHUVLWKILQYHVWV LQ YDULRX  
VHFXULWLHV ,QYHVWPHQWV RYHUVWULR VDKU DRXVQWLWVWV UDWH PDUN  
ULNVN 'XH WR WKVHGRYDQVHG ZILWHHQWU WHEXULQYLHWLW LV DW OHD  
SRVVLEOH WKDW FKDQJHV LQ WKH YDORHFRU LQYHVWPHQWV WHFXRVLV

x 'HSUHFLDQDQDJHPHQWV HVWLPDOLHHR RWHKDFK VDNFLDWW LDQG PGHNSKRG X  
GHSUHFLDWH WKH DVVHV

x 5HIXQGDEOH \*RYHUQPHQW \$DQDJHPHQWV HVWLPDWH RI UHIXQG RI  
FRQWULEXWLRQ SURWRDPHLUNGQWFRQWLQXHG

## 4XDOLW\ RI \$FFRXQWLQJ 3UDFWLFHV

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\$FFRXQWLQJ HVWLPDWHVDO DSDU DQRLQWQSDQHS DDDWLRPHQWPHQWEDYHG RQ LW  
MXGJPHQWV \$UHDLEDDQWODYDQDWRJQKFK KLVVKLZEDWHV SUHSDUHGR  
PDQDJHPHQWV HVWLPDWRQ SURFHVVWDEGURDURSUDRPHQWVWLPDWHVWVWV  
OLVWHG DERYH

x 6HH VLJQLILFDQW HVWLPDWHV DERYH

## )LQDQFLDO 6WDWHPHQW 'LVFORVXUHV

7KH DUHDV OLVWHG EHFRRZLQYRQHVSDMHP HQVDGFLZKORV ZUHDUIR SUHSD  
WR GLVFXVV WKH DQGHVHODVDEG MXGPXDDQWVQDQKRLQHGLVFORVXUHV

x &KDQJHV LQ \$FFRXQWLQJ 3ULQFLSOHV

x 5HYHQXH IURP &RQWUDRQV ZLWK 6WXGHQWV

x )DLU 9DOXH 0HDVXUHPHQWV DQG 'LVFORVXUHV

Endowments (*Note 11*)

Liquidity and Availability (*Note 12*)

## Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the consolidated financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

See reconciliation of change in net assets for areas in which adjustments were proposed.

## Auditor's Judgments About the Quality of the University's Accounting Policies

During the course of the audit, we made observations regarding the University's application of accounting principles listed below.

The University's application of accounting principles was consistent with industry practice

## Disagreements with Management

No matters are reportable

## Significant Issues Discussed with Management

No matters are reportable

## Difficulties Encountered in Performing the Audit

No matters are reportable

## Other Material Communications

Other material communications between management and us related to the audit include:

Management representation letter (attached)

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## Requirements Under OMB Uniform Guidance

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Our audit included reporting on major federal award programs and includes:

Schedule of Federal Awards

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

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

Schedule of Findings and Questioned Costs

Data Collection Form

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As a result of our audit, we proposed adjustments that management determined were necessary to prevent the consolidated

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the consolidated financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the consolidated financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and

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As a result, many institutions are implementing key strategies designed to identify ways to improve financial sustainability. An essential step in this process is understanding the costs and revenues associated with existing academic programs at the course and program level. Identifying which programs provide the greatest contribution margin to the institution and which programs are lagging financially is critical in the information gathering process needed to make good decisions regarding academic offerings, enrollment strategies and resource allocation. Many institutions have done several rounds of cost reduction, but have not yet worked on academic programs. This is likely due to a lack of good information.

BKD has developed a sophisticated modeling tool to assist institutions with understanding program revenues, costs and financial contribution margins. Our interactive margin analysis tool provides a visual analysis of the financial contribution and margin at various levels of detail for the institution. If you are interested in learning more about this service, please contact your BKD Advisor.

This communication is intended solely for the information and use of management, the audit committee, the board of trustees and others within the University and is not intended to be and should not be used by anyone other than these specified parties.



Kansas City, Missouri  
November 4, 2019

FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), the long-awaited new standard on lease accounting. The FASB has issued various ASUs since that date related to Topic 842 as well seeking to clarify guidance and provide more transition relief in certain areas.

Under the new ASU, lessees will recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months. The new lessee accounting model retains two types of leases, and is consistent with the lessee accounting model under existing GAAP. One type of lease (finance leases) will be accounted for in substantially the same manner as capital leases are accounted for today. The other type of lease (operating leases) will be accounted for (both in the income statement and statement of cash flows) in a manner consistent with today's operating leases. Lessor accounting under the new standard is fundamentally consistent with existing GAAP.

Lessees and lessors are required to provide additional qualitative and quantitative disclosures to help financial statement users assess the amount, timing and uncertainty of cash flows arising from leases. These disclosures are intended to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an organization's leasing activities.

#### Effective Dates

For public business entities, not-for-profit entities that hav

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# Appendix

## Condensed Consolidated Statements of Financial Position

**Assets**

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**Liabilities**

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**Net Assets**

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# Condensed Consolidated Statements of Activities

## Revenues, Gains and Other Support

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# Audited Financial Statements & Report Required by OMB Uniform Guidance

See attached.

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# Management Representation Letter & Schedule of Uncorrected Misstatements

See attached.

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# Value-Added Learning

Networking and Learning Opportunities	
Roundtables	Date
Not-for-Profit Day Long Seminar	January 8, 2020
Value Added Articles, Trainings & Webinars*	
Webinars and Articles	Date
Grant Compliance – Avoiding Common Pitfalls	May 9, 2019
Four Soft Skills to Improve Board & Staff Relationships	April 9, 2019
Nonprofit Insights Part 1 – Why Donors Give: The Psychology of	



Independent Auditor's Report and Consolidated Financial Statements  
(Including Reports Required under Uniform Guidance)

June 30, 2019 and 2018





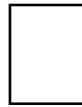
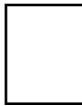
**Report on the Financial Statements**



*Auditor's Responsibility*

*Government Auditing Standards*

*Opinion*



**Liabilities**

**Net Assets**

**Revenues, Gains and Other Support**

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**Expenses**

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**Increase in Net Assets**

**Net Assets, Beginning of Year**

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**Net Assets, End of Year**

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**Revenues, Gains and Other Support**

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**Expenses**

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**Increase in Net Assets**

**Net Assets, Beginning of Year**

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**Net Assets, End of Year**

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**Operating Activities**

***(as adjusted)***

**Investing Activities**

***Nature of Operations***

## ***Basis of Presentation***









***Functional Allocation of Expenses***

**Consolidated Statement of Cash Flows**

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*Student Tuition and Fees Revenue*

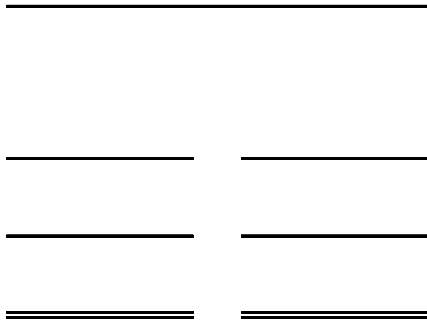
*Auxiliary Enterprises Revenue –*

## ***Disaggregation of Revenue***




2019


2018

**Level 1**

**Level 2**

**Level 3**









***Alternative Investments***

***Level 3 Valuation Process***

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***Unobservable (Level 3) Inputs***

June 30, 2019

**Level 3 Reconciliation**

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***Net Assets With Donor Restrictions***



***Net Assets Released from Restrictions***

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*Note 9*

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*Accounting for Conditional Asset Retirement Obligations*

**Contributions**

**Insurance Proceeds**











*Compliance and Other Matters*

*Government Auditing Standards*

*Purpose of this Report*

*Government Auditing Standards*

*RKD, LB*



**Report on Internal Control Over Compliance**

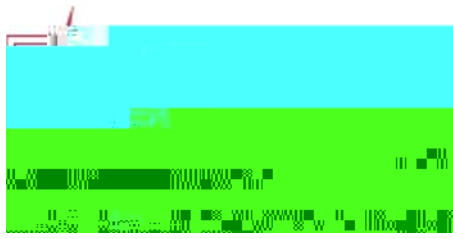
**Summary of Auditor's Results**

*Consolidated Financial Statements*

***Government Auditing Standards***

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**Student Financial Assistance Cluster  
Federal Direct Loan (FDL) Program - Award Year 2018**

**Criteria or Specific Requirement**

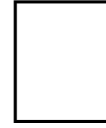
**Condition**

**Questioned Costs**

**Context –**

*Park University*





*and Affordable Care Act*

*Patient Protection*

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*Code of Federal Regulations* *Uniform*  
*Administrative Requirements, Cost Principles and Audit Requirements for*  
*Federal Awards*



*Customers*

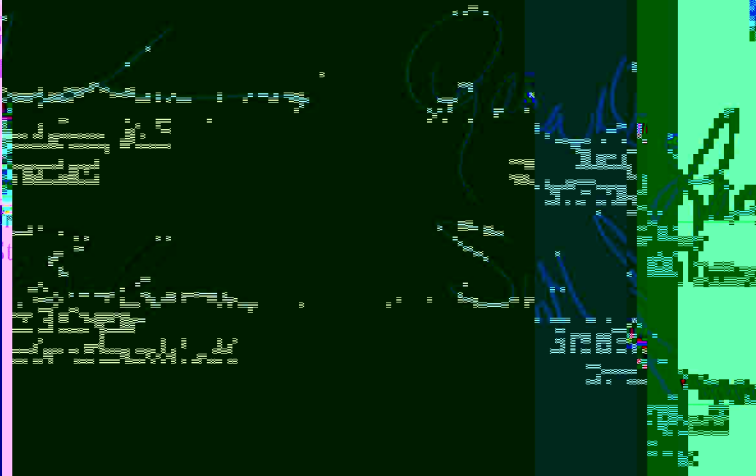
*Revenue from Contracts with*

*Revenue from Contracts with Customers*

*Customers*

*Revenue from Contracts with*

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**Park University**  
ATTACHMENT

*Increase*

