

COLLEGE OF ST. SCHOLASTICA, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

**COLLEGE OF ST. SCHOLASTICA, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of College of St. Scholastica, Inc. (the College), which comprises the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
College of St. Scholastica, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College of St. Scholastica, Inc. as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 14, 2020

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 5,718,497	\$ 9,017,114
Student Accounts Receivable, Net of Allowance for Doubtful Accounts of \$360,814 and \$300,598, Respectively	2,521,235	2,774,654
Grants Receivable	909,299	844,782
Contributions Receivable	484,668	1,040,786
Other Receivables	344,032	315,830
Inventories	83,921	57,725
Prepaid Expenses and Other Assets	727,640	1,011,458
Student Notes Receivable, Net of Allowance for Doubtful Notes of \$248,830 and \$259,070, Respectively	2,681,608	3,098,596
Investments Held by Trustee	704,152	4,522,494
Investments	93,982,878	92,954,477
Intangible Assets, Net	13,075	32,859
Construction in Progress	282,898	2,246,115
Property, Plant, and Equipment, Net	89,503,511	74,594,487
Total Assets	\$ 197,957,414	\$ 192,511,377
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 1,912,594	\$ 2,800,957
Accrued Liabilities	6,555,772	6,386,463
Deposit Accounts	319,609	601,271
Deferred Revenue	6,976,688	9,778,456
Bonds and Leases Payable, Net	51,305,595	42,647,715
Annuities Payable	199,951	189,920
Funds Held for Others	456,876	358,372
U.S. Government Grants Refundable	3,333,392	3,537,707
Other Grants Refundable	66,653	80,551
Total Liabilities	71,127,130	66,381,412
NET ASSETS		
Without Donor Restrictions	91,788,578	91,396,639
With Donor Restrictions	35,041,706	34,733,326
Total Net Assets	126,830,284	126,129,965
Total Liabilities and Net Assets	\$ 197,957,414	\$ 192,511,377

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and Fees, Less Scholarships and Grants of \$38,177,349 and \$36,911,427, Respectively	\$ 58,947,920	\$ -	\$ 58,947,920	\$ 60,016,221
Government Grants	7,871,718	-	7,871,718	5,678,802
Private Gifts	233,225	3,234,864	3,468,089	2,417,805
Endowment Gain	604,011	395,319	999,330	4,855,994
Other Sources	3,004,390	557,026	3,561,416	1,675,074
Investment Income	246,110	-	246,110	420,670
Sales and Services of Auxiliary Enterprises	6,834,436	-	6,834,436	8,152,109
Adjustment in Actuarial Liability for Annuities Payable	-	(35,447)	(35,447)	11,274
Total	<u>77,741,810</u>	<u>4,151,762</u>	<u>81,893,572</u>	<u>83,227,949</u>
Net Assets Released from Restrictions	<u>3,524,097</u>	<u>(3,524,097)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	81,265,907	627,665	81,893,572	83,227,949
EXPENSES AND LOSSES				
Program Expenses:				
Instruction	37,229,245	-	37,229,245	36,741,180
Public Service	2,187,720	-	2,187,720	1,814,605
Academic Support	6,520,531	-	6,520,531	6,501,128
Student Services	18,422,520	-	18,422,520	16,889,811
Auxiliary Enterprises	7,043,602	-	7,043,602	7,765,258
Support Expenses:				
Institutional Support	10,812,074	-	10,812,074	10,711,732
Allocable Expenses:				
Operation and Maintenance of Plant	3,604,880	-	3,604,880	3,736,336
Interest Expense	1,867,253	-	1,867,253	2,240,153
Depreciation, Amortization, and Accretion Expense	4,070,748	-	4,070,748	3,944,110
Less: Allocated Expenses	<u>(9,542,881)</u>	<u>-</u>	<u>(9,542,881)</u>	<u>(9,920,599)</u>
Total Expenses Before Losses	82,215,692	-	82,215,692	80,423,714
Loss on Write-Off of Contribution Receivables	50,000	319,285	369,285	42,662
(Gain) Loss on Disposal of Plant Facilities	(41,084)	-	(41,084)	3,006
Loss on Bond Refunding	<u>187,528</u>	<u>-</u>	<u>187,528</u>	<u>-</u>
Total Expenses and Losses	<u>82,412,136</u>	<u>319,285</u>	<u>82,731,421</u>	<u>80,469,382</u>
CHANGE IN NET ASSETS BEFORE ACQUISITION	(1,146,229)	308,380	(837,849)	2,758,567
HSEFC Entity Acquisition (Collapse)	<u>1,538,168</u>	<u>-</u>	<u>1,538,168</u>	<u>-</u>
CHANGE IN NET ASSETS	391,939	308,380	700,319	2,758,567
Net Assets - Beginning of Year	<u>91,396,639</u>	<u>34,733,326</u>	<u>126,129,965</u>	<u>123,371,398</u>
NET ASSETS - END OF YEAR	<u>\$ 91,788,578</u>	<u>\$ 35,041,706</u>	<u>\$ 126,830,284</u>	<u>\$ 126,129,965</u>

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Tuition and Fees, Less Scholarships and Grants of \$36,911,427	\$ 60,016,221	\$ -	\$ 60,016,221
Government Grants	5,678,802	-	5,678,802
Private Gifts	435,932	1,981,873	2,417,805
Endowment Gain	3,202,606	1,653,388	4,855,994
Other Sources	1,197,386	477,688	1,675,074
Investment Income	420,670	-	420,670
Sales and Services of Auxiliary Enterprises	8,152,109	-	8,152,109
Adjustment in Actuarial Liability for Annuities Payable	-	11,274	11,274
Total	<u>79,103,726</u>	<u>4,124,223</u>	<u>83,227,949</u>
Net Assets Released from Restrictions	<u>3,431,046</u>	<u>(3,431,046)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	82,534,772	693,177	83,227,949
EXPENSES AND LOSSES			
Program Expenses:			
Instruction	36,741,180	-	36,741,180
Public Service	1,814,605	-	1,814,605
Academic Support	6,501,128	-	6,501,128
Student Services	16,889,811	-	16,889,811
Auxiliary Enterprises	7,765,258	-	7,765,258
Support Expenses:			
Institutional Support	10,711,732	-	10,711,732
Allocable Expenses:			
Operation and Maintenance of Plant	3,736,336	-	3,736,336
Interest Expense	2,240,153	-	2,240,153
Depreciation, Amortization, and Accretion Expense	3,944,110	-	3,944,110
Less: Allocated Expenses	<u>(9,920,599)</u>	<u>-</u>	<u>(9,920,599)</u>
Total Expenses Before Losses	80,423,714	-	80,423,714
Loss on Write-Off of Contribution Receivables	2,500	40,162	42,662
Loss on Disposal of Plant Facilities	3,006	-	3,006
Total Expenses and Losses	<u>80,429,220</u>	<u>40,162</u>	<u>80,469,382</u>
CHANGE IN NET ASSETS	2,105,552	653,015	2,758,567
Net Assets - Beginning of Year	<u>89,291,087</u>	<u>34,080,311</u>	<u>123,371,398</u>
NET ASSETS - END OF YEAR	<u>\$ 91,396,639</u>	<u>\$ 34,733,326</u>	<u>\$ 126,129,965</u>

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 700,319	\$ 2,758,567
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Loss on Bond Refunding	187,528	-
Depreciation, Amortization, and Accretion	4,070,748	3,944,110
Amortization of Bond Premium/Discount/Acquisition Cost		
Netted Against Interest Expense	(136,504)	3,308
(Gain)/Loss on disposal of Property	(41,084)	3,006
(Gain)/Loss on Endowment Investments	1,365,487	(2,913,018)
(Gain)/Loss on Other Investments	66	(13,345)
Actuarial Adjustment of Annuities Payable	40,279	8,626
Increase (Decrease) in Allowance for Student Accounts Receivable	60,216	(7,920)
Increase in Allowance for Student Notes Receivable	(10,240)	6,340
Loan Cancellations, Assignments, and Write-Offs	77,092	74,133
Change in Assets and Liabilities:		
Student Accounts Receivable	193,203	(473,761)
Grants Receivable	(64,517)	356,261
Contributions Receivable - Operations	530,337	54,991
Other Receivables	(28,202)	188,382
Inventories	(26,196)	23,648
Prepaid Expenses and Other Assets	283,818	(26,786)
Intangible Assets	-	(36,824)
Accounts Payable	(21,883)	48,464
Accrued Liabilities	133,015	563,039
Deposit Accounts	(281,662)	(132,003)
Deferred Revenue	(2,801,768)	(28,837)
Funds Held for Others	98,504	80,258
Proceeds from the Sale of Donated Securities Restricted		
for Long-Term Investment and Plant	(33,075)	(10,226)
Contributions Restricted for Long-Term Investment and Plant	(1,515,522)	(330,070)
Net Cash Provided by Operating Activities	2,779,959	4,140,343
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Endowment Investments	(13,008,379)	(7,698,042)
Sales of Endowment Investments	10,593,944	7,614,979
Purchases of Other Investments	(9,941)	(9,278)
Sales of Other Investments	30,423	30,454
Drawdowns of Deposits with Trustee, Net	799,565	(87,430)
Purchases of Property, Plant, and Equipment	(5,126,813)	(5,562,572)
Disbursements of Loans to Students	(310,888)	(260,201)
Repayments of Loans from Students	661,024	611,996
Net Cash Used by Investing Activities	(6,371,065)	(5,360,094)

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Principal on Indebtedness	\$ (1,572,854)	\$ (1,319,146)
Acquisition of debt (HSEFC) in excess of acquired assets	539,425	-
Contributions Received Restricted for Long-Term Investment and Plant	1,541,303	445,510
Increase (Decrease) in Refundable Grants	(218,213)	81,198
Proceeds from the Sale of Donated Securities Received Restricted for Long-Term Investment and Plant	33,075	10,226
Payments to Annuitants	(30,247)	(30,247)
Net Cash Used by Financing Activities	292,489	(812,459)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,298,617)	(2,032,210)
Cash and Cash Equivalents - Beginning of Year	9,017,114	11,049,324
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,718,497	\$ 9,017,114
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 2,072,919	\$ 2,240,687
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property, Plant, and Equipment Acquired through Accounts Payable	\$ 425,529	\$ 1,294,968
Right of Use of Equipment Acquired through Capital Lease	\$ 362,807	\$ 349,499
Bonds Retired with Proceeds from Issuance of New Debt	\$ 35,200,000	\$ -
Debt Acquisition Costs paid for with Proceeds from Issuance of New Debt	\$ 282,680	\$ -

See accompanying Notes to Financial Statements.

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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
YEARS ENDED JUNE 30, 2020 AND 2019**

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.

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Accounts Receivable (Continued)

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. 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
Library Books	10 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.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 the College had total intangible assets of \$1,691,795 with accumulated amortization totaling \$1,678,720; amortization expense for the year was \$19,784. For the year ended June 30, 2019, the College had total intangible assets of \$1,691,795 with accumulated amortization totaling \$1,658,936; amortization expense for the year was \$15,601.

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.

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, 2020, the unamortized balance remaining in deferred revenues was \$1,720,238 with \$191,138 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.

During fiscal 2020, the College assumed the assets and liabilities of the Health Sciences Education Facility Corporation (HSEFC) (see Note 15). At the time of this transaction, the College's equity contribution for this project amounted to \$2,077,593 that represented the future rent payments due to the College for the right to the use of land the College owned where the facility sat by HSEFC. With the assumption of HSEFC's assets, this deferred revenue obligation of the College was eliminated.

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenues and Capital Commitments (Continued)

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

	Summer Tuition	Food Service Contract	HSEFC Rental	Other Deferred Revenues	Total
Balance - June 30, 2018	\$ 5,485,953	\$ 2,102,513	\$ 2,134,076	\$ 84,750	\$ 9,807,292
Revenue Recognized	(5,485,953)	(191,137)	(29,469)	(84,750)	(5,791,309)
Payments Received for Future Performance Obligations	5,692,441	-	-	70,032	5,762,473
Balance - June 30, 2019	5,692,441	1,911,376	2,104,607	70,032	9,778,456
Revenue Recognized	(5,692,441)	(191,138)	(27,014)	(70,032)	(5,980,625)
Other*	-	-	(2,077,593)	-	(2,077,593)
Payments Received for Future Performance Obligations	5,201,823	-	-	54,627	5,256,450
Balance - June 30, 2020	<u>\$ 5,201,823</u>	<u>\$ 1,720,238</u>	<u>\$ -</u>	<u>\$ 54,627</u>	<u>\$ 6,976,688</u>

*Dissolution of HSEFC entity - See Note 1 & Note 15

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 \$38,177,349 in 2020 and \$36,911,427 in 2019. Academic programs are delivered in the Fall (September - December), Spring (February - May), and Summer (May - August).

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Disaggregation of Revenue (Continued)

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 \$3,515,777 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred, with an advance payment of \$66,653 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.

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 \$2,629,963 and \$2,585,518 for the years ended June 30, 2020 and 2019, 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.

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fundraising and Advertising Costs

Fundraising expenses approximated \$1,558,439 and \$1,510,463 for the years ended June 30, 2020 and 2019, respectively. Advertising expenses approximated \$2,071,616 and \$1,660,450 for the years ended June 30, 2020 and 2019, 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 for the years ended June 30, 2020 and 2019 is as follows:

	2020	2019
Beginning of Year	\$ 801,961	\$ 933,026
Liabilities Incurred During Year	-	-
Liabilities Settled During Year	(15,950)	(169,216)
Accretion Expense	39,252	38,151
End of Year	\$ 825,263	\$ 801,961

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.

Subsequent Events

The College has evaluated subsequent events through October 14, 2020, which is the date that the financial statements were issued.

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

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

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Scholarships, Instruction, and Other		
Departmental Support	\$ 1,315,166	\$ 1,134,310
Acquisition of Buildings and Equipment	1,342,979	328,312
Total	<u>2,658,145</u>	<u>1,462,622</u>
Subject to the Passage of Time:		
Annuity, Life Income, and Similar Funds	135,757	152,446
Contributions Receivable	443,207	885,385
Total	<u>578,964</u>	<u>1,037,831</u>
Subject to College Endowment Spending Policy and Appropriation:		
Financial Aid	6,627,459	7,011,715
General Use	5,607,669	5,923,211
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
Endowment Funds	19,510,112	19,155,892
Total Endowments	<u>31,745,240</u>	<u>32,090,818</u>
Other Perpetually Restricted Net Assets:		
Annuity, Life Income, and Similar Funds	17,896	36,654
Contributions Receivable	41,461	105,401
Total	<u>59,357</u>	<u>142,055</u>
Total Net Assets with Donor Restrictions	<u>\$ 35,041,706</u>	<u>\$ 34,733,326</u>

Net assets without donor restrictions consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operations	\$ (1,509,549)	\$ 2,978,447
Endowment Funds - Board Designated	56,657,247	57,936,940
Loans to Students	156,983	389,638
Investment in Plant	36,483,897	30,041,614
Contributions Receivable	-	50,000
Total	<u>\$ 91,788,578</u>	<u>\$ 91,396,639</u>

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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:

	2020	2019
<u>Expiration of Time Restrictions</u>		
Satisfaction of Purpose Restrictions:		
Acquisition of Property, Plant, and Equipment	\$ 119,725	\$ 173,226
Restricted-Purpose Spending-Rate Distributions and Appropriations:		
Scholarships, Instruction, and Other Departmental Support	3,404,372	3,257,820
Total Net Assets Released from Donor Restrictions	\$ 3,524,097	\$ 3,431,046

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, 2020 and 2019:

	2020	2019
Without Restrictions - Completed Plant Projects	\$ -	\$ 50,000
Purpose Restricted - Operations	11,850	46,421
Purpose Restricted - Scholarships and Other Departmental Support	412,356	900,585
Purpose Restricted - Facilities Projects	50,000	-
Restricted in Perpetuity - Endowment	46,700	108,057
Gross Unconditional Contributions to Give	520,906	1,105,063
Less: Unamortized Discount	(36,238)	(64,277)
Net Unconditional Contributions Receivable	\$ 484,668	\$ 1,040,786

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, 2020 and 2019.

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 4 CONTRIBUTIONS RECEIVABLE (CONTINUED)

Contributions receivable at June 30, 2020 and 2019 are expected to be paid as follows:

	<u>2020</u>	<u>2019</u>
Amounts Due in:		
Less than One Year	\$ 318,733	\$ 520,215
One to Five Years	172,173	513,448
More than Five Years	30,000	71,400
Total	<u>\$ 520,906</u>	<u>\$ 1,105,063</u>

The College records contributions receivable based on fair 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, 2020 which was 0.29%; as of June 30, 2019, the College used the five-year rate which was 1.76%. These rates were augmented by a 4.00% premium risk for contributions due from corporations, businesses and foundations; and a 6.00% risk premium was used for contributions due from individuals. These rates were increased from those of June 30, 2019, which were 1% and 2%, respectively, in recognition of the weakened financial situation donors may find themselves under as a result of the COVID-19 pandemic. Net collectible contributions due in less than one year were not discounted.

Due to unusual donor circumstances, the College wrote off several large outstanding pledges amounting to \$400,000 in fiscal 2020.

As of June 30, 2020 and 2019, approximately \$1,000 and \$15,575, respectively, of contributions receivable were due from members of the board of trustees. Contribution revenue from members of the board of trustees totaled approximately \$75,900 and \$22,100 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, student loans represented 1.35% and 1.61% 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
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 STUDENT LOAN RECEIVABLES (CONTINUED)

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

	<u>2020</u>	<u>2019</u>
Federal Perkins Loan Program	\$ 1,941,275	\$ 2,471,513
Federal Nursing Loan Program	677,163	682,153
Noyce Loan Program	312,000	204,000
Total	<u>2,930,438</u>	<u>3,357,666</u>
Less Allowance for Doubtful Accounts:		
Beginning of Year	(259,070)	(252,730)
Increases	20,432	(7,840)
Write-Offs	1,809	1,500
End of Year	<u>(236,829)</u>	<u>(259,070)</u>
Student Loan Receivables, Net	<u>\$ 2,693,609</u>	<u>\$ 3,098,596</u>

Funds advanced by the federal government of \$3.33 million and \$3.54 million at June 30, 2020 and 2019, respectively, are ultimately refundable to the government, and are classified as liabilities on the statement of financial position.

As of June 30, 2020 and 2019, the following principal amounts were past due under student loan programs:

<u>Year Ended 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>
2020	\$ 1,566	\$ 1,866	\$ 251,378	\$ 254,810
2019	\$ 1,158	\$ 3,197	\$ 262,029	266,384

NOTE 6 INVESTMENTS HELD BY TRUSTEE

The following summarizes the College's investments at fair value held by trustee as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and Short-Term Investments	\$ 4,127	\$ 922,316
Fixed Income Securities	700,025	3,600,178
Total	<u>\$ 704,152</u>	<u>\$ 4,522,494</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

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 190 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. 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

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 7 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

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, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 31,745,240	\$ 31,745,240
Board-Designated Endowment Funds	56,657,247	-	56,657,247
Total Endowment Net Assets	<u>\$ 56,657,247</u>	<u>\$ 31,745,240</u>	<u>\$ 88,402,487</u>

Endowment net asset composition by type of fund consists of the following as of June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 32,090,818	\$ 32,090,818
Board-Designated Endowment Funds	57,936,940	-	57,936,940
Total Endowment Net Assets	<u>\$ 57,936,940</u>	<u>\$ 32,090,818</u>	<u>\$ 90,027,758</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, June 30, 2019	\$ 57,936,940	\$ 32,090,818	\$ 90,027,758
Investment Return:			
Investment Income	1,539,458	825,359	2,364,817
Net Depreciation - Realized and Unrealized	<u>(935,447)</u>	<u>(430,040)</u>	<u>(1,365,487)</u>
Total Investment Income	604,011	395,319	999,330
Contributions	10,000	295,536	305,536
Pledge Payments	8,129	58,383	66,512
Other	-	3,916	3,916
Appropriation of Endowment Assets for Expenditure	-	(1,083,950)	(1,083,950)
Other Changes:			
Transfer to Board-Designated Endowment Funds	126,867	(14,782)	112,085
Transfer from Board-Designated Endowment Funds	<u>(2,028,700)</u>	<u>-</u>	<u>(2,028,700)</u>
Endowment Net Assets, June 30, 2020	<u>\$ 56,657,247</u>	<u>\$ 31,745,240</u>	<u>\$ 88,402,487</u>

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 7 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, June 30, 2018	\$ 56,502,577	\$ 31,150,747	\$ 87,653,324
Investment Return:			
Investment Income	1,270,015	672,961	1,942,976
Net Appreciation - Realized and Unrealized	<u>1,932,591</u>	<u>980,427</u>	<u>2,913,018</u>
Total Investment Income	3,202,606	1,653,388	4,855,994
Contributions	-	283,966	283,966
Pledge Payments	45,457	51,911	97,368
Other	-	16,556	16,556
Appropriation of Endowment Assets for Expenditure	-	(1,065,750)	(1,065,750)
Other Changes:			
Transfer to Board-Designated Endowment Funds	-	-	-
Transfer from Board-Designated Endowment Funds	<u>(1,813,700)</u>	<u>-</u>	<u>(1,813,700)</u>
Endowment Net Assets, June 30, 2019	<u>\$ 57,936,940</u>	<u>\$ 32,090,818</u>	<u>\$ 90,027,758</u>

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 \$4,109 and \$-0- as of June 30, 2020 and 2019. 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.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 7 ENDOWMENT (CONTINUED)

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.

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.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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, 2020:

	Total	Level 1	Level 2	Level 3
ASSETS				
Contributions Receivable	\$ 484,668	\$ -	\$ -	\$ 484,668
Equity Securities:				
U.S. Equity	48,471,582	48,471,582	-	-
Developed Ex-U.S.	9,499,368	9,499,368	-	-
Emerging Markets	6,385,653	6,385,653	-	-
Mutual Funds:				
Global Bonds:				
Emerging Markets	1,911,236	1,911,236	-	-
Investment Grade	16,997,356	16,997,356	-	-
Convertibles	5,322,649	5,322,649	-	-
Total	<u>\$ 89,072,512</u>	<u>\$ 88,587,844</u>	<u>\$ -</u>	<u>\$ 484,668</u>

The following table presents the reconciliation to the statement of financial position for financial instruments as of June 30, 2020:

Total Measured at Fair Value	\$ 89,072,512
Investments Measured at Net Asset Value	3,265,715
Cash and Cash Equivalents	2,769,998
Cash Surrender Value of Life Insurance	63,473
Total	<u>\$ 95,171,698</u>
Contributions Receivable	\$ 484,668
Investments Held by Trustee	704,152
Investments	93,982,878
Total	<u>\$ 95,171,698</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

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, 2019:

	Total	Level 1	Level 2	Level 3
ASSETS				
Contributions Receivable	\$ 1,040,786	\$ -	\$ -	\$ 1,040,786
Equity Securities:				
U.S. Equity	47,643,249	47,643,249	-	-
Developed Ex-U.S.	10,151,933	10,151,933	-	-
Emerging Markets	7,125,951	7,125,951	-	-
Mutual Funds:				
Global Bonds:				
Emerging Markets	4,120,687	4,120,687	-	-
Investment Grade	19,896,040	19,896,040	-	-
Convertibles	3,172,883	3,172,883	-	-
Total	<u>\$ 93,151,529</u>	<u>\$ 92,110,743</u>	<u>\$ -</u>	<u>\$ 1,040,786</u>

The following table presents the reconciliation to the statement of financial position for financial instruments as of June 30, 2020:

Total Measured at Fair Value	\$ 93,151,529
Investments Measured at Net Asset Value	4,131,167
Cash and Cash Equivalents	1,170,065
Cash Surrender Value of Life Insurance	64,996
Total	<u>\$ 98,517,757</u>
Contributions Receivable	\$ 1,040,786
Investments Held by Trustee	4,522,494
Investments	92,954,477
Total	<u>\$ 98,517,757</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).

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.

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2020:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Multi-Strategy Hedge Fund of Funds	\$ 3,083,547	\$ -	Quarterly	90 Days
Private Equity Funds	182,168	167,848	None	N/A
Total	<u>\$ 3,265,715</u>	<u>\$ 167,848</u>		

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2019:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Multi-Strategy Hedge Fund of Funds	\$ 3,763,264	\$ -	Quarterly	90 Days
Private Equity Funds	367,903	167,848	None	N/A
Total	<u>\$ 4,131,167</u>	<u>\$ 167,848</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.

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.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

Alternative Investments (Continued)

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, 2020:

	<u>Contributions Receivable</u>
Balances June 30, 2019	\$ 1,040,786
Net Realized and Unrealized Gain (Loss)	
Included in Change in Net Assets	-
New Contributions	436,000
Contributions Payments Received	(619,784)
Change in Discount	28,039
Write-Offs	(400,373)
Purchases	-
Sales	-
Balances June 30, 2020	<u>\$ 484,668</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, 2019:

	<u>Contributions Receivable</u>
Balances June 30, 2018	\$ 1,211,217
Net Realized and Unrealized Gain (Loss)	
Included in Change in Net Assets	-
New Contributions	670,050
Contributions Payments Received	(853,374)
Change in Discount	55,555
Write-Offs	(42,662)
Purchases	-
Sales	-
Balances June 30, 2019	<u>\$ 1,040,786</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 INVESTMENTS

The following summarizes the College's investments at fair value as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Money Market and Short-Term Investments	\$ 2,765,871	\$ 247,749
Equity Securities:		
U.S. Equity	48,471,582	47,643,250
Developed Ex-U.S.	9,499,368	10,151,933
Emerging Markets	6,385,653	7,125,950
Mutual Funds:		
Global Bonds:		
Emerging Markets	1,911,236	4,120,687
Investment Grade	16,297,331	16,295,862
Convertibles	5,322,649	3,172,884
Alternative Investments:		
Multi-Strategy Hedge Fund of Funds	3,083,547	3,763,263
Private Equity Funds	182,168	367,903
Cash Surrender Value of Life Insurance	63,473	64,996
Total	<u>\$ 93,982,878</u>	<u>\$ 92,954,477</u>

The investments were allocated as follows:

	<u>2020</u>	<u>2019</u>
Endowment	\$ 93,599,748	\$ 92,550,800
Annuity	353,428	378,813
Operating	29,702	24,864
Total	<u>\$ 93,982,878</u>	<u>\$ 92,954,477</u>

Total investment return on endowment funds consists of the following for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Dividends and Interest, Net of Fees of \$108,643 and \$82,197, Respectively	\$ 2,364,817	\$ 1,942,976
Net Realized and Unrealized Gains on Investments Reported at Fair Value	<u>(1,365,487)</u>	<u>2,913,018</u>
Total	<u>\$ 999,330</u>	<u>\$ 4,855,994</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
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 10 CONSTRUCTION IN PROGRESS

Construction in progress costs at June 30, 2020 were \$282,898 and were for a variety of projects whose expected completion is to take place during the next fiscal year at an additional cost of \$1.3 million. The most significant of these projects is renovation in the Science Center for a Nursing SIM Lab and facility improvements to the Stender School of Business & Technology in Tower Hall.

Construction in progress costs at June 30, 2019 were \$2,246,115 and were for a variety of projects that were completed during the year ended June 30, 2020 at an approximate cost of \$3.65 million. The most significant of these projects were renovation of the North Wing in Somers Hall.

NOTE 11 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at June 30, 2020 and 2019:

	2020	2019
Land and Land Improvements	\$ 5,330,921	\$ 4,438,454
Buildings	121,936,788	104,811,662
Equipment, Furniture, and Fixtures	13,763,580	11,566,728
Library Books and Materials	8,639,178	8,353,574
Automotive Equipment	283,230	461,006
Art Collections/Artifacts	79,210	79,210
Food Service Cost Improvements/Upgrades	2,707,350	2,707,350
Equipment - Right to Use	1,295,953	1,124,946
Total	154,036,210	133,542,930
Less: Accumulated Depreciation	(64,532,699)	(58,948,443)
Total	\$ 89,503,511	\$ 74,594,487

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 12 BONDS PAYABLE

The following is a summary of bonds payable outstanding at June 30, 2020 and 2019:

	Original Amount	2020	2019
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-J	\$ 10,170,000	\$ -	\$ 10,120,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-H	21,820,000	-	20,450,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-S	8,170,000	-	4,630,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-R	9,380,000	6,565,000	6,930,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series 2019	29,075,000	28,165,000	-
2015 Duluth Economic and Development Authority	14,088,264	14,049,532	-
Subtotal	<u>48,779,532</u>	<u>48,779,532</u>	<u>42,130,000</u>
Plus: Unamortized Bond Premium/Discount		3,398,313	319,895
Less: Unamortized Bond Issuance Costs		<u>(1,603,700)</u>	<u>(429,946)</u>
Total		<u>\$ 50,574,145</u>	<u>\$ 42,019,949</u>

At June 30, 2020, bonds and leases 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 \$162,663 and \$3,235,650, respectively; and debt acquisition costs on the MHEFA bond series and 2015 Duluth Economic and Development Authority Bonds in the amount of \$356,072 and \$1,247,628, 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
YEARS ENDED JUNE 30, 2020 AND 2019

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 \$635,000 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 3.25% to 4.25% and mature in annual installments of \$380,000 to \$570,000 on December 1 through 2022 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
YEARS ENDED JUNE 30, 2020 AND 2019**

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 5-year 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, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,489,469
2022	1,537,853
2023	1,591,960
2024	1,646,819
2025	1,712,460
Thereafter	40,800,971
Total	<u>\$ 48,779,532</u>

NOTE 13 LEASES

Capital Leases

During the year ended June 30, 2020, the College entered into three capital lease agreements; two for the right of use of computer equipment and one agreement for the right to use photocopiers. The interest rates on the computer agreements were 0.00% and 2.11%, respectively; the interest rate on the photocopier agreement was 5.49%. The terms of these two computer leases are 36 months and 50 months, respectively; the term of the photocopier lease is 60 months. The balance outstanding on all capital lease obligations as of June 30, 2020 was \$731,450.

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 13 LEASES (CONTINUED)

Future minimum lease payments for the five years subsequent to June 30, 2020 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 293,794
2022	258,203
2023	129,874
2024	82,925
2025	<u>4,830</u>
Total Minimum Lease Payments	769,626
Less: Amount Representing Interest	<u>(38,176)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 731,450</u></u>

For the years ended June 30, 2020 and 2019, the College had a total of \$1,295,953 and \$1,124,945, respectively, in equipment under these lease agreements. Amortization expense for the years ended June 30, 2020 and 2019 was \$264,115 and \$272,144, respectively; accumulated amortization for the years ended June 30, 2020 and 2019 was \$581,723 and \$509,408, respectively.

Operating 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 has operating leases for computer equipment, copiers, and building space. Rental expense associated with these operating leases totaled \$1,506,159 and \$1,674,818 for the years ended June 30, 2020 and 2019, respectively. Future minimum lease payments for the five years subsequent to June 30, 2020 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 498,237
2022	334,469
2023	340,848
2024	347,664
2025	<u>354,620</u>
Total	<u><u>\$ 1,875,838</u></u>

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 13 LEASES (CONTINUED)

Operating Leases (Continued)

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 ten 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, 2020 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 23,943
2022	24,901
2023	25,897
2024	26,932
2025	28,010

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 payments for the five years on the lease agreement subsequent to June 30, 2020 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,500
2022	1,500
2023	1,500
2024	1,500
2025	1,500

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

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:

	2020			
	Program Activities	Management and General	Fundraising	Total
Salaries	\$ 36,699,764	\$ 3,823,347	\$ 1,018,021	\$ 41,541,132
Benefits	10,188,304	1,176,459	258,483	11,623,246
Travel	1,915,696	54,821	62,565	2,033,082
Advertising and Publications	354,647	981,791	31,631	1,368,069
Consulting	578,360	1,098,324	86,772	1,763,456
Contract Services	9,636,574	648,128	56,091	10,340,793
Memberships and dues	312,183	277,220	7,336	596,739
Supplies and Materials	3,187,266	233,260	29,252	3,449,778
Occupancy	2,544,515	441,320	3,280	2,989,115
Depreciation and Amortization	3,971,720	134,498	-	4,106,218
Interest	1,815,075	16,709	-	1,831,784
Other	199,514	367,757	5,009	572,280
Total Operating Expenses	<u>71,403,618</u>	<u>9,253,634</u>	<u>1,558,440</u>	<u>82,215,692</u>
Write-Off of Contribution				
Receivables	-	369,285	-	369,285
Total Expense	<u>\$ 71,403,618</u>	<u>\$ 9,622,919</u>	<u>\$ 1,558,440</u>	<u>\$ 82,584,977</u>
	2019			
	Program Activities	Management and General	Fundraising	Total
Salaries	\$ 35,528,910	\$ 4,089,220	\$ 937,795	\$ 40,555,925
Benefits	9,692,997	1,187,441	250,874	11,131,312
Travel	2,810,427	109,338	84,310	3,004,075
Advertising and Publications	377,102	797,972	39,663	1,214,737
Consulting	495,656	986,410	62,332	1,544,398
Contract Services	8,505,321	396,199	103,018	9,004,538
Memberships and dues	265,134	251,182	7,494	523,810
Supplies and Materials	3,021,485	362,317	19,323	3,403,125
Occupancy	2,917,647	413,951	1,862	3,333,460
Depreciation and Amortization	3,781,178	162,932	-	3,944,110
Interest	2,223,837	16,316	-	2,240,153
Other	92,288	427,991	3,792	524,071
Total Operating Expenses	<u>69,711,982</u>	<u>9,201,269</u>	<u>1,510,463</u>	<u>80,423,714</u>
Write-Off of Contribution				
Receivables	-	42,662	-	42,662
Total Expense	<u>\$ 69,711,982</u>	<u>\$ 9,243,931</u>	<u>\$ 1,510,463</u>	<u>\$ 80,466,376</u>

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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 \$63,787 and \$59,258 for the years ended June 30, 2020 and 2019, 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 \$817,305 and \$862,376 for the years ended June 30, 2020 and 2019, respectively. The total amount receivable as of June 30, 2020 and 2019 was \$68,770 and \$28,238, 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.

As part of the process of expanding its graduate health sciences programs, the College purchased in early fiscal 2016 3.5 acres of land that is now the site of a 43,755 square foot leased facility located 1.5 miles from the College's main campus at the Bluestone Commons Development in Duluth, Minnesota. This facility itself was financed and constructed by a separate nonprofit entity, the Health Sciences Education Facility Corporation (HSEFC). The College was leasing the land the facility sat on as part of an equity contribution to the project in 2016.

During fiscal 2020, the College assumed the assets and liabilities of the Health Sciences Education Facility Corporation. Included in these assets and liabilities were debt (2015 Duluth Economic Development Authority – DEDA Bonds) totaling \$14,088,264, unamortized debt acquisition costs of \$1,252,584, prepaid rent of \$2,076,882 and net plant assets of \$12,296,966. These assumed assets and liabilities are now presented on the College's statement of financial position. The assumption of the assets and liabilities of HSEFC, along with the elimination of the College's deferred revenue obligation of \$2,104,607 (see Note 1) resulted in what is reflected as an acquisition gain of \$1,538,168 as reflected on the statement of activities. This transaction resulted in the dissolution of the HSEFC entity.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 16 EARLY RETIREMENT/POSTEMPLOYMENT AGREEMENTS

For the year ended June 30, 2020 the cost of salary and benefits associated with early retirement/postemployment agreements was approximately \$126,351. For the year ended June 30, 2019 the cost of salary and benefits associated with early retirement/postemployment agreement costs was approximately \$345,123. 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, 2020 and 2019 was \$126,636 and \$335,304, 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, 2020 and 2019, 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 \$353,428 and \$378,813 at June 30, 2020 and 2019, 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
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 19 LINE OF CREDIT ARRANGEMENT

The College has a \$3,000,000 revolving line of credit through Wells Fargo Bank through March 31, 2021. Borrowings under this line of credit bear interest at a floating rate per annum equal to the Prime Rate set by the Bank. Interest is payable monthly. Principal, and any unpaid interest, is due on March 31, 2021. 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 was \$-0- for the years ended June 30, 2020 and 2019. There was \$-0- outstanding on the line of credit at June 30, 2020 and 2019.

NOTE 20 COMPREHENSIVE CAMPAIGN

The College is in the silent phase of a \$50 million comprehensive capital campaign, the 2nd Century of Saints. The campaign efforts will focus on raising funds for the expansion of the College's graduate health sciences programs, renovating and updating both Tower Hall and Somers Hall, growing the College's endowment, and establishing the Comprehensive Collegiate Center for Clinical Competence that will support a thorough update and re-design of the Undergraduate Nursing curriculum. As of June 30, 2020, approximately \$40.4 million had been raised.

**COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 5,718,497	\$ 9,017,114
Accounts Receivable	2,521,235	2,774,654
Contributions Receivable	484,668	1,040,786
Investments	93,982,878	92,954,477
Grants Receivable	909,299	844,782
Other Receivables	344,032	315,830
Total Financial Assets	<u>\$ 103,960,609</u>	<u>\$ 106,947,643</u>
Less: Donor Designated:		
Contributions Receivable	\$ 278,100	\$ 391,281
Investments	32,103,005	32,469,890
Less: Long-Term Assets:		
Cash and Cash Equivalents	808,767	829,669
Contributions Receivable	202,173	520,571
Investments	29,702	24,864
Financial Assets Not Available to be Used Within One Year	<u>33,421,747</u>	<u>34,236,275</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 70,538,862</u>	<u>\$ 72,711,368</u>

The College's endowment fund consist 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

The College was impacted by the COVID-19 pandemic that swept the United States in early 2020. In March 2020, the College ceased in-person classes for Spring semester and converted all on ground courses to an online platform and was thus able to successfully complete the regular academic year. The College remained completely online for course instruction for its Summer terms.

The College incurred losses of over \$1.7 million for refunds provided to on campus students for room and board for the remainder of Spring semester, fees refunded for cancelled student international study abroad/learning programs, and reduced ability for fundraising efforts.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 22 IMPACT OF COVID-19 PANDEMIC (CONTINUED)

Additional costs were incurred for conversion to the online platform for on ground courses, enhanced sanitization efforts, etc. – these costs were offset with the College going into a shutdown mode in March with greatly reduced travel and other associated costs the College would incur if it was operating normally.

The College received \$2,274,924 in Federal assistance through the CARES Act that was passed by Congress in late March 2020. 50% 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 CARES Act funding, amounting to \$1,137,462 was designated by Congress for institutional use; the College used this funding primarily to offset the cost of room and board refunds issued to students.