

COLLEGE OF ST. SCHOLASTICA, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022



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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, 2023 and 2022, 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, 2023 and 2022, 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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 20, 2023

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 1,825,343	\$ 8,936,986
Student Accounts Receivable, Net of Allowance for Doubtful Accounts of \$306,654 and \$298,211, Respectively	2,556,792	2,709,620
Grants Receivable	1,191,135	1,660,242
Contributions Receivable	1,833,589	2,035,621
Other Receivables	276,443	282,947
Inventories	81,633	66,272
Prepaid Expenses and Other Assets	1,105,086	1,585,433
Student Notes Receivable, Net of Allowance for Doubtful Notes of \$40,850 and \$77,230, Respectively	1,718,904	2,056,634
Investments Held by Trustee	692,401	686,922
Investments	110,048,361	103,203,972
Intangible Assets, Net	304,425	34,687
Construction in Progress	3,720,119	597,609
Right-to-Use Operating Asset, Net	2,162,422	2,455,168
Right-to-Use Finance Asset, Net	1,549,181	712,677
Property, Plant, and Equipment, Net	80,122,038	81,293,579
Total Assets	\$ 209,187,872	\$ 208,318,369
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 3,157,295	\$ 1,769,476
Accrued Liabilities	7,316,215	6,427,942
Deposit Accounts	339,140	439,725
Deferred Revenue	5,984,738	6,646,601
Lease Liability - Operating	2,231,034	2,507,183
Lease Liability - Finance	1,591,186	721,756
Bonds Payable, Net	45,614,698	47,320,047
Annuities Payable	77,612	117,695
U.S. Government Grants Refundable	2,188,685	2,535,479
Other Grants Refundable	53,990	130,206
Total Liabilities	68,554,593	68,616,110
NET ASSETS		
Without Donor Restrictions	95,978,783	99,556,890
With Donor Restrictions	44,654,496	40,145,369
Total Net Assets	140,633,279	139,702,259
Total Liabilities and Net Assets	\$ 209,187,872	\$ 208,318,369

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and Fees, Less Scholarships and Grants of \$37,382,722 and \$36,390,231, Respectively	\$ 45,452,306	\$ -	\$ 45,452,306	\$ 51,605,759
Government Grants	5,808,193	-	5,808,193	12,373,786
Private Gifts	251,449	3,280,493	3,531,942	3,624,611
Endowment Gain (Loss)	7,459,955	4,604,636	12,064,591	(15,772,785)
Other Sources	1,179,752	522,734	1,702,486	4,974,875
Investment Income	295,808	-	295,808	4,566
Sales and Services of Auxiliary Enterprises	7,883,098	-	7,883,098	7,129,526
Adjustment in Actuarial Liability for Annuities Payable	-	41,897	41,897	(38,300)
Total	<u>68,330,561</u>	<u>8,449,760</u>	<u>76,780,321</u>	<u>63,902,038</u>
Net Assets Released from Restrictions	<u>3,927,190</u>	<u>(3,927,190)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>72,257,751</u>	<u>4,522,570</u>	<u>76,780,321</u>	<u>63,902,038</u>
EXPENSES AND LOSSES				
Program Expenses:				
Instruction	32,527,718	-	32,527,718	33,710,746
Public Service	2,393,604	-	2,393,604	2,254,140
Academic Support	7,267,227	-	7,267,227	7,003,695
Student Services	15,617,428	-	15,617,428	18,174,724
Auxiliary Enterprises	7,515,509	-	7,515,509	7,191,860
Support Expenses:				
Institutional Support	10,452,879	-	10,452,879	12,501,458
Allocable Expenses:				
Operation and Maintenance of Plant	3,910,624	-	3,910,624	3,486,543
Interest Expense	1,748,761	-	1,748,761	1,792,947
Depreciation, Amortization, and Accretion Expense	4,793,699	-	4,793,699	4,699,807
Less: Allocated Expenses	<u>(10,453,084)</u>	<u>-</u>	<u>(10,453,084)</u>	<u>(9,979,297)</u>
Total Expenses Before Losses	<u>75,774,365</u>	<u>-</u>	<u>75,774,365</u>	<u>80,836,623</u>
Loss on Write-Off of Contribution Receivables	-	13,443	13,443	28,774
(Gain) Loss on Disposal of Plant Facilities	<u>61,493</u>	<u>-</u>	<u>61,493</u>	<u>(89)</u>
Total Expenses and Losses	<u>75,835,858</u>	<u>13,443</u>	<u>75,849,301</u>	<u>80,865,308</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING	<u>(3,578,107)</u>	<u>4,509,127</u>	<u>931,020</u>	<u>(16,963,270)</u>
Reclassification of Funds Held for Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,936</u>
CHANGE IN NET ASSETS	<u>(3,578,107)</u>	<u>4,509,127</u>	<u>931,020</u>	<u>(16,487,334)</u>
Net Assets - Beginning of Year	<u>99,556,890</u>	<u>40,145,369</u>	<u>139,702,259</u>	<u>156,189,593</u>
NET ASSETS - END OF YEAR	<u>\$ 95,978,783</u>	<u>\$ 44,654,496</u>	<u>\$ 140,633,279</u>	<u>\$ 139,702,259</u>

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Tuition and Fees, Less Scholarships and Grants of \$36,390,231	\$ 51,605,759	\$ -	\$ 51,605,759
Government Grants	12,373,786	-	12,373,786
Private Gifts	277,021	3,347,590	3,624,611
Endowment Gain (Loss)	(9,879,099)	(5,893,686)	(15,772,785)
Other Sources	4,565,218	409,657	4,974,875
Investment Income	4,566	-	4,566
Sales and Services of Auxiliary Enterprises	7,129,526	-	7,129,526
Adjustment in Actuarial Liability for Annuities Payable	-	(38,300)	(38,300)
Total	66,076,777	(2,174,739)	63,902,038
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
EXPENSES AND LOSSES			
Program Expenses:			
Instruction	33,710,746	-	33,710,746
Public Service	2,254,140	-	2,254,140
Academic Support	7,003,695	-	7,003,695
Student Services	18,174,724	-	18,174,724
Auxiliary Enterprises	7,191,860	-	7,191,860
Support Expenses:			
Institutional Support	12,501,458	-	12,501,458
Allocable Expenses:			
Operation and Maintenance of Plant	3,486,543	-	3,486,543
Interest Expense	1,792,947	-	1,792,947
Depreciation, Amortization, and Accretion Expense	4,699,807	-	4,699,807
Less: Allocated Expenses	(9,979,297)	-	(9,979,297)
Total Expenses Before Losses	80,836,623	-	80,836,623
Loss on Write-Off of Contribution Receivables	-	28,774	28,774
Gain on Disposal of Plant Facilities	(89)	-	(89)
Total Expenses and Losses	80,836,534	28,774	80,865,308
CHANGE IN NET ASSETS BEFORE NONOPERATING	(12,019,027)	(4,944,243)	(16,963,270)
Reclassification of Funds Held for Others	475,936	-	475,936
CHANGE IN NET ASSETS	(11,543,091)	(4,944,243)	(16,487,334)
Net Assets - Beginning of Year	111,099,981	45,089,612	156,189,593
NET ASSETS - END OF YEAR	<u>\$ 99,556,890</u>	<u>\$ 40,145,369</u>	<u>\$ 139,702,259</u>

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 931,020	\$ (16,487,334)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation, Amortization, and Accretion	4,437,832	4,343,940
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	61,692	(89)
(Gain) Loss on Endowment Investments	(9,727,353)	17,772,543
(Gain) Loss on Other Investments	(22,958)	50,716
Actuarial Adjustment of Annuities Payable	(19,536)	1,778
Increase (Decrease) in Allowance for Student Accounts Receivable	8,443	(16,709)
Increase in Allowance for Student Notes Receivable	(36,380)	(141,730)
Loan Cancellations, Assignments, and Write-Offs	181,136	214,183
Change in Assets and Liabilities:		
Student Accounts Receivable	144,385	(366,783)
Grants Receivable	469,107	2,310,192
Contributions Receivable - Operations	(89,759)	(546,222)
Other Receivables	6,505	47,648
Inventories	(15,361)	(5,731)
Prepaid Expenses and Other Assets	480,347	(134,334)
Intangible Assets	(335,542)	(41,625)
Accounts Payable	53,649	390,137
Accrued Liabilities	843,060	(414,912)
Deposit Accounts	(100,585)	(18,183)
Deferred Revenue	(661,863)	(836,105)
Funds Held for Others	-	44,861
Reclassification of Funds Held for Others	-	(475,936)
Proceeds from the Sale of Donated Securities Restricted for Long-Term Investment and Plant	(280,810)	(5,030)
Contributions Restricted for Long-Term Investment and Plant	(2,217,436)	(1,738,538)
Net Cash Provided (Used) by Operating Activities	(5,647,928)	4,189,216
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Endowment Investments	(32,488,123)	(22,623,382)
Sales of Endowment Investments	35,280,605	20,643,739
Purchases of Other Investments	(37,572)	(5,050)
Sales of Other Investments	151,012	22,659
Drawdowns of Deposits with Trustee, Net	(5,479)	1,065
Purchases of Property, Plant, and Equipment	(4,792,443)	(829,158)
Disbursements of Loans to Students	(270,455)	(260,649)
Repayments of Loans from Students	463,429	502,456
Net Cash Used by Investing Activities	(1,699,026)	(2,548,320)

See accompanying Notes to Financial Statements.

**COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Principal on Indebtedness	\$ (1,868,110)	\$ (1,800,232)
Contributions Received Restricted for Long-Term Investment and Plant	2,509,227	941,201
Decrease in Refundable Grants	(423,010)	(361,135)
Proceeds from the Sale of Donated Securities Received Restricted for Long-Term Investment and Plant	280,810	5,030
Payments of Principal on Finance Leases	(243,059)	(272,571)
Payments to Annuitants	(20,547)	(22,547)
Net Cash Provided (Used) by Financing Activities	235,311	(1,510,254)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,111,643)	130,642
Cash and Cash Equivalents - Beginning of Year	8,936,986	8,806,344
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,825,343	\$ 8,936,986
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 1,862,902	\$ 1,909,030
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property, Plant, and Equipment Acquired through Accounts Payable	\$ 1,334,170	\$ 39,809
Right of Use of Equipment Acquired through Finance Lease	\$ 1,112,489	\$ 427,256

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 released 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, 2023 AND 2022

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, 2023 AND 2022

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 grant contracts require reporting and provide reimbursement at least monthly and not less than quarterly.

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.

The College capitalizes equipment items whose individual cost is \$5,000 or greater and have a useful life of 3 years or more. Bulk purchases of the same equipment item, whose individual cost is less than \$5,000 but is purchased in a single order with a minimum cost of \$25,000 or greater and whose useful life is 3 years or more, are also capitalized.

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.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023, the College had total intangible assets of \$2,068,962 with accumulated amortization totaling \$1,764,537; amortization expense for the year was \$65,804. 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.

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, 2023 AND 2022

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, 2023, the unamortized balance remaining in deferred revenues was \$1,146,825 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.

In late fiscal year 2022, the College 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 occurred in Spring 2023; total construction costs incurred through June 30, 2023 were about \$3.2 million. The project is anticipated to be completed by late 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, 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	5,114,202	1,337,963	194,436	6,646,601
Revenue Recognized	(5,114,202)	(191,137)	(170,425)	(5,475,764)
Payments Received for Future Performance Obligations	4,670,205	-	143,696	4,813,901
Balance - June 30, 2023	<u>\$ 4,670,205</u>	<u>\$ 1,146,826</u>	<u>\$ 167,707</u>	<u>\$ 5,984,738</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 \$37,382,722 in 2023 and \$36,390,231 in 2022. 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 \$3,398,951 that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred, with an advance payment of \$53,990 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, 2023 AND 2022**

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 \$1,501,576 and \$1,331,680 for the years ended June 30, 2023 and 2022, 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 \$1,802,098 and \$1,604,124 for the years ended June 30, 2023 and 2022, respectively. Advertising expenses approximated \$1,324,838 and \$1,297,001 for the years ended June 30, 2023 and 2022, 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:

	2023	2022
Beginning of Year	\$ 906,364	\$ 863,693
Liabilities Incurred During Year	-	-
Liabilities Settled During Year	(565)	(425)
Accretion Expense	45,213	43,096
End of Year	<u>\$ 951,012</u>	<u>\$ 906,364</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 December 20, 2023, which is the date that the financial statements were issued.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

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

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
Scholarships, Instruction, and Other		
Departmental Support	\$ 1,212,676	\$ 1,872,585
Acquisition of Buildings and Equipment	<u>1,678,399</u>	<u>716,147</u>
Total	2,891,075	2,588,732
Subject to the Passage of Time:		
Annuity, Life Income, and Similar Funds	16,857	75,067
Contributions Receivable	<u>1,717,675</u>	<u>1,718,639</u>
Total	1,734,532	1,793,706
Subject to College Endowment Spending Policy and Appropriation:		
Financial Aid	9,588,346	7,552,577
General Use	7,818,158	6,536,673
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
Endowment Funds	<u>22,480,031</u>	<u>21,333,055</u>
Total Endowments	39,886,535	35,422,305
Other Perpetually Restricted Net Assets:		
Annuity, Life Income, and Similar Funds	26,440	23,644
Contributions Receivable	<u>115,914</u>	<u>316,982</u>
Total	142,354	340,626
Total Net Assets with Donor Restrictions	<u>\$ 44,654,496</u>	<u>\$ 40,145,369</u>

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

	<u>2023</u>	<u>2022</u>
Operations	\$ 489,797	\$ 8,346,932
Endowment Funds - Board-Designated	62,320,104	58,656,955
Loans to Students	(87,235)	(27,692)
Investment in Plant	<u>33,256,117</u>	<u>32,580,695</u>
Total	<u>\$ 95,978,783</u>	<u>\$ 99,556,890</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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:

	2023	2022
<u>Expiration of Time Restrictions</u>		
Satisfaction of Purpose Restrictions:		
Acquisition of Property, Plant, and Equipment	\$ 867,668	\$ 81,808
Restricted-Purpose Spending-Rate Distributions and Appropriations:		
Scholarships, Instruction, and Other Departmental Support	3,059,522	2,658,922
Total Net Assets Released from Donor Restrictions	\$ 3,927,190	\$ 2,740,730

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:

	2023	2022
Purpose Restricted - Operations	\$ 40,850	\$ 44,700
Purpose Restricted - Scholarships and Other Departmental Support	701,119	668,623
Purpose Restricted - Facilities Projects	1,260,535	1,230,800
Restricted in Perpetuity - Endowment	124,659	321,655
Gross Unconditional Contributions to Give	2,127,163	2,265,778
Less: Unamortized Discount	(293,574)	(230,157)
Net Unconditional Contributions Receivable	\$ 1,833,589	\$ 2,035,621

The College conducts an annual collectibility 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, 2023 and 2022.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 CONTRIBUTIONS RECEIVABLE (CONTINUED)

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

	<u>2023</u>	<u>2022</u>
Amounts Due in:		
Less than One Year	\$ 501,135	\$ 835,445
One to Five Years	1,413,468	1,209,170
More than Five Years	212,560	221,163
Total	<u>\$ 2,127,163</u>	<u>\$ 2,265,778</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, 2023 which was 4.13%; as of June 30, 2022, the College used the five-year rate which was 3.01%. 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. Net collectible contributions due in less than one year were not discounted.

As of June 30, 2023 and 2022, approximately \$208,933 and \$225,060, respectively, of contributions receivable were due from members of the board of trustees. Contribution revenue from members of the board of trustees totaled approximately \$52,947 and \$265,600 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, student loans represented 0.82% and 0.99% 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, 2023 AND 2022

NOTE 5 STUDENT LOAN RECEIVABLES (CONTINUED)

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

	<u>2023</u>	<u>2022</u>
Federal Perkins Loan Program	\$ 643,156	\$ 986,575
Federal Nursing Loan Program	840,116	809,514
Noyce Loan Program	<u>276,482</u>	<u>337,775</u>
Total	1,759,754	2,133,864
Less: Allowance for Doubtful Accounts:		
Beginning of Year	(77,230)	(218,960)
Increases	(38,852)	(14,149)
Write-Offs	<u>75,232</u>	<u>155,879</u>
End of Year	<u>(40,850)</u>	<u>(77,230)</u>
Student Loan Receivables, Net	<u>\$ 1,718,904</u>	<u>\$ 2,056,634</u>

Funds advanced by the federal government of \$2.19 million and \$2.54 million at June 30, 2023 and 2022, 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>
2023	\$ 1,554	\$ 603	\$ 25,600	\$ 27,757
2022	1,754	745	82,205	84,704

NOTE 6 INVESTMENTS HELD BY TRUSTEE

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

	<u>2023</u>	<u>2022</u>
Cash and Short-Term Investments	<u>\$ 692,401</u>	<u>\$ 686,922</u>
Total	<u>\$ 692,401</u>	<u>\$ 686,922</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 210 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, 2023 AND 2022

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, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 39,886,535	\$ 39,886,535
Board-Designated Endowment Funds	62,320,104	-	62,320,104
Total Endowment Net Assets	<u>\$ 62,320,104</u>	<u>\$ 39,886,535</u>	<u>\$ 102,206,639</u>

Endowment net asset composition by type of fund consists of the following as of June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, June 30, 2022	\$ 58,656,955	\$ 35,422,305	\$ 94,079,260
Investment Return:			
Investment Income	1,445,888	891,350	2,337,238
Net Appreciation - Realized and Unrealized	6,014,067	3,713,286	9,727,353
Total Investment Income	7,459,955	4,604,636	12,064,591
Contributions	1,025	851,205	852,230
Pledge Payments	-	295,771	295,771
Other	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(1,287,382)	(1,287,382)
Other Changes:			
Other Transfers from Board- Designated Endowment Funds	(648,831)	-	(648,831)
Transfer from Board-Designated Endowment Funds	(3,149,000)	-	(3,149,000)
Endowment Net Assets, June 30, 2023	\$ 62,320,104	\$ 39,886,535	\$ 102,206,639

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	(11,133,431)	(6,639,112)	(17,772,543)
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:			
Other Transfers from Board- Designated Endowment Funds	-	-	-
Transfer from Board-Designated Endowment Funds	(2,910,100)	-	(2,910,100)
Endowment Net Assets, June 30, 2022	\$ 58,656,955	\$ 35,422,305	\$ 94,079,260

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 \$4,462 and \$52,271 as of June 30, 2023 and 2022, 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, 2023 AND 2022

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, 2023 AND 2022

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, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
ASSETS				
Contributions Receivable	\$ 1,833,589	\$ -	\$ -	\$ 1,833,589
Equity Securities:				
U.S. Equity	47,322,914	47,322,914	-	-
Developed Ex-U.S.	10,489,663	10,489,663	-	-
Emerging Markets	5,195,599	5,195,599	-	-
Mutual Funds:				
Global Bonds:				
Emerging Markets	-	-	-	-
Investment Grade	12,552,532	12,552,532	-	-
Convertibles	12,877,264	12,877,264	-	-
Total	<u>\$ 90,271,561</u>	<u>\$ 88,437,972</u>	<u>\$ -</u>	<u>\$ 1,833,589</u>

The following table presents the reconciliation to the statement of financial position for financial instruments as of June 30, 2023:

Total Measured at Fair Value	\$ 90,271,561
Investments Measured at Net Asset Value	2,979
Cash and Cash Equivalents	22,238,839
Cash Surrender Value of Life Insurance	60,972
Total	<u>\$ 112,574,351</u>
Contributions Receivable	\$ 1,833,589
Investments Held by Trustee	692,401
Investments	110,048,361
Total	<u>\$ 112,574,351</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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>

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
	2023	2022			
Contributions Receivable	\$ 1,833,589	\$ 2,035,621	Discounted Cash Flows	Discounted Rates Duration	3.01%-6.13%

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private Equity Funds	\$ 2,979	\$ 161,358	None	N/A
Total	<u>\$ 2,979</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, 2022:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private Equity Funds	\$ 124,551	\$ 161,358	None	N/A
Total	<u>\$ 124,551</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, 2023 AND 2022

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, 2023:

	Contributions Receivable
Balances - June 30, 2022	\$ 2,035,621
Net Realized and Unrealized Gain (Loss) Included in Change in Net Assets	-
New Contributions	865,375
Contributions Payments Received	(990,090)
Change in Discount	(63,417)
Write-Offs	(13,900)
Purchases	-
Sales	-
Balances - June 30, 2023	<u>\$ 1,833,589</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, 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>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
Money Market and Short-Term Investments:		
Money Market Fund	\$ 1,242,630	\$ 7,039,948
Cash Reserve Fund	20,303,808	-
Equity Securities:		
U.S. Equity	47,322,914	52,710,024
Developed Ex-U.S.	10,489,663	10,764,902
Emerging Markets	5,195,599	6,203,598
Mutual Funds:		
Global Bonds:		
Emerging Markets	-	-
Investment Grade	12,552,532	16,552,844
Convertibles	12,877,264	9,751,084
Alternative Investments:		
Private Equity Funds	2,979	124,551
Cash Surrender Value of Life Insurance	60,972	57,021
Total	<u>\$ 110,048,361</u>	<u>\$ 103,203,972</u>

The investments were allocated as follows:

	<u>2023</u>	<u>2022</u>
Endowment	\$ 102,206,639	\$ 94,079,260
Endowment - Due to Operations	7,687,738	8,880,246
Annuity	120,840	216,294
Operating	33,144	28,172
Total	<u>\$ 110,048,361</u>	<u>\$ 103,203,972</u>

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

	<u>2023</u>	<u>2022</u>
Dividends and Interest, Net of Fees of \$169,152 and \$170,353, Respectively	\$ 2,337,238	\$ 1,999,758
Net Realized and Unrealized Gains (Losses) on Investments Reported at Fair Value	9,727,353	(17,772,543)
Total	<u>\$ 12,064,591</u>	<u>\$ (15,772,785)</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, 2023 AND 2022

NOTE 10 CONSTRUCTION IN PROGRESS

Construction in progress costs at June 30, 2023 were \$3,720,119 and were for a variety of projects whose expected completion date is to run through early fiscal year 2025. The most significant of these projects is the College's new Student Center, with an expected completion date of August 2024, and the turf replacement of the school's soccer/football field (Kenny Harkins Field) to be completed in early fiscal year 2024. These projects are expected to be completed at an additional cost of about \$13.5 million.

Construction in progress costs at June 30, 2022 were \$597,609 and were for a variety of projects that were completed during the year ended June 30, 2023 at an approximate cost of \$3,281,000. The most significant of these completed projects were an IT Infrastructure upgrade, Nursing Skills Lab renovations, and completion of the design/pre-construction phase for the new Student Center.

NOTE 11 PROPERTY, PLANT, AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land and Land Improvements	\$ 5,330,921	\$ 5,330,921
Buildings	122,611,248	122,830,189
Equipment, Furniture, and Fixtures	17,072,421	14,851,424
Automotive Equipment	379,830	330,557
Art Collections/Artifacts	118,510	79,210
Food Service Cost Improvements/Upgrades	2,707,350	2,707,350
Total	<u>148,220,280</u>	<u>146,129,651</u>
Less: Accumulated Depreciation	<u>(68,098,242)</u>	<u>(64,836,072)</u>
Total, Net	<u><u>\$ 80,122,038</u></u>	<u><u>\$ 81,293,579</u></u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 BONDS PAYABLE

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

	<u>Original Amount</u>	<u>2023</u>	<u>2022</u>
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-R	\$ 9,380,000	\$ 5,380,000	\$ 5,790,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series 2019	29,075,000	26,210,000	26,880,000
2015 Duluth Economic and Development Authority	<u>14,088,264</u>	<u>12,570,250</u>	<u>13,082,211</u>
Subtotal	52,543,264	44,160,250	45,752,211
Plus: Unamortized Bond Premium/Discount	-	2,812,093	3,007,500
Less: Unamortized Bond Issuance Costs	-	<u>(1,357,645)</u>	<u>(1,439,664)</u>
Total	<u>\$ 52,543,264</u>	<u>\$ 45,614,698</u>	<u>\$ 47,320,047</u>

At June 30, 2023, 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 \$122,963 and \$2,689,130, respectively; and debt acquisition costs on the MHEFA bond series' and 2015 Duluth Economic and Development Authority Bonds in the amount of \$288,412 and \$1,069,233, 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, 2023 AND 2022

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 \$690,000 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 4.00% to 4.25% 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, 2023 AND 2022

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, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Scheduled Payment Amount</u>
2024	\$ 1,646,819
2025	1,712,460
2026	1,773,913
2027	1,846,212
2028	1,919,389
Thereafter	35,261,457
Total	<u>\$ 44,160,250</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 2028. The College also entered into an equipment lease agreement (security camera upgrade) during fiscal 2023 that spans five years with annual payments of approximately \$176,000. 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, 2023 AND 2022

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>2023</u>	<u>2022</u>
Operating Lease Cost:		
Facility Lease Cost:		
Amortization of Right-to-Use Asset	\$ 292,745	\$ 278,855
Interest on Lease Liability	63,122	77,012
Total Operating Lease Cost	<u>\$ 355,867</u>	<u>\$ 355,867</u>
Finance Lease Cost:		
Equipment Lease Cost:		
Amortization of Right-to-Use Asset	\$ 275,986	\$ 264,918
Interest on Lease Liability	28,689	13,419
Total Finance Lease Cost	<u>\$ 304,675</u>	<u>\$ 278,337</u>
Other Information:		
Operating Cash Flows from Operating Leases	\$ 276,150	\$ 262,378
Operating Cash Flows from Finance Leases	26,614	13,419
Financing Cash Flows from Finance Leases	243,059	272,571
Weighted Average Remaining Lease Term	4.0 Years	6.7 Years
Weighted Average Discount Rate	2.74%	2.71%
Noncash Information:		
ROU Asset Acquisition from Operating Leases	\$ -	\$ -
ROU Asset Acquisition from Finance Leases	1,112,489	427,256

Future minimum lease payments for the five years subsequent to June 30, 2023 are:

<u>Year Ending June 30,</u>	<u>Equipment Lease</u>	<u>Facility Lease</u>	<u>Total Amount</u>
2024	\$ 653,427	\$ 346,057	\$ 999,484
2025	399,080	352,979	752,059
2026	368,569	360,038	728,607
2027	276,343	367,239	643,582
2028	10,580	374,584	385,164
Thereafter	-	640,166	640,166
Total Payments	<u>1,707,999</u>	<u>2,441,063</u>	<u>4,149,062</u>
Less: Interest Portion	<u>(116,813)</u>	<u>(210,029)</u>	<u>(326,842)</u>
Total Lease Obligation	<u>\$ 1,591,186</u>	<u>\$ 2,231,034</u>	<u>\$ 3,822,220</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 13 LEASES (CONTINUED)

For the years ended June 30, 2023 and 2022, the College had a total of \$5,146,190 and \$4,511,240, respectively, in equipment and for building space under these lease agreements. Amortization expense for the years ended June 30, 2023 and 2022 was \$568,732 and \$550,545, respectively; accumulated amortization for the years ended June 30, 2023 and 2022 was \$1,434,587 and \$1,343,395, 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, 2023 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 26,932
2025	28,010
2026	29,130
2027	30,296
2028	31,508

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 platforms (total of six individual sites) that run at \$1,500 per year per site. 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, 2023 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 9,000
2025	9,000
2026	9,000
2027	9,000
2028	9,000

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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:

	2023			
	Program Activities	Management and General	Fundraising	Total
Salaries	\$ 33,712,370	\$ 3,566,184	\$ 1,049,116	\$ 38,327,670
Benefits	7,710,100	991,244	237,904	8,939,248
Travel	2,138,856	39,318	89,788	2,267,962
Advertising and Publications	316,941	763,849	112,428	1,193,218
Consulting	308,982	181,585	91,300	581,867
Contract Services	9,181,520	1,233,163	152,160	10,566,843
Memberships and Dues	226,428	263,905	6,288	496,621
Supplies and Materials	3,398,944	194,141	54,494	3,647,579
Occupancy	1,795,751	563,513	750	2,360,014
Depreciation and Amortization	4,490,600	303,099	-	4,793,699
Interest	1,739,392	9,369	-	1,748,761
Other	301,602	541,411	7,870	850,883
Total Operating Expenses	65,321,486	8,650,781	1,802,098	75,774,365
Write-Off of Contribution				
Receivables	-	13,443	-	13,443
Total Expense	\$ 65,321,486	\$ 8,664,224	\$ 1,802,098	\$ 75,787,808

	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	\$ 68,335,165	\$ 10,926,108	\$ 1,604,124	\$ 80,865,397

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 \$68,925 and \$60,713 for the years ended June 30, 2023 and 2022, respectively. In addition to ice-time costs paid in fiscal 2023, the College also made a one-time retroactive rental payment of \$100,000 that spanned a number of years of use at the Arena.

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 \$778,128 and \$740,978 for the years ended June 30, 2023 and 2022, respectively. The total amount receivable as of June 30, 2023 and 2022 was \$41,128 and \$61,985, 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.

NOTE 16 EARLY RETIREMENT/POSTEMPLOYMENT AGREEMENTS

For the year ended June 30, 2023 the cost of salary and benefits associated with early retirement/postemployment agreements was approximately \$375,000. For the year ended June 30, 2022, the cost of salary and benefits associated with early retirement/postemployment agreement costs was approximately \$25,000. 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, 2023 and 2022 was \$416,349 and \$48,646, respectively.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 and 2022, 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 \$120,840 and \$216,294 at June 30, 2023 and 2022, 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.

NOTE 19 LINE OF CREDIT ARRANGEMENT

The College has a \$10,000,000 line of credit through National Bank of Commerce effective July 5, 2022 through July 5, 2023. Subsequent to fiscal year 2023, this line has since been renewed effective for the time period July 5, 2023 to July 5, 2024. 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 was \$1,375 and \$1,333 for the years ended June 30, 2023 and 2022, respectively. There was \$-0- outstanding on this line of credit at June 30, 2023 and 2022, respectively.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 of \$50 million to \$62.6 million. Fundraising for the new Student Center was the focal point of the extended phase of the campaign. The campaign, which concluded June 30, 2023, exceeded its \$62.6 million goal having raised \$64.5 million.

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:

	2023	2022
Financial Assets:		
Cash and Cash Equivalents	\$ 1,825,343	\$ 8,936,986
Accounts Receivable	2,556,792	2,709,620
Contributions Receivable	1,833,589	2,035,621
Investments	110,048,361	103,203,972
Grants Receivable	1,191,135	1,660,242
Other Receivables	276,443	282,947
Total Financial Assets	117,731,663	118,829,388
Less: Donor-Designated:		
Contributions Receivable	483,685	820,745
Investments	40,007,393	35,638,711
Less: Long-Term Assets:		
Cash and Cash Equivalents	382,546	553,511
Contributions Receivable	1,332,454	1,200,176
Investments	33,144	-
Financial Assets Not Available to be Used Within One Year	42,239,222	38,213,143
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 75,492,441	\$ 80,616,245

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.

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 22 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, 2023 is as follows:

Primary Reserve Ratio:

Expendable Net Assets	<u>\$ 76,492,600</u>	
Total Expenses/Losses	<u>\$ 75,835,858</u>	<u>1.0087</u>

Equity Ratio:

Modified Net Assets	<u>\$ 140,078,793</u>	
Modified Assets	<u>\$ 208,633,386</u>	<u>0.6714</u>

Net Income Ratio:

Change in Net Assets Without Donor Restrictions	<u>\$ (3,578,107)</u>	
Total Revenue/Gains	<u>\$ 72,257,751</u>	<u>(0.0495)</u>

	Ratios	Strength Factors	Weight	Composite Score
Primary Reserve	1.0087	3.00	40 %	1.20
Equity	0.6714	3.00	40 %	1.20
Net Income	(0.0495)	-0.24	20 %	(0.05)
Composite Score				<u>2.35</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 22 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	\$	22,622,385
2	Other net assets with donor restrictions (not restricted in perpetuity):		
a.	Annuities with donor restrictions		16,857
b.	Term endowments		-
c.	Life income funds (trusts)		-
d.	Total annuities, term endowments, and life income funds with donor restrictions	<u>\$</u>	<u>16,857</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	\$	61,469,116
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>(3,690,345)</u>
e.	Balance pre-implementation property, plant, and equipment, net		57,778,771
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>(1,540,039)</u>
e.	Total property, plant, and equipment, net acquired with debt exceeding 12 months		10,756,216
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		6,691,444
b.	Long-lived assets acquired without use of debt subsequent to June 30, 2019 equipment		<u>4,895,607</u>
c.	Total Post-implementation property, plant, and equipment, net, acquired without debt		<u>11,587,051</u>
7	Total Property, Plant, and Equipment, net - June 30, 2023	<u>\$</u>	<u>80,122,038</u>
7a	Construction in Progress - June 30, 2023	\$	3,720,119

Debt to be excluded from expendable net assets

8	Pre-implementation debt:		
a.	Ending balance of pre-implementation as of June 30, 2020		38,794,999
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>(1,080,000)</u>
d.	Bond premium/ debt acquisition/ bond discount costs on debt, net		-
e.	Balance Pre-implementation Debt		<u>37,714,999</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>(1,518,014)</u>
e.	Balance Post-implementation Debt		10,778,241
10	Construction in progress (CIP) financed with debt or line of credit		-

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 22 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	<u>(4,332,990)</u>
	Total Long Term Debt - June 30, 2023	<u>\$ 44,160,250</u>

12 Terms of current year debt and line of credit for PPE additions:				
	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Nature of Capitalized Amounts</u>	<u>Amount Capitalized</u>
a.	Jan 17, 2023	Jun 30, 2027	Equipment	\$ 830,090
b.	Jan 1, 2023	Jul 31, 2027	Equipment	229,650
c.	Jan 5, 2023	Dec 31, 2027	Equipment	52,749

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	\$ 3,711,603
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	\$ 3,822,220
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	250,061
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	61,493
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>61,493</u>

Sale of fixed assets (if gain)

25	Gain on sale of fixed assets	-
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>-</u>

COLLEGE OF ST. SCHOLASTICA, INC.
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
JUNE 30, 2023

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	\$ 95,978,783
2	SFP	Net assets with donor restrictions	44,654,496
3	Note 23 Line 1	Net assets restricted in perpetuity	22,622,385
4	Note 23 Line 20	Unsecured related-party receivable	250,061
5	Note 23 Line 2d	Donor restricted annuities, term endowments, life income funds	16,857
6	Note 23 Line 3e	Property, plant, and equipment pre-implementation	57,778,771
7	Note 23 Line 4e	Property, plant, and equipment post-implementation with outstanding debt for original purchase	10,756,216
8	Note 23 Line 5/ 7a	Construction in progress purchased with and without long-term debt	3,720,119
9	Note 23 Line 6c	Post-implementation property, plant, and equipment, net, acquired without debt	11,587,051
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	3,711,603
12	SFP	Intangible assets	304,425
13	Note 16	Post-employment and pension liabilities	416,349
14	Note 23 Line 8e	Long-term debt - for long-term purposes pre-implementation	37,714,999
15	Note 23 Line 9e	Long-term debt - for long-term purposes post-implementation	10,778,241
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	75,774,365
20	SOA	Non-service component of pension/postemployment (nonoperating) cost, (if loss)	-
21	Note 23 Line 22	Sale of fixed assets (if loss)	61,493
22	SOA	Change in value of interest-rate swap agreements (if loss)	-
Equity Ratio:		Modified Net Assets:	
23	SFP	Net assets without donor restrictions	\$ 95,978,783
24	SFP	Net assets with donor restrictions	44,654,496
25	SFP	Intangible assets	304,425
26	Note 23 Line 20	Unsecured related-party receivables	250,061
		Modified Assets:	
27	SFP	Total assets	209,187,872
28	Note 23 Line 14	Lease right-of-use asset pre-implementation	-
29	SFP	Intangible assets	304,425
30	Note 23 Line 20	Unsecured related-party receivables	250,061
Net Income Ratio:		Change in Net Assets Without Donor Restrictions	\$ (3,578,107)
		Total Revenues and Gains:	
32	SOA	Total operating revenue (including net assets released from restrictions)	64,501,988
33	SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)	7,755,763
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)	-
39	SOA	Other gains	-



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