

AQUINAS COLLEGE

FINANCIAL STATEMENTS

Years Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-19



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Aquinas College
Nashville, Tennessee

We have audited the accompanying financial statements of Aquinas College (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aquinas College as of June 30, 2019, 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.

Grannis & Associates, P.C.

Murfreesboro, Tennessee
September 20, 2019

AQUINAS COLLEGE

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Current Assets:			
Cash	\$ 316,848	\$ 1,010,517	\$ 1,327,365
Accounts receivable, net	225	-	225
Unconditional promises to give, net	-	554	554
Prepaid expenses	31,587	-	31,587
Total Current Assets	<u>348,660</u>	<u>1,011,071</u>	<u>1,359,731</u>
Property and equipment, net	12,342,678	-	12,342,678
Long-term investments	308,834	4,479,382	4,788,216
Total Assets	<u>\$ 13,000,172</u>	<u>\$ 5,490,453</u>	<u>\$ 18,490,625</u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts payable and accrued expenses	\$ 50,009	\$ -	\$ 50,009
Deferred revenues and student deposits	95,782	-	95,782
Total Current Liabilities	<u>145,791</u>	<u>-</u>	<u>145,791</u>
Long-Term Liabilities:			
Note payable	1,457,463	-	1,457,463
Total Liabilities	<u>1,603,254</u>	<u>-</u>	<u>1,603,254</u>
Net Assets	11,396,918	5,490,453	16,887,371
Total Liabilities and Net Assets	<u>\$ 13,000,172</u>	<u>\$ 5,490,453</u>	<u>\$ 18,490,625</u>

The accompanying notes are an integral part of these financial statements.

AQUINAS COLLEGE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<u>Revenues, Gains, and Reclassifications</u>			
Gross tuition and fees	\$ 1,242,012	\$ -	\$ 1,242,012
Less: scholarship allowance	<u>(421,370)</u>	<u>-</u>	<u>(421,370)</u>
Net Tuition and Fees	<u>820,642</u>	<u>-</u>	<u>820,642</u>
Private gifts and grants	937,867	57,451	995,318
Catechetical formation and workshops	148,420	-	148,420
Investment income, net	22,139	319,498	341,637
Donor funds returned	-	(50,000)	(50,000)
Other revenue	<u>9,276</u>	<u>-</u>	<u>9,276</u>
Total Revenues and Gains	<u>1,938,344</u>	<u>326,949</u>	<u>2,265,293</u>
Net assets released from restrictions	<u>657,790</u>	<u>(657,790)</u>	<u>-</u>
Total Revenues, Gains and Reclassifications	<u>2,596,134</u>	<u>(330,841)</u>	<u>2,265,293</u>
<u>Expenses</u>			
Program:			
Educational activities	1,877,199	-	1,877,199
Student services	80,041	-	80,041
Support:			
Support activities	<u>1,332,245</u>	<u>-</u>	<u>1,332,245</u>
Total Expenses	<u>3,289,485</u>	<u>-</u>	<u>3,289,485</u>
Change in Net Assets	(693,351)	(330,841)	(1,024,192)
Net Assets, Beginning of Year	<u>12,090,269</u>	<u>5,821,294</u>	<u>17,911,563</u>
Net Assets, End of Year	<u>\$ 11,396,918</u>	<u>\$ 5,490,453</u>	<u>\$ 16,887,371</u>

The accompanying notes are an integral part of these financial statements.

Aquinas College

Statement of Functional Expenses

Year Ended June 30, 2019

	<u>Program</u>		<u>Support</u>	
	<u>Educational Activities</u>	<u>Student Services</u>	<u>Support Activities</u>	<u>Total Expenses</u>
Salaries	\$ 1,176,945	\$ 15,896	\$ 723,417	\$ 1,916,258
Depreciation	323,902	4,908	161,951	490,761
Repairs and maintenance	89,024	448	89,799	179,271
Utilities	84,504	1,280	53,302	139,086
Payroll taxes and benefits	58,104	785	59,764	118,653
Supplies	75,464	357	15,379	91,200
Contracted services	-	24,000	40,020	64,020
Interest expense	-	-	55,584	55,584
Insurance	27,737	420	17,623	45,780
Other	41,519	31,947	115,406	188,872
	<u>\$ 1,877,199</u>	<u>\$ 80,041</u>	<u>\$ 1,332,245</u>	<u>\$ 3,289,485</u>

The accompanying notes are an integral part of these financial statements.

AQUINAS COLLEGE

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

Cash Flows from Operating Activities

(Decrease) Increase in net assets	\$ (1,024,192)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	490,761
Non-cash contribution	(12,174)
Note premium amortized	34,583
Change in allowance for doubtful accounts	(49,137)
Change in pledge discount	(6,551)
Net realized (gains) losses on investments	(24,443)
Net unrealized (gains) losses on investments	(210,745)
Change in assets and liabilities:	
(Increase) Decrease in accounts receivable	10,162
(Increase) Decrease in unconditional promises to give	258,000
(Increase) Decrease in prepaid expenses	27,100
(Decrease) Increase in accounts payable and accrued expenses	(49,220)
(Decrease) Increase in deferred revenues	(2,290)
Contributions restricted for long-term purposes	<u>(6,300)</u>
Net Cash Used By Operating Activities	<u>(564,446)</u>

Cash Flows from Investing Activities

Purchases of property and equipment	(29,798)
Purchases of investments	(128,004)
Proceeds on sales of investments	<u>197,000</u>
Net Cash Provided By Investing Activities	<u>39,198</u>

Cash Flows from Financing Activities

Borrowings on note payable	300,000
Contributions restricted for long-term purposes	<u>6,300</u>
Net Cash Provided By Financing Activities	<u>306,300</u>

Net Increase (Decrease) in Cash and Restricted Cash	(218,948)
Cash and Restricted Cash at Beginning of Year	<u>1,546,313</u>
Cash and Restricted Cash at End of Year	<u>\$ 1,327,365</u>

Supplemental Disclosure of Cash Flow

Interest paid	<u>\$ 21,001</u>
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The accompanying notes are an integral part of these financial statements.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Aquinas College (the "College") is a private Catholic institution of higher education. Chartered on June 24, 1970 in Tennessee as a nonprofit corporation, the College has been in continuous operations since that time. The College offers an academically challenging liberal arts and sciences curriculum, and is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools.

The College is part of the Dominican Campus and is located on 83 wooded acres in Nashville, Tennessee. The College is owned and administered by the Dominican Sisters of St. Cecilia Congregation. The Dominican Sisters have been educating children, youth and adults of Nashville for over 150 years, leading students to a deeper knowledge of their faith, their heritage, and their responsibilities as members of society.

This summary of significant accounting policies of the College is presented to assist in understanding the College's financial statements. The financial statements and notes are representations of the College's management who is responsible for their integrity and objectivity.

Basis of Presentation

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America. These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the College as a whole, and present balances and transactions classified according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and activities into two classes: net assets without donor restrictions and net assets with donor restrictions.

Classification of Net Assets

The accompanying financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purpose by actions of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Net assets with donor restrictions are subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time to be maintained permanently by the College. Generally, the donors of such assets permit the College to use all or part of the income earned on the assets. Such assets primarily include the College's general and scholarship endowments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Accordingly, actual results could differ from those estimates.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less, except for investments purchased with endowment assets, which are classified as long-term investments.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the College.

Unemployment Compensation

The College is exempt for unemployment compensation purposes.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Income taxes

The College qualifies as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the College qualifies for the charitable contribution deduction and has been classified by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Financial Accounting Standards Board issued ASC 740-10, which prescribed a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The College believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The College's Federal Returns of Organization Exempt From Income Tax (Form 990) are subject to examination by the IRS, generally for three years after they were filed.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Equipment, buildings, and improvements are recorded at cost or at estimated fair market value at date of gift if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (5 to 40 years). Depreciation expense for the year ended June 30, 2019 was \$490,761.

The College capitalizes all expenditures for equipment, buildings, and improvements when the purchase price is greater than \$3,500 and have a useful life of more than 2 years. In addition, items that are part of a group purchase with a useful life greater than 2 years may also be capitalized even though individually the items may fall under the \$3,500 threshold.

Investments

Investments in marketable equity and debt securities are stated at published market quotations. Investments in certificates of deposit or money market accounts are stated at cost, which approximates fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investment earnings are presented net of investment fees.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with investments, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the statement of financial position.

Dividends and interest earned on investments are recorded on the accrual basis.

The College maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each individual endowment fund to the total fair value of the pooled investments, as computed using a weighted average that reflects additions to or deductions from those accounts.

Revenue Recognition

Revenue from tuition and fees is reported in the fiscal year in which the related academic services are rendered.

Advertising

The College follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$19,524 for the year ended June 30, 2019.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The cost of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time spent performing assigned duties in each functional category. Other expense items are allocated on the basis of estimates of actual usage within each functional category.

Educational activities include expenses for all activities that are part of the institution's instructional program such as expenses for academic, vocational, and technical instruction; tutorial instruction; regular, special, and extension sessions, and academic support.

Student services are considered programmatic and include activities that, as their primary purpose, contribute to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. This category also includes expenses incurred for offices of admissions, student financial services, and the registrar.

Support activities include centralized expenses incurred to provide support services for the institution's primary mission and program functions. This category includes the College's fundraising activities as well as executive management, fiscal operations, general administration and central technology.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Aquinas College has adjusted the presentation of these statements accordingly. The changes had the following effect on net assets at June 30, 2018:

	Original	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 12,090,269	\$ -
Temporarily restricted net assets	3,240,747	-
Permanently restricted net assets	2,580,547	-
Net assets without donor restrictions	-	12,090,269
Net assets with donor restrictions	-	5,821,294
Total net assets	<u>\$ 17,911,563</u>	<u>\$ 17,911,563</u>

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and unconditional promises to give to be received in less than one year approximate fair value because of the short maturity of those financial instruments. The fair value of unconditional promises to give to be received in more than one year is determined based on future cash flows discounted at 3.25%.

The College's financial instruments are summarized as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash	\$ 1,327,365	\$ 1,327,365
Unconditional promises to give, net	554	554

NOTE B - ACCOUNTS RECEIVABLE

The majority of the College's accounts receivable are due from students of the College for tuition and fees and are non-interest bearing. Credit is extended based on evaluation of a student's financial condition and collateral is not required. Student accounts receivables are stated at amounts due, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the College's previous loss history, and the individual student's current ability to pay its obligation to the College.

Accounts receivable consists of the following:

Student accounts receivable	\$ 5,454
Other accounts receivable	225
Allowance for doubtful accounts - student accounts receivable	<u>(5,454)</u>
Net accounts receivable	<u>\$ 225</u>

NOTE C - COMMUNITY FOUNDATION FUND

The College is the beneficiary of a fund created by a donor, the assets of which are not in the possession of the College. The Community Foundation has ultimate authority and control over the fund. The donor suggests that the return on the fund as determined under The Foundation's Total Return Concept and Spending Policy be paid to the College no less often than annually. In the event that Aquinas College ceases to exist or discontinues its provision of training for an undergraduate degree in education, the Foundation, should redirect the proceeds of this fund to the closest charitable program. The fair value of the fund at June 30, 2019, is \$852,103.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE D - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises for which payment has not been received are included in the financial statements as pledges receivable and revenue in the appropriate net asset classification. The College has discounted long-term pledges to their estimated net present value, using a discount rate of 3.25%.

Promises to give with donor restrictions expected to be collected in:

Less than one year	\$ 450
One to five years	250
	<hr/> 700
Less allowance for uncollectible promises to give	(140)
Less discount on promises to give	(6)
Net unconditional promises to give	<hr/> \$ 554

NOTE E - RETIREMENT PLAN

Aquinas College maintains a defined contribution 403(b) Plan (the Plan) for all eligible employees. All full time employees, upon completing one year of service, are eligible to participate in the Plan and be enrolled during quarterly entry points. Effective September 1, 2015, all full-time employees are eligible to participate in the 403(b) Plan regardless of years of service. The Plan encompasses eligible employees of the affiliated entities of St. Cecilia Congregation, Saint Cecilia Academy, Overbrook School, Saint Rose and The Dominican Campus. Participants may make voluntary contributions up to the maximum amount allowable by law under the terms of the Plan. Aquinas College is required to make a mandatory matching contribution to the Plan of up to 1% for those eligible employees with 1 year of service, up to 2% for 2 years and up to 3% for those with 3 or more years of service. During the 2019 fiscal year, \$7,766 was deposited into participants accounts from unrestricted College resources, respectively. The Plan is a Non Electing Church Plan therefore, as defined under section 4(b)(2) of ERISA, the Plan is exempt from ERISA Title 1 disclosure requirement.

NOTE F - CONTRIBUTED SERVICES

For the fiscal year ended June 30, 2019, the services contributed to the College by the religious members of the faculty and staff had a fair value of \$826,221. The calculation of contributed services is based on comparable compensation obtained from surveys of area schools less actual cash stipends paid on behalf of the religious members of the College.

NOTE G - CONCENTRATION OF CREDIT RISK

The College maintains its operating cash balances in various financial institutions and brokerage accounts. Some account balances at the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019, the College's uninsured cash balances total \$1,097,490.

Promises to give have concentrations of credit risk as they are due from individuals and organizations primarily from Tennessee.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE H - INVESTMENTS

Equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the Statement of Financial Position. Gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investments in stocks and bonds, which are listed on national securities exchanges, quoted on NASDAQ or on the over-the-counter market are valued at the last reported sales price, or in the absence of a recorded sale, at the value between the most recent bid and asked prices. Investments without readily determinable fair values are carried at estimated fair value. Gains and losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations.

FASB ASC 820-10 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market prices observability used in measuring fair value.

This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level I - Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level II input could result in the Level II measurement becoming a Level III measurement.

Level III - Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following is the fair value measurement of investments measured on a recurring basis at June 30, 2019:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level I)
Cash	\$ 140,112	\$ 140,112
Fixed income	1,751,188	1,751,188
Mutual funds	2,896,916	2,896,916
Total assets	<u>\$ 4,788,216</u>	<u>\$ 4,788,216</u>

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE H - INVESTMENTS (continued)

Investments have been allocated to the net asset classification for presentation in the statements of financial position. Investments consist of the following as of June 30, 2019:

	Fair Value
Without donor restrictions	\$ 308,834
With donor restrictions	<u>4,479,382</u>
	<u>\$ 4,788,216</u>

Investment income, net is composed of the following:

Unrealized gains (losses) on marketable securities	\$ 210,745
Realized gains (losses) on marketable securities	24,443
Dividends and interest income	<u>106,449</u>
	<u>\$ 341,637</u>

NOTE I - OPERATING LEASE OBLIGATIONS

The College has a lease agreement for copier equipment. The lease currently calls for monthly rental payments with additional charges per copy.

For the year ended June 30, 2019, the total copier expense was approximately \$11,275.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2020	\$ 11,055
2021	11,055
2022	<u>3,685</u>
	<u>\$ 25,795</u>

NOTE J - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2019, consist of:

Operations	\$ (945,760)
Plant assets	<u>12,342,678</u>
	<u>\$ 11,396,918</u>

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to expenditure for specific purpose:

New roof	\$ 230,300
Catechetical program	3,584
Other	9,462
Financial aid - institutional aid	767,725

Investments in perpetuity, which once appropriated, are expendable for the following endowments:

General endowment (original gift \$1,096,179)	1,877,589
Scholarship endowment (original gifts \$1,490,668)	2,601,793
	<u>\$ 5,490,453</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during fiscal year ended June 30, 2019, are as follows:

Purpose restrictions accomplished:

Catechetical program	\$ 2,017
Other	186
Financial aid - institutional aid	224,372

Release of appropriated endowment amounts with purpose restrictions:

General endowment	81,656
Scholarship endowment	99,559

Subject to passage of time	250,000
	<u>\$ 657,790</u>

NOTE L - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment - at cost, less accumulated depreciation:

Buildings	\$ 14,739,915
Buildings and land improvements	933,695
Construction in progress	27,857
Equipment and furnishings	1,370,489
Library	681,582
	17,753,538
Less accumulated depreciation	5,410,860
	<u>\$ 12,342,678</u>

Legal title in all land occupied by the College is vested in St. Cecilia Congregation.

Included in property and equipment is the new dorm that, as a result of the reconfiguration, the College does not have plans for full utilization. The net book value of the dorm at June 30, 2019, was \$10,844,229.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE M - SCHOLARSHIP ALLOWANCE

Scholarship allowance by classification, for the year ended June 30, 2019, was as follows:

Scholarships:

Dominican Sisters	\$ 322,079
Lay Students	99,291
	<u>\$ 421,370</u>

NOTE N - CONCENTRATION OF CONTRIBUTIONS

The College received in the year ended June 30, 2019, approximately 48% of its revenues without donor restrictions and gains from private gifts and grants. A change in the amount of gifts and grants received would ultimately affect operating results.

NOTE O - RELATED PARTY

The Dominican Sisters of St. Cecilia Congregation are a Catholic pontifical congregation located in Nashville, Tennessee, founded in 1860. The Congregation owns and administers various academic institutions and administers and staffs other diocesan or independent schools across the United States and overseas providing students an education based in Christian principles and tradition. The St. Cecilia Congregation owns and operates certain educational institutions and convents which it both controls and has an economic interest. These financial statements only include the activities of the College.

The St. Cecilia Congregation operates three schools (Overbrook School, St. Cecilia Academy and Aquinas College) located on the Dominican Campus. The Congregation has determined that certain administration functions should be shared by all three schools. Aquinas College paid \$330,135 during the year ended June 30, 2019, for contracted services, landscaping, waste removal, utilities and bank fees.

Included in accounts payable is \$1,798 due to related schools at June 30, 2019.

NOTE P - FUNDRAISING COSTS

Fundraising costs incurred by the College for the year ended June 30, 2019, totaled \$5,108.

NOTE Q - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The College manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The College has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The College has a policy to target a year-end balance of reserves of net assets without donor restrictions and undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the College forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the year ended June 30, 2019, the level of liquidity and reserves was managed within the policy requirements.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE Q - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise the following:

	<u>Reported Amount</u>
Financial Assets:	
Cash and cash equivalents	\$ 1,327,365
Accounts receivable, net	225
Unconditional promises to give	554
Long-term investments	<u>4,788,216</u>
	6,116,360
Less amounts that are not available for general expenditure:	
Donor-restricted endowments	(4,479,382)
Restricted by donor, for various purposes	<u>(1,011,071)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 625,907</u>

NOTE R - NOTE PAYABLE

The College's obligation under note payable consists of the following:

1.5% note payable dated June 2017, interest only payable monthly through June 20, 2020. The College can draw a maximum of \$2,500,000 under the terms of the note. No later than June 20, 2020, the loan converts from interest only at 1.5% (unamortized discount based on imputed interest rate of 4%) to fixed monthly payments at 4% annual interest amortized over a 30 year period. The unamortized balance and any accrued interest is due July 1, 2037. The note is guaranteed by St. Cecilia Congregation and secured by a Deed of Trust on certain real property owned by St. Cecilia Congregation in Washington, DC.

Principal amount	\$ 1,500,000
Less unamortized discount	<u>(42,537)</u>
Note payable less unamortized discount	<u>\$ 1,457,463</u>

The future scheduled maturities of long-term debt are as follows:

Year Ending June 30,	<u>Amount</u>
2020	\$ -
2021	29,475
2022	27,435
2023	28,552
2024	29,716
Thereafter	<u>1,384,822</u>
	<u>\$ 1,500,000</u>

Amortized discount of \$34,583 is shown as interest expense for the year ended June 30, 2019.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE S - ENDOWMENT

The College's endowment consists of approximately 22 donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Tennessee, 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. UPMIFA provides legal guidance and authority concerning the management and investment of endowment funds and imposes fiduciary duties on those who manage and invest endowment funds. UPMIPA states that in the absence of a statement to the contrary in the gift instrument that establishes an endowment fund, the assets in the endowment fund are donor-restricted assets until appropriated for expenditure by the Board of Directors. Therefore, the College classifies the net assets of endowment funds created by donors as net assets with donor restrictions because those net assets are time restricted until appropriated. Most of the endowment funds are also restricted as to use because the donors specified purposes for which the endowment must be used.

The law assumes that endowment funds will be managed to exist and grow in perpetuity and to provide a distribution each year for the donor's stipulated purpose(s), unless the donor stipulates to the contrary. As a result, if the fair value of an individual fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the donor stipulations in the gift instrument, the College considers the fund to be underwater. The College does not spend from underwater funds; instead it reinvests the income of the fund until the fund is no longer underwater. No deficiencies of this nature are reported as of June 30, 2019.

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

- (1) The duration and preservation of the fund
- (2) The purposes of the College and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources available to the College
- (7) The investment policies of the College

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE S - ENDOWMENT (continued)

The College's endowments by net asset class at June 30, 2019, in total and by type of endowment fund, showing donor-restricted endowment funds separately from board designated endowment funds are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted general endowment funds	\$ -	\$ 1,877,589	\$ 1,877,589
Donor-restricted scholarship endowment funds	-	2,601,793	2,601,793
Total funds	<u>\$ -</u>	<u>\$ 4,479,382</u>	<u>\$ 4,479,382</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, June 30, 2018	\$ -	\$ 4,334,800	\$ 4,334,800
Dividend and interest income (during year)	-	99,220	99,220
Net appreciation (depreciation) (realized and unrealized)	-	220,277	220,277
Contributions and additions to endowments	-	6,300	6,300
Appropriation of endowment assets for expenditure	-	(81,656)	(81,656)
Appropriation of scholarship endowment assets for expenditure	-	(99,559)	(99,559)
Endowment assets, June 30, 2019	<u>\$ -</u>	<u>\$ 4,479,382</u>	<u>\$ 4,479,382</u>

At June 30, 2019, the endowment fund is composed of:

Amounts required to be invested in perpetuity (including amounts above the original gift amount of \$1,096,179, which once appropriated, are expendable to support any activities of the organization).	\$ 1,877,589
Amounts required to be invested in perpetuity (including amounts above the original gift amount of \$1,499,668 which once appropriated, are expendable for scholarships).	<u>2,601,793</u>
	<u>\$ 4,479,382</u>

Endowment - Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of 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. The College expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount. 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 normally places an emphasis on equity-based and income-based investments to achieve its long-term return objectives within prudent risk constraints.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE S - ENDOWMENT (continued)

Endowment Spending Policy - General Endowment

The College's policy for its general endowment spending is 5 percent based upon a three year average of the previous calendar year end market values. Accordingly, over the long term, the College expects the current spending policy to allow its general endowment to grow at least 2 percent annually. In establishing this policy, the College considered the long-term expected return on its general endowment. This is consistent with the College's objective to maintain the purchasing power of the general endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Under the College's spending policy on the general endowment and quasi-endowment, the Board approved \$81,656 to be applied to the operating budget for fiscal year 2019.

Endowment Spending Policy - Scholarship Endowment

The College has adopted a policy of appropriating for distribution each year a maximum of 5 percent of the scholarship endowment fund's average fair value over the 3 preceding calendar year end fund values. In establishing this policy, the College considered the long-term expected return on its scholarship endowment. Accordingly, over the long term, the College expects the current spending policy to allow its scholarship endowment to grow at an average of at least 2 percent annually. This is consistent with the College's objective to maintain the purchasing power of the scholarship endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The College appropriated \$99,559 from the scholarship endowment for the fiscal year 2019.

NOTE T - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 20, 2019, which is the date the financial statements were available to be issued.

NOTE U - RECONFIGURATION

During the year ended June 30, 2017, the Dominican Sisters of St. Cecilia Congregation decided to reconfigure the College with a view of serving the Church and the mission of Catholic education. The College will focus its academic program on the School of Education and arts and sciences. It will offer programs, workshops and faculty formation for dioceses and schools through its centers. With this reconfiguration, Aquinas will no longer offer four-year degrees in business and nursing, nor traditional residential and student life.

Due to the reconfiguration, the College estimates that 75% to 85% of the College's sources of revenues and cash flows will be received from a single source, the Dominican Sisters of St. Cecilia Congregation.

Grant for Study of Ethics of \$50,000 was returned during the year ended June 30, 2019.