

COLLEGE OF ST. SCHOLASTICA, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
College of St. Scholastica, Inc.
Duluth, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of College of St. Scholastica, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College, as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the College 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 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College'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 opinion on the financial statements as a whole. The financial responsibility ratio supplemental schedule, as required by Department of Education is presented for purposes of additional analysis and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the financial responsibility ratio supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 18, 2023

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and Cash Equivalents	\$ 8,936,986	\$ 8,806,344
Student Accounts Receivable, Net of Allowance for Doubtful Accounts of \$298,211 and \$314,920, Respectively	2,709,620	2,326,127
Grants Receivable	1,660,242	3,970,434
Contributions Receivable	2,035,621	692,062
Other Receivables	282,947	330,596
Inventories	66,272	60,541
Prepaid Expenses and Other Assets	1,585,433	1,451,099
Student Notes Receivable, Net of Allowance for Doubtful Notes of \$77,230 and \$218,960, Respectively	2,056,634	2,370,893
Investments Held by Trustee	686,922	687,988
Investments	103,203,972	119,065,197
Intangible Assets, Net	34,687	1,800
Construction in Progress	597,609	385,101
Right-to-Use Operating Asset, Net	2,455,168	2,740,795
Right-to-Use Finance Asset, Net	712,677	550,339
Property, Plant, and Equipment, Net	<u>81,293,579</u>	<u>84,734,460</u>
Total Assets	<u><u>\$ 208,318,369</u></u>	<u><u>\$ 228,173,776</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 1,769,476	\$ 1,339,530
Accrued Liabilities	6,427,942	6,799,758
Deposit Accounts	439,725	457,908
Deferred Revenue	6,646,601	7,482,706
Lease Liability - Operating	2,507,183	2,769,562
Lease Liability - Finance	721,756	567,071
Bonds Payable, Net	47,320,047	48,971,288
Annuities Payable	117,695	138,464
Funds Held for Others	-	431,076
U.S. Government Grants Refundable	2,535,479	2,935,137
Other Grants Refundable	<u>130,206</u>	<u>91,683</u>
Total Liabilities	68,616,110	71,984,183
NET ASSETS		
Without Donor Restrictions	99,556,890	111,099,981
With Donor Restrictions	<u>40,145,369</u>	<u>45,089,612</u>
Total Net Assets	<u>139,702,259</u>	<u>156,189,593</u>
Total Liabilities and Net Assets	<u><u>\$ 208,318,369</u></u>	<u><u>\$ 228,173,776</u></u>

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and Fees, Less Scholarships and Grants of \$36,390,231 and \$36,607,196, Respectively	\$ 51,605,759	\$ -	\$ 51,605,759	\$ 54,823,024
Government Grants	12,373,786	-	12,373,786	9,474,144
Private Gifts	277,021	3,347,590	3,624,611	3,784,177
Endowment Gain (Loss)	(9,879,099)	(5,893,686)	(15,772,785)	27,481,727
Other Sources	4,565,218	409,657	4,974,875	4,391,757
Investment Income	4,566	-	4,566	4,506
Sales and Services of Auxiliary Enterprises	7,129,526	-	7,129,526	6,525,898
Adjustment in Actuarial Liability for Annuities Payable	-	(38,300)	(38,300)	116,192
Total	66,076,777	(2,174,739)	63,902,038	106,601,425
Net Assets Released from Restrictions	2,740,730	(2,740,730)	-	-
Total Revenues, Gains, and Other Support	68,817,507	(4,915,469)	63,902,038	106,601,425
EXPENSES AND LOSSES				
Program Expenses:				
Instruction	33,710,746	-	33,710,746	33,290,661
Public Service	2,254,140	-	2,254,140	1,990,530
Academic Support	7,003,695	-	7,003,695	5,938,354
Student Services	18,174,724	-	18,174,724	15,853,112
Auxiliary Enterprises	7,191,860	-	7,191,860	6,599,735
Support Expenses:				
Institutional Support	12,501,458	-	12,501,458	11,924,040
Allocable Expenses:				
Operation and Maintenance of Plant	3,486,543	-	3,486,543	3,128,855
Interest Expense	1,792,947	-	1,792,947	1,857,626
Depreciation, Amortization, and Accretion Expense	4,699,807	-	4,699,807	4,724,877
Less: Allocated Expenses	(9,979,297)	-	(9,979,297)	(9,711,358)
Total Expenses Before Losses	80,836,623	-	80,836,623	75,596,432
Loss on Write-Off of Contribution Receivables	-	28,774	28,774	61,983
(Gain) Loss on Disposal of Plant Facilities	(89)	-	(89)	1,024
Total Expenses and Losses	80,836,534	28,774	80,865,308	75,659,439
CHANGE IN NET ASSETS BEFORE NONOPERATING	(12,019,027)	(4,944,243)	(16,963,270)	30,941,986
Reclassification of Funds Held for Others	475,936	-	475,936	-
Write-off of Capitalized Library Materials	-	-	-	(1,582,677)
CHANGE IN NET ASSETS	(11,543,091)	(4,944,243)	(16,487,334)	29,359,309
Net Assets - Beginning of Year	111,099,981	45,089,612	156,189,593	126,830,284
NET ASSETS - END OF YEAR	<u>\$ 99,556,890</u>	<u>\$ 40,145,369</u>	<u>\$ 139,702,259</u>	<u>\$ 156,189,593</u>

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Tuition and Fees, Less Scholarships and Grants of \$36,607,196	\$ 54,823,024	\$ -	\$ 54,823,024
Government Grants	9,474,144	-	9,474,144
Private Gifts	384,427	3,399,750	3,784,177
Endowment Gain	17,489,702	9,992,025	27,481,727
Other Sources	3,624,446	767,311	4,391,757
Investment Income	4,506	-	4,506
Sales and Services of Auxiliary Enterprises	6,525,898	-	6,525,898
Adjustment in Actuarial Liability for Annuities Payable	-	116,192	116,192
Total	92,326,147	14,275,278	106,601,425
Net Assets Released from Restrictions	4,165,389	(4,165,389)	-
Total Revenues, Gains, and Other Support	96,491,536	10,109,889	106,601,425
EXPENSES AND LOSSES			
Program Expenses:			
Instruction	33,290,661	-	33,290,661
Public Service	1,990,530	-	1,990,530
Academic Support	5,938,354	-	5,938,354
Student Services	15,853,112	-	15,853,112
Auxiliary Enterprises	6,599,735	-	6,599,735
Support Expenses:			
Institutional Support	11,924,040	-	11,924,040
Allocable Expenses:			
Operation and Maintenance of Plant	3,128,855	-	3,128,855
Interest Expense	1,857,626	-	1,857,626
Depreciation, Amortization, and Accretion Expense	4,724,877	-	4,724,877
Less: Allocated Expenses	(9,711,358)	-	(9,711,358)
Total Expenses Before Losses	75,596,432	-	75,596,432
Loss on Write-Off of Contribution Receivables	-	61,983	61,983
(Gain) Loss on Disposal of Plant Facilities	1,024	-	1,024
Total Expenses and Losses	75,597,456	61,983	75,659,439
CHANGE IN NET ASSETS BEFORE NONOPERATING	20,894,080	10,047,906	30,941,986
Write-off of Capitalized Library Materials	(1,582,677)	-	(1,582,677)
CHANGE IN NET ASSETS	19,311,403	10,047,906	29,359,309
Net Assets - Beginning of Year	91,788,578	35,041,706	126,830,284
NET ASSETS - END OF YEAR	<u>\$ 111,099,981</u>	<u>\$ 45,089,612</u>	<u>\$ 156,189,593</u>

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (16,487,334)	\$ 29,359,309
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation, Amortization, and Accretion	4,343,940	4,369,010
Amortization of Bond Premium/Discount/Acquisition Cost		
Netted Against Interest Expense	(113,388)	(113,388)
Lease Expense	355,867	355,867
(Gain) Loss on Disposal of Property	(89)	1,024
(Gain) Loss on Endowment Investments	17,772,543	(25,780,774)
(Gain) Loss on Other Investments	50,716	(80,524)
Actuarial Adjustment of Annuities Payable	1,778	(38,390)
Increase (Decrease) in Allowance for Student Accounts Receivable	(16,709)	(45,894)
Increase in Allowance for Student Notes Receivable	(141,730)	(29,870)
Loan Cancellations, Assignments, and Write-Offs	214,183	123,093
Change in Assets and Liabilities:		
Student Accounts Receivable	(366,783)	241,001
Grants Receivable	2,310,192	(3,061,135)
Contributions Receivable - Operations	(546,222)	193,628
Other Receivables	47,648	13,437
Inventories	(5,731)	23,380
Prepaid Expenses and Other Assets	(134,334)	(723,459)
Intangible Assets	(41,625)	-
Accounts Payable	390,137	(144,576)
Accrued Liabilities	(414,912)	199,957
Deposit Accounts	(18,183)	138,299
Deferred Revenue	(836,105)	506,018
Funds Held for Others	44,861	(25,801)
Reclassification of Funds Held for Others	(475,936)	-
Proceeds from the Sale of Donated Securities Restricted		
for Long-Term Investment and Plant	(5,030)	(77,428)
Contributions Restricted for Long-Term Investment and Plant	(1,738,538)	(1,829,545)
Net Cash Provided by Operating Activities	4,189,216	3,573,239
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Endowment Investments	(22,623,382)	(6,794,569)
Sales of Endowment Investments	20,643,739	7,422,685
Purchases of Other Investments	(5,050)	(5,152)
Sales of Other Investments	22,659	156,015
Drawdowns of Deposits with Trustee, Net	1,065	16,165
Write-off of Capitalized Library Materials	-	1,582,677
Purchases of Property, Plant, and Equipment	(829,158)	(2,175,809)
Disbursements of Loans to Students	(260,649)	(413,266)
Repayments of Loans from Students	502,456	630,758
Net Cash Provided (Used) by Investing Activities	(2,548,320)	419,504

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Principal on Indebtedness	\$ (1,800,232)	\$ (1,739,557)
Contributions Received Restricted for Long-Term Investment and Plant	941,201	1,428,523
Decrease in Refundable Grants	(361,135)	(373,225)
Proceeds from the Sale of Donated Securities Received Restricted for Long-Term Investment and Plant	5,030	77,428
Payments of Principal on Finance Leases	(272,571)	(274,968)
Payments to Annuitants	(22,547)	(23,097)
Net Cash Used by Financing Activities	<u>(1,510,254)</u>	<u>(904,896)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	130,642	3,087,847
Cash and Cash Equivalents - Beginning of Year	<u>8,806,344</u>	<u>5,718,497</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 8,936,986</u></u>	<u><u>\$ 8,806,344</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	<u><u>\$ 1,909,030</u></u>	<u><u>\$ 1,973,869</u></u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property, Plant, and Equipment Acquired through Accounts Payable	<u><u>\$ 39,809</u></u>	<u><u>\$ -</u></u>
Right of Use of Equipment Acquired through Operating Lease	<u><u>\$ -</u></u>	<u><u>\$ 3,019,650</u></u>
Right of Use of Equipment Acquired through Finance Lease	<u><u>\$ 427,256</u></u>	<u><u>\$ 110,589</u></u>

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The College of St. Scholastica, Inc., an independent liberal arts college, offers accredited bachelors, masters, and doctoral degree programs. The accounting policies of the College of St. Scholastica, Inc. (the College) reflect practices common to universities and colleges and conform to accounting principles generally accepted in the United States of America (U.S. GAAP). The more significant accounting policies are summarized below.

General

The College maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into two classes of net assets as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as donor restricted revenue when the assets are received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General (Continued)

Income and net gains on investments of endowment and similar funds are reported as follows:

- as increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of a perpetual endowment fund;
- as increases in net assets with donor restrictions if the terms of the gift or state law impose restrictions on the use of the income;
- as increases in net assets without donor restrictions in all other cases.

Losses from investments on donor restricted endowment funds held in perpetuity are reported as reductions in net assets with donor restrictions.

Donor Net Assets With Restrictions

With respect to donor net assets with restrictions that are not to be held in perpetuity, the College has adopted the following accounting policies:

Reporting as Donor Net Assets With Restrictions Revenues – Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues under donor net assets with restrictions, and a reclassification to donor net assets without restrictions is made to reflect the expiration of such restrictions.

Release of Restrictions on Net Assets for Acquisition of Land, Buildings, and Equipment – Contributions of land, buildings, and equipment are reported as revenues under donor net assets without restrictions. Contributions of cash or other assets to be used to acquire land, buildings, and equipment are reported as revenues under donor net assets with restrictions; the restrictions are considered to be released at the time such long-lived assets are placed in service.

Cash Equivalents

The College considers all highly liquid investments, except those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

Student Accounts Receivable

Student accounts receivable are carried at the unpaid balance of the original amount billed to students and student notes receivable are carried at the amount of unpaid principal. Both receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts and loans receivable are written off when deemed uncollectible. Recoveries of student accounts and loans receivable previously written off are recorded when received. Receivables are generally unsecured.

A student account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days after the due date.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Accounts Receivable (Continued)

Interest is charged on student accounts receivable that are outstanding for more than 30 days after the due date and is recognized as it is charged. Student accounts are written off if there has been no payment activity for six months.

Grants Receivable

Grants receivable are carried at the unpaid balance for qualifying expenses arising from federal and state contract agreements. These costs are reimbursed to the College as prescribed in the grant agreement. Most contracts require monthly expense reporting and reimbursement.

Inventories

Inventories are valued at the lower of cost or net realizable value, determined on a first-in, first-out basis, and consist primarily of stock for the Saints Shop.

Investments Held by Trustee

Investments held by trustee include amounts restricted for debt service as required by the related trust indentures as well as construction funds for various current and future plant projects.

Debt Acquisition Costs

Costs of bond issuance are deferred and amortized on a straight-line basis over the life of the bond issue. These costs are netted against bonds and leases payable on the statement of financial position.

Physical Plant and Equipment

Physical plant assets are stated at cost at date of acquisition less accumulated depreciation. The College depreciates its assets on the straight-line basis over estimated useful lives as follows:

Buildings	50 Years
Automotive	5 Years
Equipment	5 Years

Normal repair and maintenance expenses are charged to operations as incurred. The College capitalizes physical plant additions in excess of \$5,000.

Collections of art or similar artifacts are stated at cost at date of acquisition and are capitalized if in excess of \$5,000. The College does not deaccession artwork from the collections often. If the opportunity arises, their policy is to discuss the use of proceeds for deaccessioned items with the board of trustees based on discretion and dollar amount.

Due to a change in accounting policy, the College is no longer capitalizing library materials. This change, effective for the fiscal year ended June 30, 2021, resulted in the write-off of \$1,582,677 in library materials that had been formerly capitalized as property, plant and equipment.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The College determines if an arrangement is a lease at inception. Operating leases are defined as right-of-use (ROU) operating assets and lease liability – operating, and finance leases are included in right-of-use (ROU) finance assets and lease liability – financing in the statements of financial position.

ROU assets represent the College's right to use an underlying asset for the lease term and lease liabilities represent the College's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the College will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The College has elected to recognize payments for short-term leases with a lease term of 12 months or with an aggregate lease amount of less than \$5,000 as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the College has elected to use discount rate comparable with its incremental borrowing rate at the inception of the lease for computing the present value of lease liabilities. The College has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Intangible Assets

Intangible assets such as license rights are stated at cost at date of the acquisition less accumulated amortization. The College amortizes these assets over a period of three years on a straight-line basis. For the year ended June 30, 2022 the College had total intangible assets of \$1,733,420 with accumulated amortization totaling \$1,698,733; amortization expense for the year was \$8,737. For the year ended June 30, 2021, the College had total intangible assets of \$1,691,795 with accumulated amortization totaling \$1,689,995; amortization expense for the year was \$11,275.

Deferred Revenues and Capital Commitments

Tuition, housing, and related revenue are recognized over the period of instruction. Certain revenue related to summer education and adult programs is deferred and recognized as revenue in the same period expenses are recognized. Students are generally billed for courses prior to the start of the course. For summer session terms that begin before July 1 and end in the next fiscal year, tuition is recognized as revenue in the current fiscal year based upon that part of the term completed before July 1. The balance of unearned tuition income revenue at June 30 will be recognized as revenue over the subsequent academic terms as services are rendered.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenues and Capital Commitments (Continued)

On July 1, 2014, the College entered into a contractual agreement with Aramark Educational Services, Inc. to outsource campus food service to students, faculty, staff, as well as other College events. In consideration of the College's agreement to Aramark for a term of 10 years, Aramark funded \$2,717,237 in food service facility renovations and upgrades. This financial incentive is being amortized on a straight-line basis through December 31, 2026. Amortization of the incentive commenced in May 2015. In early fiscal year 2016, this agreement was amended to extend amortization of the facility renovation costs to June 30, 2029 with amortization being adjusted accordingly. For the year ended June 30, 2022, the unamortized balance remaining in deferred revenues was \$1,337,963 with \$191,137 being amortized this year and reflected as revenue under Auxiliary Enterprises. Upon expiration or termination of the contract by either party prior to the complete amortization of the financial incentive, the College shall reimburse Aramark for the unamortized balance of the incentive as of the date of expiration or termination plus all accrued but unbilled interest as of the date of expiration or termination.

The College has entered into a contractual agreement with McGough Construction Company, Inc., for the construction of a new Student Center at an expected cost of \$17.5 million. Groundbreaking for the Center is planned for Spring 2023 with completion of the project anticipated by Summer 2024.

The activity and balances for deferred revenue from contracts with customers are shown in the following table:

	Summer Tuition	Food Service Contract	Other Deferred Revenues	Total
Balance - June 30, 2020	\$ 5,201,823	\$ 1,720,238	\$ 54,627	\$ 6,976,688
Revenue Recognized	(5,201,823)	(191,138)	(53,977)	(5,446,938)
Payments Received for Future Performance Obligations	5,771,606	-	181,350	5,952,956
Balance - June 30, 2021	5,771,606	1,529,100	182,000	7,482,706
Revenue Recognized	(5,771,606)	(191,137)	(141,288)	(6,104,031)
Payments Received for Future Performance Obligations	5,114,202	-	153,724	5,267,926
Balance - June 30, 2022	<u>\$ 5,114,202</u>	<u>\$ 1,337,963</u>	<u>\$ 194,436</u>	<u>\$ 6,646,601</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants Refundable

Funds provided by the United States Government under the Federal Perkins, Federal Nursing, and National Science Foundation Noyce Loan Programs are loaned to qualified students and, in certain cases, may be reloaned after collections. These funds are ultimately refundable to the government and are included as liabilities in the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement.

Income Taxes

The Internal Revenue Service has determined that the College is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax. However, any unrelated business income may be subject to taxation.

The College follows Accounting for Uncertainty in Income Taxes. This standard clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this standard had no impact on the College's financial statements.

Revenue Recognition and Disaggregation of Revenue

Tuition Revenue – The College recognizes tuition revenue within the fiscal year in which educational services are provided. Discounts in the form of scholarships and financial aid grants, including those funded by the endowment and gifts, are reported as a reduction of tuition revenues. A discount represents the difference between the stated charge for the academic (living/learning) program and the amount that is billed to the student and/or third-parties making payments on behalf of the student. Scholarships awarded to students were \$36,390,231 in 2022 and \$36,607,196 in 2021. Academic programs are delivered in the Fall (September - December), Spring (February - May), and Summer (May - August).

Government Grants and Contracts – Revenue is recognized when earned. Program service fees and payments under the cost-reimbursable contracts are received after services are performed and expenses are incurred. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the College will record such disallowance at that time. The College received cost-reimbursable grants of \$4,711,071 that have not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred, with an advance payment of \$130,206 recognized in the statement of financial position as a refundable advance.

Contribution Revenue – Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the funds have been received or conditions on which they depend have been substantially met. The College recognizes all contributed support received as income in the period the promise to give was made. Contributed support is reported as contributions with donor restrictions or contributions without donor restrictions depending on the existence of donor stipulations that limit the use of the support.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Pension Plans

All employees of the College of St. Scholastica, Inc. meeting age and service requirements are covered under a defined contribution retirement plan. Pension expense totaled \$1,331,680 and \$1,352,547 for the years ended June 30, 2022 and 2021, respectively.

Employee Medical Plan

The College provides medical benefits through a self-insured plan which is available to all employees of the College for certain medical expenses. Estimates for claims incurred but not reported as well as other costs based on historical information have been accrued by the College.

Use of Estimates

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

Fundraising and Advertising Costs

Fundraising expenses approximated \$1,604,124 and \$1,469,871 for the years ended June 30, 2022 and 2021, respectively. Advertising expenses approximated \$1,297,001 and \$1,675,298 for the years ended June 30, 2022 and 2021, respectively. The College expenses advertising costs at the time incurred.

Asset Retirement Obligations

Asset retirement obligations are estimated costs and obligations associated with the retirement of long-lived assets and are included in accrued liabilities on the statement of financial position. These liabilities were initially recorded at fair value and the related asset retirement costs were recorded as decreases in net assets without donor restrictions. Asset retirement costs are subsequently accreted over the useful lives of the related assets. Activity for the College's aggregate carrying amount of asset retirement obligations is as follows for the years ended June 30:

	2022	2021
Beginning of Year	\$ 863,693	\$ 825,263
Liabilities Incurred During Year	-	-
Liabilities Settled During Year	(425)	(2,640)
Accretion Expense	43,096	41,070
End of Year	<u>\$ 906,364</u>	<u>\$ 863,693</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Retirement Obligations (Continued)

The estimate of the losses that are probable from environmental remediation liabilities for asbestos removal was calculated using the expected cash flow approach and based on an inventory of the College's long-lived assets combined with an estimate of the current market prices to remove the asbestos. The College utilized a credit-adjusted risk-free rate to discount the asset retirement obligation. It is reasonably possible that changes in this estimate could occur and that actual results could differ from this estimate and could have a significant effect on the financial statements.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to agree with the current year presentation. The reclassification had no effect on the change in total net assets as previously reported.

Subsequent Events

The College has evaluated subsequent events through January 18, 2023, which is the date that the financial statements were issued.

Change in Accounting Principles

The financial statements of the College reflect the adoption of the following accounting standards beginning in 2022:

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB issued this ASU to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets are defined within the ASU as including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments do not change the recognition and measurement of nonfinancial assets. For the fiscal year-end June 30, 2022 and 2021, respectively, the amount of contributed nonfinancial assets were immaterial to the College and do not require separate disclosure. In the event of future materiality of such contributed assets, the College will incorporate the disclosures required under ASU 2020-07 guidance.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Scholarships, Instruction, and Other		
Departmental Support	\$ 1,872,585	\$ 1,958,550
Acquisition of Buildings and Equipment	<u>716,147</u>	<u>278,479</u>
Total	2,588,732	2,237,029
Subject to the Passage of Time:		
Annuity, Life Income, and Similar Funds	75,067	96,301
Contributions Receivable	<u>1,718,639</u>	<u>199,579</u>
Total	1,793,706	295,880
Subject to College Endowment Spending Policy and		
Appropriation:		
Financial Aid	7,552,577	11,860,345
General Use	6,536,673	9,288,106
Original Donor-Restricted Gift Amount to be		
Maintained in Perpetuity:		
Endowment Funds	<u>21,333,055</u>	<u>20,875,060</u>
Total Endowments	35,422,305	42,023,511
Other Perpetually Restricted Net Assets:		
Annuity, Life Income, and Similar Funds	23,644	40,709
Contributions Receivable	<u>316,982</u>	<u>492,483</u>
Total	340,626	533,192
Total Net Assets with Donor Restrictions	<u>\$ 40,145,369</u>	<u>\$ 45,089,612</u>

Net assets without donor restrictions consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Operations	\$ 8,346,932	\$ 5,392,113
Endowment Funds - Board Designated	58,656,955	71,443,903
Loans to Students	(27,692)	69,173
Investment in Plant	32,580,695	34,194,792
Contributions Receivable	-	-
Total	<u>\$ 99,556,890</u>	<u>\$ 111,099,981</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
<u>Expiration of Time Restrictions</u>		
Satisfaction of Purpose Restrictions:		
Acquisition of Property, Plant, and Equipment	\$ 81,808	\$ 1,152,200
Restricted-Purpose Spending-Rate Distributions and Appropriations:		
Scholarships, Instruction, and Other		
Departmental Support	<u>2,658,922</u>	<u>3,013,189</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 2,740,730</u>	<u>\$ 4,165,389</u>

These assets were reclassified to net assets without donor restrictions.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at June 30:

	<u>2022</u>	<u>2021</u>
Purpose Restricted - Operations	\$ 44,700	\$ 7,650
Purpose Restricted - Scholarships and Other		
Departmental Support	668,623	196,600
Purpose Restricted - Facilities Projects	1,230,800	-
Restricted in Perpetuity - Endowment	<u>321,655</u>	<u>500,755</u>
Gross Unconditional Contributions to Give	2,265,778	705,005
Less: Unamortized Discount	<u>(230,157)</u>	<u>(12,943)</u>
Net Unconditional Contributions Receivable	<u>\$ 2,035,621</u>	<u>\$ 692,062</u>

The College conducts an annual collectability assessment for contributions receivable and writes off those pledges deemed to be uncollectible based primarily on donor payment history. This annual assessment has, therefore, eliminated the need for use of an allowance for contributions receivable for the years ended June 30, 2022 and 2021.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 CONTRIBUTIONS RECEIVABLE (CONTINUED)

Contributions receivable are expected to be paid as follows at June 30:

	<u>2022</u>	<u>2021</u>
Amounts Due in:		
Less than One Year	\$ 835,445	\$ 603,260
One to Five Years	1,430,333	101,745
More than Five Years	-	-
Total	<u>\$ 2,265,778</u>	<u>\$ 705,005</u>

The College records contributions receivable at net realizable value. Net collectible contributions due in more than one year were discounted at an interest rate based on the Treasury Yield Curve five-year rate as of June 30, 2022 which was 3.01%; as of June 30, 2021, the College used the three-year rate which was 0.46%. These rates were augmented by a 1.00% premium risk for contributions due from corporations, businesses and foundations; and a 2.00% risk premium was used for contributions due from individuals. These rates were decreased from those of June 30, 2021, which were 3.00% and 5.00%, respectively, in recognition of a return to more normal conditions with the effect of the COVID-19 pandemic waning. Net collectible contributions due in less than one year were not discounted.

As of June 30, 2022 and 2021, approximately \$225,060 and \$38,500, respectively, of contributions receivable were due from members of the board of trustees. Contribution revenue from members of the board of trustees totaled approximately \$265,600 and \$54,166 for the years ended June 30, 2022 and 2021, respectively.

NOTE 5 STUDENT LOAN RECEIVABLES

The College issues uncollateralized loans to students under the Federal Perkins, Federal Nursing, and Noyce Loan programs and are based on financial need. Allowances for doubtful accounts are established based on prior collection experience and analysis of historical aging reports. For both years ending June 30, 2022 and 2021, student loans represented 0.99% and 1.04% of total assets, respectively.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student loans receivable and is recognized as it is charged. Student loans receivable through the loan programs are considered to be past due if a payment is not made by the payment due date; late charges are charged and recognized on loans 60 days past due. The Federal Perkins Loan Program and Federal Nursing Loan Program receivables may be assigned to the U.S. Department of Education and Department of Health and Human Services, respectively. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education and the Department of Health and Human Services.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 STUDENT LOAN RECEIVABLES (CONTINUED)

As of June 30, student loans consisted of the following:

	2022	2021
Federal Perkins Loan Program	\$ 986,575	\$ 1,429,708
Federal Nursing Loan Program	809,514	846,739
Noyce Loan Program	337,775	313,406
Total	2,133,864	2,589,853
Less Allowance for Doubtful Accounts:		
Beginning of Year	(218,960)	(248,830)
Increases	(14,149)	20,779
Write-Offs	155,879	9,091
End of Year	(77,230)	(218,960)
Student Loan Receivables, Net	<u>\$ 2,056,634</u>	<u>\$ 2,370,893</u>

Funds advanced by the federal government of \$2.54 million and \$2.94 million at June 30, 2022 and 2021, respectively, are ultimately refundable to the government, and are classified as liabilities on the statement of financial position.

As of June 30, the following principal amounts were past due under student loan programs:

<u>Year Ending June 30,</u>	<u>1-60 Days Past Due</u>	<u>60-90 Days Past Due</u>	<u>90+ Days Past Due</u>	<u>Total Past Due</u>
2022	\$ 1,754	\$ 745	\$ 82,205	\$ 84,704
2021	1,095	920	220,845	222,860

NOTE 6 INVESTMENTS HELD BY TRUSTEE

The following summarizes the College's investments at fair value held by trustee as of June 30:

	2022	2021
Cash and Short-Term Investments	\$ 686,922	\$ 436,155
Fixed Income Securities	-	251,833
Total	<u>\$ 686,922</u>	<u>\$ 687,988</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 ENDOWMENT

Effective July 1, 2008, the College adopted the provisions of *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. This provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the guidance is a requirement to classify the portion of a donor-restricted endowment fund as net assets with donor restriction until appropriated for expenditure. Another key component of the Topic is a requirement for expanded disclosures about all endowment funds. The state of Minnesota adopted a version of UPMIFA effective August 1, 2008.

The College's endowment consists of approximately 200 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The College's governing board has interpreted the UPMIFA enacted in the state of Minnesota as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College defines net assets with donor restrictions held in perpetuity as (a) the original value of the gifts donated to the endowment corpus, (b) the original value of subsequent gifts to the endowment corpus, and (c) accumulations to the endowment corpus made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that does not meet the above definition is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. General economic conditions
2. The possible effect of inflation and deflation
3. The expected tax consequences, if any, of investment decisions or strategies
4. The role that each investment or course of actions plays within the overall investment portfolio of the fund
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The needs of the College and the fund to make distributions and to preserve capital
8. An asset's special relationship or special value, if any, to the charitable purposes of the College

Endowment net assets composition by type of fund consists of the following at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 35,422,305	\$ 35,422,305
Board-Designated Endowment Funds	58,656,955	-	58,656,955
Total Endowment Net Assets	<u>\$ 58,656,955</u>	<u>\$ 35,422,305</u>	<u>\$ 94,079,260</u>

Endowment net asset composition by type of fund consists of the following as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 42,023,511	\$ 42,023,511
Board-Designated Endowment Funds	71,443,903	-	71,443,903
Total Endowment Net Assets	<u>\$ 71,443,903</u>	<u>\$ 42,023,511</u>	<u>\$ 113,467,414</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, June 30, 2021	\$ 71,443,903	\$ 42,023,511	\$ 113,467,414
Investment Return:			
Investment Income	1,254,333	745,425	1,999,758
Net Depreciation - Realized and Unrealized	<u>(11,133,431)</u>	<u>(6,639,112)</u>	<u>(17,772,543)</u>
Total Investment Income	(9,879,098)	(5,893,687)	(15,772,785)
Contributions	2,250	228,761	231,011
Pledge Payments	-	217,079	217,079
Other	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(1,153,359)	(1,153,359)
Other Changes:			
Transfer to Board-Designated Endowment Funds	-	-	-
Transfer from Board-Designated Endowment Funds	<u>(2,910,100)</u>	<u>-</u>	<u>(2,910,100)</u>
Endowment Net Assets, June 30, 2022	<u>\$ 58,656,955</u>	<u>\$ 35,422,305</u>	<u>\$ 94,079,260</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, June 30, 2020	\$ 56,657,247	\$ 31,745,240	\$ 88,402,487
Investment Return:			
Investment Income	1,079,981	620,972	1,700,953
Net Appreciation - Realized and Unrealized	<u>16,409,721</u>	<u>9,371,053</u>	<u>25,780,774</u>
Total Investment Income	17,489,702	9,992,025	27,481,727
Contributions	44	1,296,074	1,296,118
Pledge Payments	31,533	59,815	91,348
Other	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(1,078,196)	(1,078,196)
Other Changes:			
Transfer to Board-Designated Endowment Funds	117,377	8,553	125,930
Transfer from Board-Designated Endowment Funds	<u>(2,852,000)</u>	<u>-</u>	<u>(2,852,000)</u>
Endowment Net Assets, June 30, 2021	<u>\$ 71,443,903</u>	<u>\$ 42,023,511</u>	<u>\$ 113,467,414</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 ENDOWMENT (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in net assets with donor restriction were \$52,271 and \$-0- as of June 30, 2022 and 2021, respectively. Deficiencies result from unfavorable market fluctuations that occur after the investment of the new restricted contributions held in perpetuity and continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the endowment funds to the required level will be classified as an increase in net assets with donor restrictions.

Return Objectives and Risk Parameters

The College has adopted investment 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 the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that exceed the College's spending policy rate and allow for annual growth while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide an average annual rate of approximately 6.5%. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places an emphasis on a diversified mix of equity (70%) and nonequity investments (30%) to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year 4.0% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow at an average of 2.5% annually. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 FAIR VALUE MEASUREMENTS

The College follows the provisions of *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. *Fair Value Measurements* established a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date.

The College follows *The Fair Value Option for Financial Assets and Liabilities*, which among other things, provides an option to elect fair value as an alternative measurement for selected financial assets and liabilities not previously recorded at fair value. Under *The Fair Value Option for Financial Assets and Liabilities*, the College elected to record contributions receivable at fair value. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates. Therefore, the discount amount reflected in contributions receivable brings the balance to fair value and is not amortized.

As noted above, *Fair Value Measurements* establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices or similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents financial instruments that are measured at fair value on a recurring basis by the *Fair Value Measurements* hierarchy as of June 30, 2022:

	Total	Level 1	Level 2	Level 3
ASSETS				
Contributions Receivable	\$ 2,035,621	\$ -	\$ -	\$ 2,035,621
Equity Securities:				
U.S. Equity	52,710,024	52,710,024	-	-
Developed Ex-U.S.	10,764,902	10,764,902	-	-
Emerging Markets	6,203,598	6,203,598	-	-
Mutual Funds:				
Global Bonds:				
Emerging Markets	-	-	-	-
Investment Grade	16,552,844	16,552,844	-	-
Convertibles	9,751,084	9,751,084	-	-
Total	<u>\$ 98,018,073</u>	<u>\$ 95,982,452</u>	<u>\$ -</u>	<u>\$ 2,035,621</u>

The following table presents the reconciliation to the statement of financial position for financial instruments as of June 30, 2022:

Total Measured at Fair Value	\$ 98,018,073
Investments Measured at Net Asset Value	124,551
Cash and Cash Equivalents	7,726,870
Cash Surrender Value of Life Insurance	57,021
Total	<u>\$ 105,926,515</u>
Contributions Receivable	\$ 2,035,621
Investments Held by Trustee	686,922
Investments	103,203,972
Total	<u>\$ 105,926,515</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents financial instruments that are measured at fair value on a recurring basis by the fair value measurements hierarchy as of June 30, 2021:

	Total	Level 1	Level 2	Level 3
ASSETS				
Contributions Receivable	\$ 692,062	\$ -	\$ -	\$ 692,062
Equity Securities:				
U.S. Equity	68,098,455	68,098,455	-	-
Developed Ex-U.S.	12,042,272	12,042,272	-	-
Emerging Markets	8,850,374	8,850,374	-	-
Mutual Funds:				
Global Bonds:				
Emerging Markets	1,776,912	1,776,912	-	-
Investment Grade	16,776,602	16,776,602	-	-
Convertibles	6,424,172	6,424,172	-	-
Total	<u>\$ 114,660,849</u>	<u>\$ 113,968,787</u>	<u>\$ -</u>	<u>\$ 692,062</u>

The following table presents the reconciliation to the statement of financial position for financial instruments as of June 30, 2021:

Total Measured at Fair Value	\$ 114,660,849
Investments Measured at Net Asset Value	97,921
Cash and Cash Equivalents	5,620,711
Cash Surrender Value of Life Insurance	65,766
Total	<u>\$ 120,445,247</u>
Contributions Receivable	\$ 692,062
Investments Held by Trustee	687,988
Investments	119,065,197
Total	<u>\$ 120,445,247</u>

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Contributions Receivable

The fair value of contributions receivable is classified as Level 3 as the fair value is based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (individual or entity specific estimates of cash flows).

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs	Rate Range
	2022	2021			
Contributions Receivable	\$ 2,035,621	\$ 692,062	Discounted Cash Flows	Discounted Rates Duration	.46%-5%

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

Equity Securities

Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Mutual Funds

Mutual funds are classified as Level 1 if they are traded in an active market for which closing prices are readily available. Certain mutual funds are classified as Level 2 as the fair value is based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Alternative Investments

Investments in hedged equity funds and private equity funds for which there is no readily determinable fair value are measured using the net asset value per share or its equivalent provided by the investee as of May 31 or later, adjusted for cash receipts, cash disbursements, significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through June 30. For these reasons, such investments are excluded from the fair value disclosures.

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2022:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Funds	124,551	161,358	None	N/A
Total	<u>\$ 124,551</u>	<u>\$ 161,358</u>		

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2021:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Funds	97,921	161,358	None	N/A
Total	<u>\$ 97,921</u>	<u>\$ 161,358</u>		

Multi-Strategy Hedge Fund of Funds utilizes a combination of diversified hedging strategies to reduce market risk. The fair value of the hedge fund of funds in this category has been estimated using the net asset value per share of the investments or by the College's ownership interest in the investment fund's net assets.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

Alternative Investments (Continued)

Private Equity consists of investments in companies that are not publicly traded on a stock exchange. The fair value of the investment in this category is based on the College's ownership interest in the investment fund's net assets.

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial statements could result in a different estimate of fair value at the reporting date.

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2022:

	Contributions Receivable
Balances - June 30, 2021	\$ 692,062
Net Realized and Unrealized Gain (Loss)	
Included in Change in Net Assets	-
New Contributions	2,218,560
Contributions Payments Received	(628,496)
Change in Discount	(217,214)
Write-Offs	(29,291)
Purchases	-
Sales	-
Balances - June 30, 2022	<u>\$ 2,035,621</u>

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2021:

	Contributions Receivable
Balances - June 30, 2020	\$ 484,668
Net Realized and Unrealized Gain (Loss)	
Included in Change in Net Assets	-
New Contributions	1,186,915
Contributions Payments Received	(922,817)
Change in Discount	23,296
Write-Offs	(80,000)
Purchases	-
Sales	-
Balances - June 30, 2021	<u>\$ 692,062</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 INVESTMENTS

The following summarizes the College's investments at fair value as of June 30:

	<u>2022</u>	<u>2021</u>
Money Market and Short-Term Investments	\$ 7,039,948	\$ 5,184,556
Equity Securities:		
U.S. Equity	52,710,024	68,098,455
Developed Ex-U.S.	10,764,902	12,042,272
Emerging Markets	6,203,598	8,850,374
Mutual Funds:		
Global Bonds:		
Emerging Markets	-	1,776,912
Investment Grade	16,552,844	16,524,769
Convertibles	9,751,084	6,424,172
Alternative Investments:		
Private Equity Funds	124,551	97,921
Cash Surrender Value of Life Insurance	57,021	65,766
Total	<u>\$ 103,203,972</u>	<u>\$ 119,065,197</u>

The investments were allocated as follows:

	<u>2022</u>	<u>2021</u>
Endowment	\$ 94,079,260	\$ 113,467,414
Endowment - Due to Operations	8,880,246	5,284,992
Annuity	216,294	275,391
Operating	28,172	37,400
Total	<u>\$ 103,203,972</u>	<u>\$ 119,065,197</u>

Total investment return on endowment funds consists of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Dividends and Interest, Net of Fees of \$170,353 and \$140,316, Respectively	\$ 1,999,758	\$ 1,700,953
Net Realized and Unrealized Gains (Losses) on Investments Reported at Fair Value	(17,772,543)	25,780,774
Total	<u>\$ (15,772,785)</u>	<u>\$ 27,481,727</u>

Investments, in general, are subject to various risks, including credit, interest, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10 CONSTRUCTION IN PROGRESS

Construction in progress costs at June 30, 2022 were \$597,609 and were for a variety of projects whose expected completion is to take place during the next fiscal year at an additional cost of \$3,000,000. The most significant of these projects is an Information Technologies infrastructure upgrade, Nursing Skills Lab renovations, and design/pre-construction costs for the future Student Center.

Construction in progress costs at June 30, 2021 were \$385,101 and were for a variety of projects that were completed during the year ended June 30, 2022 at an approximate cost of \$225,000. The most significant of these projects were tuckpointing, a lighting upgrade for the Library, and design costs for the future Student Center.

NOTE 11 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land and Land Improvements	\$ 5,330,921	\$ 5,330,921
Buildings	122,830,189	122,585,553
Equipment, Furniture, and Fixtures	14,851,424	14,693,505
Automotive Equipment	330,557	330,557
Art Collections/Artifacts	79,210	79,210
Food Service Cost Improvements/Upgrades	2,707,350	2,707,350
Building - Right to Use	3,019,650	3,019,650
Equipment - Right to Use	<u>1,491,590</u>	<u>1,225,660</u>
Total	150,640,891	149,972,406
Less: Accumulated Depreciation	<u>(66,179,467)</u>	<u>(61,946,812)</u>
Total, Net	<u><u>\$ 84,461,424</u></u>	<u><u>\$ 88,025,594</u></u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 BONDS PAYABLE

The following is a summary of bonds payable outstanding at June 30:

	Original Amount	2022	2021
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-R	\$ 9,380,000	\$ 5,790,000	\$ 6,185,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series 2019	29,075,000	26,880,000	27,530,000
2015 Duluth Economic and Development Authority	14,088,264	13,082,211	13,575,064
Subtotal	<u>52,543,264</u>	<u>45,752,211</u>	<u>47,290,064</u>
Plus: Unamortized Bond Premium/Discount	-	3,007,500	3,202,906
Less: Unamortized Bond Issuance Costs	-	(1,439,664)	(1,521,682)
Total	<u>\$ 52,543,264</u>	<u>\$ 47,320,047</u>	<u>\$ 48,971,288</u>

At June 30, 2022, bonds payable on the statements of financial position includes bond premiums on the MHEFA Series Seven-R and 2015 Duluth Economic and Development Authority Bonds in the amounts of \$136,196 and \$2,871,304, respectively; and debt acquisition costs on the MHEFA bond series' and 2015 Duluth Economic and Development Authority Bonds in the amount of \$310,966 and \$1,128,698, respectively.

The College has loans outstanding with the Minnesota Higher Education Facilities Authority (the Authority) in connection with revenue bonds issued by the Authority:

- The Series 2019 Revenue Bonds were issued during fiscal 2020 to finance the refunding of the outstanding principal balance of the Series Six-S Revenue Bonds, the refunding of the outstanding principal balance of the Series Seven-H Revenue Bonds, and the refunding of the outstanding principal balance of the Series Seven-J Revenue Bonds. The outstanding Series Six-S Revenue Bonds, in the principal amount of \$4,630,000 were redeemed in September 2019. The outstanding Series Seven-H Revenue Bonds and Series Seven-J Revenue Bonds, in the principal amounts of \$20,450,000 and \$10,120,000, respectively, were redeemed in December 2019.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 BONDS PAYABLE (CONTINUED)

The Series Six-S Revenue Bonds were issued during fiscal 2008 to finance construction of an expansion to the Burns Wellness Commons complex to provide additional academic space and facilities for the College's football program. The Series Seven-H Revenue Bonds were issued during fiscal 2011 to finance in part an expansion to the Science Center and connecting tunnels between the Science Center, Tower Hall, and Somers Hall and finance the refunding of two prior bond issues that were used to finance construction of additional student housing and renovations in Tower Hall. The Series Seven-J Revenue Bonds were issued during fiscal 2011 to finance in part construction of an expansion to the Science Center and connecting tunnels between the Science Center, Tower Hall, and Somers Hall.

The Series 2019 Revenue Bonds have interest rates varying from 3.00% to 4.00% and mature in annual installments of \$670,000 to \$1,975,000 on December 1 through 2034 and a payment of \$13,550,000 due December 1, 2040. The Term Bonds maturing in the year 2040 are subject to annual sinking fund payments on December 1 in the years 2035 through 2040 in amounts varying from \$2,050,000 to \$2,480,000. The bonds are secured by the general obligation of the College under the indenture.

- The Series Seven-R Revenue Bonds were issued during fiscal 2013 to finance the refunding of the outstanding principal balance of the Series Five-R Revenue Bonds. The outstanding Series Five-R Revenue Bonds, in the principal amount of \$10,105,000 were redeemed in December 2012. The Series Five-R Revenue Bonds were issued to finance the construction of a new student apartment complex (Cedar Hall) and a new student field house (Burns Wellness Commons), and to refund a prior revenue bond issue that was issued to finance construction of an addition to Somers Hall.

The Series Seven-R Revenue Bonds have interest rates varying from 3.375% to 4.25% and matures with an installment of \$410,000 due on December 1, 2022, and with payments of \$2,365,000 and \$3,015,000 due December 1, 2027 and 2032, respectively. The Term Bonds maturing in the years 2027 and 2032 are subject to annual sinking fund payments on December 1 in the years 2023 through 2032 in amounts varying from \$425,000 to \$660,000. The bonds are secured by the general obligation of the College, the reserve account and other funds held by the trustee under the indenture.

The bonds issued under the Authority include certain financial covenants which include meeting a Revenue/Expenditure Test, as defined, for at least two of preceding three complete fiscal years, achieving a debt service coverage ratio, and requiring that the board-controlled liquid funds shall not be less than \$2,500,000 for the Series Seven-R Revenue Bonds, and limiting the College's ability to incur additional long-term debt.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 BONDS PAYABLE (CONTINUED)

During fiscal 2020, the College assumed the assets and liabilities of the Health Sciences Education Facility Corporation. As part of this transaction, the College assumed the 2015 Duluth Economic and Development Authority Bonds associated with the construction of the facility at the Bluestone Commons Development in 2016 as part of the College's expansion efforts in its graduate health sciences programs. The principal amount of these bonds at the time of the assumption of the debt was \$14,088,264.

The bonds fall under two tranches:

Tranche A, in the principal amount of \$8,518,424 at the time of the assumption of the debt, carries an interest rate of 4.194% and is payable in monthly installments of \$52,218 including interest on the 5th of the month with payments to August 2040.

Tranche B, in the principal amount of \$5,569,840 at the time of the assumption of the debt, carries an interest rate of 3.27% through September 5, 2027. Thereafter, the interest rate will be adjusted on September 5, 2027, 2032, and 2037 to a rate per annum equal to 67% of the sum of 2.50% plus the five-year London Interbank Offered Rate (LIBOR)/Swap rate. Monthly installments in the amount of \$31,463 are due on the 5th of the month with payments to August 2040.

The bonds are secured by the general obligations of the College.

The maturities of all long-term debt for each of the five years subsequent to June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Scheduled Payment Amount</u>
2023	\$ 1,591,960
2024	1,646,819
2025	1,712,460
2026	1,773,913
2027	1,846,212
Thereafter	37,180,847
Total	<u>\$ 45,752,211</u>

NOTE 13 LEASES

The College leases equipment and office space for various terms under long-term, noncancelable lease arrangements. The equipment leases require monthly payments between \$1,000 and \$6,000 for various terms through 2027. The space lease requires monthly payments, that escalate from \$27,120 to \$32,260 over the course of the lease and expires in February 2030. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 13 LEASES (CONTINUED)

Both the equipment and facility leases are classified as operating leases. Future minimum lease payments for these lease arrangements during the years ending June 30 are:

The following table provides additional quantitative information concerning the College's operating leases.

	<u>2022</u>	<u>2021</u>
Operating Lease Cost:		
Facility Lease Cost:		
Amortization of Right-to-Use Asset	\$ 278,855	\$ 278,855
Interest on Lease Liability	<u>77,012</u>	<u>77,012</u>
Total Operating Lease Cost	<u>\$ 355,867</u>	<u>\$ 355,867</u>
Finance Lease Cost:		
Equipment Lease Cost:		
Amortization of Right-to-Use Asset	\$ 264,918	\$ 274,479
Interest on Lease Liability	<u>13,419</u>	<u>21,142</u>
Total Finance Lease Cost	<u>\$ 278,337</u>	<u>\$ 295,621</u>
Other Information:		
Operating Cash Flows from Operating Leases	\$ 262,378	\$ 250,088
Operating Cash Flows from Finance Leases	13,419	21,142
Financing Cash Flows from Finance Leases	272,571	274,968
Weighted Average Remaining Lease Term	6.7 Years	7.6 Years
Weighted Average Discount Rate	2.71%	2.69%
Noncash Information:		
ROU Asset Acquisition from Operating Leases	\$ -	\$ 3,019,650
ROU Asset Acquisition from Finance Leases	427,256	110,589

Future minimum lease payments for the five years subsequent to June 30, 2022 are:

<u>Year Ending June 30,</u>	<u>Equipment Lease</u>	<u>Facility Lease</u>	<u>Total Amount</u>
2023	\$ 254,285	\$ 339,272	\$ 593,557
2024	221,702	346,057	567,759
2025	143,609	352,979	496,588
2026	113,098	360,038	473,136
2027	25,681	367,239	392,920
Thereafter	<u>-</u>	<u>1,014,749</u>	<u>1,014,749</u>
Total Payments	758,375	2,780,334	3,538,709
Less: Interest Portion	<u>(36,619)</u>	<u>(273,151)</u>	<u>(309,770)</u>
Total Lease Obligation	<u>\$ 721,756</u>	<u>\$ 2,507,183</u>	<u>\$ 3,228,939</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 13 LEASES (CONTINUED)

For the years ended June 30, 2022 and 2021, the College had a total of \$4,511,240 and \$4,245,310, respectively, in equipment and for building space under these lease agreements. Amortization expense for the years ended June 30, 2022 and 2021 was \$550,545 and \$553,335, respectively; accumulated amortization for the years ended June 30, 2022 and 2021 was \$1,343,395 and \$954,176, respectively.

Land Leases

In 1987, the College entered into a lease agreement with the Benedictine Sisters Benevolent Association (B.S.B.A.) to lease facilities currently used by the College for administration offices, classrooms and other educational purposes. The property includes Tower Hall and certain other facilities or areas to be used by the College or on a shared basis with the B.S.B.A. The lease term is 99 years for a fee of \$1 per year. In 1989, in consideration of a \$1,000,000 payment by the College, the lease was amended and supplemented by adding additional portions of Tower Hall and land. Additional property was leased to the College on a comparable basis, without additional consideration, in 1993 to facilitate further remodeling and expansion of College facilities. The lease will automatically renew for 50 years if no default, cancellation, or termination has occurred by a date one year prior to expiration but will terminate no later than January 1, 2136. The cost of operating the leased buildings, shared by the College and the B.S.B.A., is related to their respective use. The B.S.B.A. will not subject Tower Hall to indebtedness in addition to amounts outstanding as of March 16, 1974.

The College also has a land lease agreement in which space is rented to New Cingular Wireless PCS, LLC (AT&T Mobility Corp.) for space on top of Tower Hall for wireless phone tower. The original lease, dated June 22, 2004, runs for 10 years and will renew automatically for five years thereafter unless either party opts to cancel. The lease was amended in June 2010 for an increase in ground space and to also account for an increase in the rental payment and subsequent rental payments annually of 4%. Expected estimated payments for the years remaining on the lease subsequent to June 30, 2022 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 25,897
2024	26,932
2025	28,010
2026	29,130
2027	30,296

The College entered into another land lease agreement in which space is rented to Cellular Inc. Network (Verizon Wireless) for placement of a wireless communications platform. The agreement commenced in fiscal 2017 and will span a term of 25 years. Expected estimated payments for the years remaining on the lease subsequent to June 30, 2022 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 1,500
2024	1,500
2025	1,500
2026	1,500
2027	1,500

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 14 FUNCTIONAL EXPENSES

The College's primary program service is academic instruction. Expenses reported as auxiliary enterprises, student activities and services, academic support, libraries, public service and research are incurred in support of this primary program activity. Expenses are directly coded to programs or support services whenever possible. Natural expense attributable to more than one functions expense category are allocated using a variety of cost allocation techniques, such as square feet and time and effort.

Expenses by functional classification for the years ended June 30 consist of the following:

	2022			
	Program Activities	Management and General	Fundraising	Total
Salaries	\$ 33,295,548	\$ 3,437,610	\$ 921,649	\$ 37,654,807
Benefits	8,616,685	1,045,305	204,260	9,866,250
Travel	1,578,595	28,282	46,695	1,653,572
Advertising and Publications	677,159	299,200	70,110	1,046,469
Consulting	346,789	688,790	80,227	1,115,806
Contract Services	12,146,748	4,143,538	207,656	16,497,942
Memberships and Dues	354,882	225,962	6,788	587,632
Supplies and Materials	3,285,490	94,778	60,065	3,440,333
Occupancy	1,447,566	559,285	550	2,007,401
Depreciation and Amortization	4,589,789	110,018	-	4,699,807
Interest	1,782,613	10,334	-	1,792,947
Other	213,301	254,232	6,124	473,657
Total Operating Expenses	68,335,165	10,897,334	1,604,124	80,836,623
Write-Off of Contribution Receivables	-	28,774	-	28,774
Total Expense	<u>\$ 68,335,165</u>	<u>\$ 10,926,108</u>	<u>\$ 1,604,124</u>	<u>\$ 80,865,397</u>

	2021			
	Program Activities	Management and General	Fundraising	Total
Salaries	\$ 33,942,976	\$ 3,669,374	\$ 956,007	\$ 38,568,357
Benefits	8,355,028	1,004,602	202,802	9,562,432
Travel	575,224	3,136	1,968	580,328
Advertising and Publications	544,326	421,391	70,030	1,035,747
Consulting	273,501	1,015,730	75,244	1,364,475
Contract Services	8,579,842	3,017,586	104,900	11,702,328
Memberships and Dues	269,318	251,604	5,622	526,544
Supplies and Materials	3,408,531	126,907	46,888	3,582,326
Occupancy	1,033,544	410,300	75	1,443,919
Depreciation and Amortization	4,612,852	112,025	-	4,724,877
Interest	1,846,721	10,905	-	1,857,626
Other	230,529	410,609	6,335	647,473
Total Operating Expenses	63,672,392	10,454,169	1,469,871	75,596,432
Write-Off of Contribution Receivables	-	61,983	-	61,983
Total Expense	<u>\$ 63,672,392</u>	<u>\$ 10,516,152</u>	<u>\$ 1,469,871</u>	<u>\$ 75,658,415</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 15 RELATED PARTIES

In March 1998, the College, along with The Marshall School, created Saints-Hilltoppers Arena, Inc. (the Arena). This nonprofit corporation was created to oversee the operations of an arena that is used by both the College and The Marshall School. The president of the College and the head of Marshall School both serve on the board of directors of the Arena. In addition, the College and the School each appoint three board members. Two additional members are selected by the Arena's board of directors. Upon dissolution of the Arena, one-half of the assets would be remitted to the College. The College is not considered to have control over the Arena and, accordingly, the College's financial statements do not include the activity of the Arena.

The College uses the Arena for its men's and women's hockey programs as well as for its Figure Skating Club. Rental for ice-time and other associated costs with these programs totaled \$60,713 and \$42,930 for the years ended June 30, 2022 and 2021, respectively.

Adjoining the College's campus are the St. Scholastica Monastery, the home of the Benedictine Sisters; the Benedictine Health Center, which serves the needs of the Duluth area and provides many health science and behavioral arts and science students with opportunity to obtain practical experience; and Westwood, an apartment and assisted living facility for senior citizens.

All three of these entities share utility costs, facilities services, grounds maintenance, and deferred maintenance costs with the College. The total amount billed to these parties amounted to \$740,978 and \$747,655 for the years ended June 30, 2022 and 2021, respectively. The total amount receivable as of June 30, 2022 and 2021 was \$61,985 and \$53,502, respectively.

While the St. Scholastica Monastery does not have direct control over the College, members of the B.S.B.A. may constitute up to 25% but not fewer than four of the voting Trustees of the College may be members of the B.S.B.A.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 16 EARLY RETIREMENT/POSTEMPLOYMENT AGREEMENTS

For the year ended June 30, 2022 the cost of salary and benefits associated with early retirement/postemployment agreements was approximately \$25,000. For the year ended June 30, 2021 the cost of salary and benefits associated with early retirement/postemployment agreement costs was approximately \$125,794. The cost of these agreements for both years was expensed to operations. The obligation included in accrued liabilities for early retirement/postemployment agreements for the years ended June 30, 2022 and 2021 was \$48,646 and \$53,611, respectively.

NOTE 17 CHARITABLE GIFT ANNUITIES

The College administers various charitable gift annuities. A charitable gift annuity provides for payment of a fixed amount over a specified period of time to the designated annuity beneficiary. Assets held under charitable gift annuities are recorded at fair value in the College's statement of financial position. On an annual basis, the College revalues the annuity contract reserve to make distributions to the annuitants based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate ranging from 4.0% to 7.0% and applicable mortality rates.

For the years ended June 30, 2022 and 2021, College received \$-0- of gift value relating to split-interest agreements. Total assets held by the College under split-interest agreements investments on the statements of financial position totaled \$216,294 and \$275,391 at June 30, 2022 and 2021, respectively.

NOTE 18 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, investments and accounts and other receivables. Cash and cash equivalents in excess of federally insured limits are subject to the usual risks of balances in excess of those limits. Investments are generally placed in a variety of managed funds in order to limit credit risk. Student notes and receivables and other receivables are due from a variety of sources concentrated primarily in the Midwestern United States. In addition, the College's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 19 LINE OF CREDIT ARRANGEMENT

The College has a \$10,000,000 line of credit through National Bank of Commerce effective July 5, 2021 through July 5, 2022. Subsequent to fiscal year 2022, this line has since been renewed effective for the time period July 5, 2022 to July 5, 2023. Borrowings under this line of credit bears a variable interest rate equal to the Prime Rate with a floor of 3.25%. The line of credit is secured by the College's personal property, including inventory, equipment, all accounts, tangible and intangible assets, and other rights to payment. In addition, the agreement requires the College to comply with certain financial covenants. Interest paid on the line of credit is \$1,333 for the year ended June 30, 2022. There is \$-0- outstanding on this line of credit at June 30, 2022.

The College did have a \$3,000,000 revolving line of credit through Wells Fargo during fiscal year 2021 that expired March 31, 2021 and was not renewed. There were no borrowings under this line nor any amount outstanding for the year ended June 30, 2021.

NOTE 20 COMPREHENSIVE CAMPAIGN

In November 2021, the College expanded and extended its current capital campaign, the 2nd Century of Saints, raising the original comprehensive campaign goal \$50 million to \$62.6 million. Fundraising for a new Student Center is the focal point of this present phase of the campaign that has now entered its public phase. The campaign, which is expected to conclude June 30, 2023, has raised \$53.1 million towards the \$62.6 million goal.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 21 LIQUIDITY AND AVAILABILITY

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investments of its available funds. As of June 30, the following assets and liquidity resources could be made available within one year to meet general expenditures:

	2022	2021
Financial Assets:		
Cash and Cash Equivalents	\$ 8,936,986	\$ 8,806,344
Accounts Receivable	2,709,620	2,326,127
Contributions Receivable	2,035,621	692,062
Investments	103,203,972	119,065,197
Grants Receivable	1,660,242	3,970,434
Other Receivables	282,947	330,596
Total Financial Assets	<u>118,829,388</u>	<u>135,190,760</u>
Less: Donor Designated:		
Contributions Receivable	820,745	598,810
Investments	35,638,711	42,298,985
Less: Long-Term Assets:		
Cash and Cash Equivalents	553,511	632,491
Contributions Receivable	1,200,176	88,802
Investments	<u>-</u>	<u>37,400</u>
Financial Assets Not Available to be Used		
Within One Year	<u>38,213,143</u>	<u>43,656,488</u>
Financial Assets Available to Meet Cash Needs		
for General Expenditures Within One Year	<u><u>\$ 80,616,245</u></u>	<u><u>\$ 91,534,272</u></u>

The College's endowment fund consists of donor endowment and quasi-endowment funds. Quasi-endowed funds are amounts that could be available to spend from the corpus, although that is not the intention of the board. Those amounts are included in the table above as they could be made available if necessary with board approval within one year of the statement of financial position date.

NOTE 22 IMPACT OF COVID-19 PANDEMIC

While the College returned to near normal operations that included all classes being taught in an in-person setting, there were lingering effects from the pandemic that negatively impacted both traditional and nontraditional program enrollments. These did include a mask mandate for all faculty, staff and students that spanned a significant portion of the academic year as well as a vaccination mandate that went into effect during the Fall Semester.

This mandate, along with other uncertainties, whether economic or personal, stemming from the pandemic had a detrimental effect on enrollment, particularly with retention from Fall to Spring semesters. Overall, student related revenues were down from prior year by almost \$2.5 million with a significant portion of this decrease being held attributable to the pandemic.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 22 IMPACT OF COVID-19 PANDEMIC (CONTINUED)

The College received \$6,578,060 in Federal assistance through the American Rescue Plan Act of 2021 (ARP), passed by Congress in March 2021 that provided additional Higher Education Emergency Relief Funds. These funds were utilized during fiscal 2022. A specified portion of this funding, as required by law, was provided directly to students in the form of emergency aid due to help offset costs incurred by them due to the disruption caused by COVID-19. The remaining portion of the American Rescue Plan Act funding, amounting to \$3,376,182 was designated by Congress for offsetting pandemic related revenue losses and expenses.

NOTE 23 COMPOSITE SCORE

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

The composite score for the year ended June 30, 2022 is as follows:

Primary Reserve Ratio:

Expendable Net Assets	\$ 79,810,532	
Total Expenses/Losses	\$ 80,836,534	<u>0.9873</u>

Equity Ratio:

Modified Net Assets	\$ 139,380,527	
Modified Assets	\$ 207,996,637	<u>0.6701</u>

Net Income Ratio:

Change in Net Assets Without Donor Restrictions	\$ (11,543,091)	
Total Revenue/Gains	\$ 69,293,532	<u>(0.1666)</u>

	Ratios	Strength Factors	Weight	Composite Score
Primary Reserve	0.9873	3.00	40%	1.20
Equity	0.6701	3.00	40%	1.20
Net Income	(0.1666)	-1.00	20%	(0.20)
Composite Score				<u>2.20</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 23 COMPOSITE SCORE (CONTINUED)

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

Net Assets

1	Net assets with donor restrictions: restricted in perpetuity	\$ 21,673,681
2	Other net assets with donor restrictions (not restricted in perpetuity):	
a.	Annuities with donor restrictions	75,067
b.	Term endowments	-
c.	Life income funds (trusts)	-
d.	Total annuities, term endowments, and life income funds with donor restrictions	<u>\$ 75,067</u>

Property, Plant, and Equipment, net

3	Pre-implementation property, plant, and equipment, net	
a.	Ending balance of pre-implementation as of June 30, 2020	\$ 65,056,131
b.	Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard	-
c.	Loss on write-off of capitalized library materials	-
d.	Less subsequent depreciation and disposals (net of accumulated depreciation)	<u>(3,587,015)</u>
e.	Balance pre-implementation property, plant, and equipment, net	61,469,116
4	Debt financed post-implementation property, plant, and equipment, net	
	Long-lived assets acquired with debt subsequent to June 30, 2019:	
a.	Equipment	569,957
b.	Land improvements	660,439
c.	Building	11,065,859
d.	Less subsequent depreciation and disposals	<u>(1,054,741)</u>
e.	Total property, plant, and equipment, net acquired with debt exceeding 12 months	11,241,514
5	Construction in progress - debt-financed subsequent to June 30, 2019	-
6	Post-implementation property, plant, and equipment, net, acquired without debt:	
a.	Long-lived assets acquired without use of debt subsequent to June 30, 2019 building renovation/ remodeling	5,996,912
b.	Long-lived assets acquired without use of debt subsequent to June 30, 2019 equipment	<u>2,586,037</u>
c.	Total Post-implementation property, plant, and equipment, net, acquired without debt	<u>8,582,949</u>
7	Total Property, Plant, and Equipment, net - June 30, 2022	<u>\$ 81,293,579</u>
7a	Construction in Progress - June 30, 2022	\$ 597,609

Debt to be excluded from expendable net assets

8	Pre-implementation debt:	
a.	Ending balance of pre-implementation as of June 30, 2020	39,839,999
b.	Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.	-
c.	Less subsequent debt repayments	<u>(1,045,000)</u>
d.	Bond premium/ debt acquisition/ bond discount costs on debt, net	-
e.	Balance Pre-implementation Debt	<u>38,794,999</u>
9	Allowable post-implementation debt used for capitalized long-lived assets:	
a.	Equipment - all capitalized	569,957
b.	Land improvements	660,439
c.	Buildings	11,065,859
d.	Less debt repayments - post-implementation debt	<u>(1,006,053)</u>
e.	Balance Post-implementation Debt	11,290,202
10	Construction in progress (CIP) financed with debt or line of credit	-

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 23 COMPOSITE SCORE (CONTINUED)

11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value	
a.	Debt issued for purpose of refinancing existing bonds	\$ -
b.	Refunded bonds	(6,125,000)
c.	Liability greater than asset value	1,792,010
d.	Total long-term debt not used for purchase of property, plant and equipment or liability greater than asset value and other	(4,332,990)
	Total Long Term Debt - June 30, 2022	<u>\$ 45,752,211</u>

12	Terms of current year debt and line of credit for PPE additions:			Amount
	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Nature of Capitalized Amounts</u>	<u>Capitalized</u>
a.	Dec 14, 2021	Aug 31, 2026	Equipment	\$ 258,920
b.	May 31, 2022	Oct 31, 2026	Equipment	168,336

Lease right-of-use assets and liabilities

13	Lease right-of-use assets	
	Right-of-use assets as of balance sheet date June 30, 2021	\$ 3,167,845
14	Lease right-of-use assets - Pre-implementation	
	Right-of-use assets as of balance sheet date June 30, 2021, excluding leases entered into before December 15, 2018	\$ -
15	Lease right-of-use assets - Post-implementation	
	Right-of-use assets as of balance sheet date June 30, 2021, excluding leases entered into on or after December 15, 2018	\$ -
16	Lease right-of-use liability	
	Lease liabilities as of balance sheet date June 30, 2021	\$ 3,228,939
17	Lease right-of-use liability - Pre-implementation	
	Lease liabilities as of balance sheet date June 20, 2021, excluding leases entered into before December 15, 2018	\$ -
18	Lease right-of-use liability - Post-implementation	
	Lease liabilities as of balance sheet date June 30, 2021, excluding leases entered into on or after December 15, 2018	\$ -

Unsecured related-party receivables

19	Secured related-party receivables	\$ -
20	Unsecured related party receivables	287,045
21	Total secured and unsecured related-party receivables	<u>287,045</u>

Sale of fixed assets (if loss)

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

Sale of fixed assets (if gain)

25	Gain on sale of fixed assets	89
26	Remaining balances in nonoperating other income category in which gain on sale of assets is included on SOA	-
27	Other income category in which gain on sale of assets is included on SOA	<u>89</u>

COLLEGE OF ST. SCHOLASTICA, INC.
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
JUNE 30, 2022

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

Supplemental Schedule - Financial Responsibility Calculation Supplemental Components

Primary Reserve Ratio:			
		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 99,556,890
2	SFP	Net assets with donor restrictions	40,145,369
3	Note 23 Line 1	Net assets restricted in perpetuity	21,673,681
4	Note 23 Line 20	Unsecured related-party receivable	287,045
5	Note 23 Line 2d	Donor restricted annuities, term endowments, life income funds	75,067
6	Note 23 Line 3e	Property, plant, and equipment pre-implementation	61,469,116
7	Note 23 Line 4e	Property, plant, and equipment post-implementation with outstanding debt for original purchase	11,241,514
8	Note 23 Line 5/ 7a	Construction in progress purchased with and without long-term debt	597,609
9	Note 23 Line 6c	Post-implementation property, plant, and equipment, net, acquired without debt	8,582,949
10	Note 23 Line 14	Lease right-of-use asset, pre-implementation (grandfather of leases option not elected)	-
11	Note 23 Line 15	Lease right-of-use asset, post-implementation	3,167,845
12	SFP	Intangible assets	34,687
13	Note 16	Post-employment and pension liabilities	48,646
14	Note 23 Line 8e	Long-term debt - for long-term purposes pre-implementation	38,794,999
15	Note 23 Line 9e	Long-term debt - for long-term purposes post-implementation	11,290,202
16	Note 23 Line 10	Line of credit for construction in progress	-
17	Note 23 Line 17	Pre-implementation right-of-use asset liability (grandfather of leases option not elected)	-
18	Note 23 Line 18	Post-implementation right-of-use asset liability	3,228,939
19	Note 23 Line 11b	Refunded bonds	(6,125,000)
		Total Expenses and Losses:	
19	Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	80,836,534
20	SOA	Non-service component of pension/postemployment (nonoperating) cost, (if loss)	-
21	Note 23 Line 22	Sale of fixed assets (if loss)	-
22	SOA	Change in value of interest-rate swap agreements (if loss)	-
Equity Ratio:			
		Modified Net Assets:	
23	SFP	Net assets without donor restrictions	\$ 99,556,890
24	SFP	Net assets with donor restrictions	40,145,369
25	SFP	Intangible assets	34,687
26	Note 23 Line 20	Unsecured related-party receivables	287,045
		Modified Assets:	
27	SFP	Total assets	208,318,369
28	Note 23 Line 14	Lease right-of-use asset pre-implementation	-
29	SFP	Intangible assets	34,687
30	Note 23 Line 20	Unsecured related-party receivables	287,045
Net Income Ratio:			
31	SOA	Change in Net Assets Without Donor Restrictions	\$ (11,543,091)
		Total Revenues and Gains:	
32	SOA	Total operating revenue (including net assets released from restrictions)	78,692,040
33	SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)	(9,874,533)
34	SOA	Non-service component of pension/postemployment (nonoperating) cost (if gain)	-
35	SOA	Pension-related changes other than net periodic pension costs (if gain)	-
36	SOA	Change in value of annuity agreement (typically in nonoperating)	-
37	SOA	Change in value of interest-rate swap agreements (if gain)	-
38	Note 23 Line 25	Sale of fixed assets (if gain)	89
39	SOA	Other gains	475,936

{a} If the value for this category is a loss, it is not included in the composite score calculation.



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