

AQUINAS COLLEGE

FINANCIAL STATEMENTS

Years Ended June 30, 2015 and 2014

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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 statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grannis & Associates, P. C.

Murfreesboro, Tennessee
October 28, 2015

AQUINAS COLLEGE

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

ASSETS

	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Cash	\$ 3,079,451	\$ 3,658,167	\$ -	\$ 6,737,618
Accounts receivable, net	20,628	-	-	20,628
Unconditional promises to give, net	-	194,375	-	194,375
Prepaid expenses	86,997	-	-	86,997
Investments	5,054,760	2,443,242	8,992,974	16,490,976
Property and equipment, net	<u>2,763,253</u>	<u>-</u>	<u>-</u>	<u>2,763,253</u>
Total Assets	<u>\$ 11,005,089</u>	<u>\$ 6,295,784</u>	<u>\$ 8,992,974</u>	<u>\$26,293,847</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 177,402	\$ -	\$ -	\$ 177,402
Deferred revenues and student deposits	<u>210,058</u>	<u>-</u>	<u>-</u>	<u>210,058</u>
Total Liabilities	<u>387,460</u>	<u>-</u>	<u>-</u>	<u>387,460</u>

Net Assets

	<u>10,617,629</u>	<u>6,295,784</u>	<u>8,992,974</u>	<u>25,906,387</u>
Total Liabilities and Net Assets	<u>\$ 11,005,089</u>	<u>\$ 6,295,784</u>	<u>\$ 8,992,974</u>	<u>\$26,293,847</u>

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

ASSETS

	2014			
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Cash	\$ 3,875,863	\$ 4,046,141	\$ -	\$ 7,922,004
Accounts receivable, net	12,127	-	-	12,127
Unconditional promises to give, net	-	382,166	-	382,166
Prepaid expenses	39,539	-	-	39,539
Investments	5,083,322	2,150,720	8,756,126	15,990,168
Property and equipment, net	<u>2,377,126</u>	<u>-</u>	<u>-</u>	<u>2,377,126</u>
Total Assets	<u><u>\$ 11,387,977</u></u>	<u><u>\$ 6,579,027</u></u>	<u><u>\$ 8,756,126</u></u>	<u><u>\$26,723,130</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 104,746	\$ -	\$ -	\$ 104,746
Deferred revenues and student deposits	<u>163,650</u>	<u>-</u>	<u>-</u>	<u>163,650</u>
Total Liabilities	<u>268,396</u>	<u>-</u>	<u>-</u>	<u>268,396</u>

<u>Net Assets</u>	<u>11,119,581</u>	<u>6,579,027</u>	<u>8,756,126</u>	<u>26,454,734</u>
Total Liabilities and Net Assets	<u><u>\$ 11,387,977</u></u>	<u><u>\$ 6,579,027</u></u>	<u><u>\$ 8,756,126</u></u>	<u><u>\$26,723,130</u></u>

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

AQUINAS COLLEGE

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2015 and 2014

	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, Gains, and Reclassifications</u>				
Gross tuition and fees	\$ 8,001,813	\$ -	\$ -	\$ 8,001,813
Less: scholarship allowance	(2,516,358)	-	-	(2,516,358)
Net Tuition and Fees	5,485,455	-	-	5,485,455
Private gifts and grants	1,008,440	169,926	236,848	1,415,214
Government grants	641,122	-	-	641,122
Investment income, net	223,951	457,427	-	681,378
Sales and services of auxiliary enterprises	314,469	-	-	314,469
Loss on disposal of fixed assets	(26,163)	-	-	(26,163)
Other revenue	68,961	-	-	68,961
Total Revenues and Gains	7,716,235	627,353	236,848	8,580,436
Net assets released from restrictions	910,596	(910,596)	-	-
Total Revenues, Gains and Reclassifications	8,626,831	(283,243)	236,848	8,580,436
<u>Expenses</u>				
Programs:				
Education and general				
Instruction	3,423,869	-	-	3,423,869
Academic support	1,118,473	-	-	1,118,473
Student services	947,554	-	-	947,554
Auxiliary enterprises	244,218	-	-	244,218
Institutional support	2,454,691	-	-	2,454,691
Operation and maintenance of physical plant	939,978	-	-	939,978
Total Expenses	9,128,783	-	-	9,128,783
Change in Net Assets	(501,952)	(283,243)	236,848	(548,347)
Net Assets, Beginning of Year	11,119,581	6,579,027	8,756,126	26,454,734
Net Assets, End of Year	<u>\$ 10,617,629</u>	<u>\$ 6,295,784</u>	<u>\$ 8,992,974</u>	<u>\$25,906,387</u>

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

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, Gains, and Reclassifications</u>				
Gross tuition and fees	\$ 9,171,516	\$ -	\$ -	\$ 9,171,516
Less: scholarship allowance	(3,184,021)	-	-	(3,184,021)
Net Tuition and Fees	5,987,495	-	-	5,987,495
Private gifts and grants	1,162,071	127,034	5,834,891	7,123,996
Government grants	692,498	-	-	692,498
Investment income, net	725,839	896,297	-	1,622,136
Sales and services of auxiliary enterprises	247,000	-	-	247,000
Loss on disposal of fixed assets	-	-	-	-
Other revenue	79,385	-	-	79,385
Total Revenues and Gains	8,894,288	1,023,331	5,834,891	15,752,510
Net assets released from restrictions	646,122	(646,122)	-	-
Total Revenues, Gains and Reclassifications	9,540,410	377,209	5,834,891	15,752,510
<u>Expenses</u>				
Programs:				
Education and general				
Instruction	3,725,149	-	-	3,725,149
Academic support	1,233,672	-	-	1,233,672
Student services	980,562	-	-	980,562
Auxiliary enterprises	308,352	-	-	308,352
Institutional support	2,334,989	-	-	2,334,989
Operation and maintenance of physical plant	940,543	-	-	940,543
Total Expenses	9,523,267	-	-	9,523,267
Change in Net Assets	17,143	377,209	5,834,891	6,229,243
Net Assets, Beginning of Year	11,102,438	6,201,818	2,921,235	20,225,491
Net Assets, End of Year	<u>\$ 11,119,581</u>	<u>\$ 6,579,027</u>	<u>\$ 8,756,126</u>	<u>\$26,454,734</u>

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

AQUINAS COLLEGE

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2015 and 2014

<u>Cash Flows from Operating Activities</u>	<u>2015</u>	<u>2014</u>
(Decrease) Increase in net assets	\$ (548,347)	\$ 6,229,243
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	262,471	274,263
In kind donated asset	(70,000)	-
Loss on disposal of fixed assets	26,163	-
Change in allowance for doubtful accounts	(63,294)	(50,884)
Change in pledge discount	(12,609)	(18,505)
Net realized (gains) losses on investments	(143)	16
Net unrealized gains on investments	(336,882)	(1,366,906)
Change in assets and liabilities:		
Decrease in accounts receivable	4,692	60,939
Decrease in unconditional promises to give	250,500	342,169
(Increase) in prepaid expenses	(47,458)	(2,724)
Increase in accounts payable and accrued expenses	72,656	6,100
Increase (Decrease) in deferred revenues	46,408	(37,348)
Contributions restricted for long-term purposes	<u>(236,848)</u>	<u>(5,834,891)</u>
Net Cash Used by Operating Activities	<u>(652,691)</u>	<u>(398,528)</u>
 <u>Cash Flows from Investing Activities</u>		
Purchases of property and equipment	(604,760)	(167,723)
Purchases of investments	(171,079)	(5,698,499)
Proceeds on sales of investments	<u>7,296</u>	<u>1,007</u>
Net Cash Used By Investing Activities	<u>(768,543)</u>	<u>(5,865,215)</u>
 <u>Cash Flows from Financing Activities</u>		
Contributions restricted for long-term purposes	<u>236,848</u>	<u>5,834,891</u>
 Net Decrease in Cash	(1,184,386)	(428,852)
Cash at Beginning of Year	<u>7,922,004</u>	<u>8,350,856</u>
Cash at End of Year	<u><u>\$ 6,737,618</u></u>	<u><u>\$ 7,922,004</u></u>

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

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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. 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 three classes: permanently restricted, temporarily restricted or unrestricted.

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:

Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purpose by actions of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted net assets 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.

Permanently restricted net assets are subject to donor-imposed stipulations that the funds 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 permanent 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, 2015 and 2014

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 chose to be self-insured for unemployment compensation purposes. Any unemployment claims filed will be required to be paid by the College.

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, 2015 and 2014

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 years ended June 30, 2015 and 2014 was \$262,471 and \$274,263, respectively.

The College capitalizes all expenditures for equipment, buildings, and improvements when the purchase price is greater than \$2,000 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 \$2,000 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.

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.

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 \$117,828 and \$88,173 for the years ended June 30, 2015 and 2014, respectively.

Auxiliary Enterprise

The College's auxiliary enterprise exists primarily to furnish goods and services to students. The College's auxiliary enterprise consists of the College housing, bookstore, and cafeteria. The majority of textbooks are purchased by students online. Auxiliary enterprise revenues and expenses are reported in the statement of activities in unrestricted net assets.

Expense Allocation

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

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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:		
<u>June 30, 2015</u>		
Cash	\$ 6,737,618	\$ 6,737,618
Unconditional promises to give, net	194,375	194,375
<u>June 30, 2014</u>		
Cash	\$ 7,922,004	\$ 7,922,004
Unconditional promises to give, net	382,166	382,166

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 at June 30:	<u>2015</u>	<u>2014</u>
Student accounts receivable	\$ 102,455	\$ 113,149
Other accounts receivable	18,128	12,127
Allowance for doubtful accounts - student accounts receivable	(99,955)	(113,149)
Net accounts receivable	<u>\$ 20,628</u>	<u>\$ 12,127</u>

Included in other accounts receivable is \$0 and \$10,790 due from the Dominican Campus at June 30, 2015 and 2014, respectively.

NOTE C - 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%.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE C - UNCONDITIONAL PROMISES TO GIVE (continued)

Temporarily restricted promises to give expected to be collected in:	2015	2014
Less than one year	\$ 250,500	\$ 250,500
One to five years	500	251,000
	251,000	501,500
Less allowance for uncollectible promises to give	(50,200)	(100,300)
Less discount on promises to give	(6,425)	(19,034)
Net unconditional promises to give	<u>\$ 194,375</u>	<u>\$ 382,166</u>

The College has one unconditional promise to give which totals 99% and 99% of the unpaid balance as of June 30, 2015 and 2014, respectively.

NOTE D - 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 at June 30, 2015 and 2014 of the fund is \$887,804 and \$931,568, respectively.

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. 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 was 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 2015 and 2014 fiscal years, \$54,543 and \$53,660 was deposited into participants accounts from unrestricted College resources, respectively. Deposits of \$48,043 and \$47,160 were made to the Plan with \$6,500 and \$6,500 sent directly to The Archdiocese of Philadelphia Plan on behalf of an eligible employee for fiscal years 2015 and 2014, respectively. The Plan is a Non Electing Church Plan therefore, as defined under section 4(b)(2) of ERISA, exempts the Plan from ERISA Title 1 disclosure requirement.

Subsequent to year end, effective September 1, 2015, all full-time employees are eligible to participate in the 403(b) Plan regardless of years of service. There will be no matching percent until after one year of service.

NOTE F - CONTRIBUTED SERVICES

For the fiscal years ended June 30, 2015 and 2014, the services contributed to the College by the religious members of the faculty and others had a fair value of \$533,341 and \$837,449, respectively. The calculation of contributed services is based on comparable compensation obtained from surveys of area schools less actual cash stipends paid to the religious members of the College.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE G - CONCENTRATION OF CREDIT RISK

The College maintains its operating cash balances in various financial institutions and brokerage accounts. The College shares a common operating account with other schools controlled by the St. Cecilia Congregation. Some account balances at the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2015 and 2014, the College's uninsured cash balances total \$4,709,373 and \$5,922,916, respectively.

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

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 unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations.

FASB ASC 820-10 establishes a hierarchical 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.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE H - INVESTMENTS (continued)

The following is the fair value measurement of investments measured on a recurring basis at June 30, 2015 and 2014:

		Quoted Prices in Active Markets for Identical Assets (Level I)
<u>June 30, 2015</u>	<u>Fair Value</u>	
Cash	\$ 434,899	\$ 434,899
Bond Funds	10,618,575	10,618,575
Mutual Funds	<u>5,437,502</u>	<u>5,437,502</u>
Total Assets	<u>\$ 16,490,976</u>	<u>\$ 16,490,976</u>
 <u>June 30, 2014</u>	 \$ 471,555	 \$ 471,555
Cash	5,353,959	5,353,959
Bond Funds	<u>10,164,654</u>	<u>10,164,654</u>
Mutual Funds	<u>\$ 15,990,168</u>	<u>\$ 15,990,168</u>
Total Assets		

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, 2015 and 2014:

	2015 <u>Fair Value</u>	2014 <u>Fair Value</u>
Unrestricted	\$ 5,054,760	\$ 5,083,322
Temporarily Restricted	2,443,242	2,150,720
Permanently Restricted	<u>8,992,974</u>	<u>8,756,126</u>
	<u>\$ 16,490,976</u>	<u>\$ 15,990,168</u>

Investment income, net is composed of the following:

Unrealized gains on marketable securities	\$ 336,882	\$ 1,366,906
Realized gains (losses) on marketable securities	143	(16)
Dividends and interest income	<u>344,353</u>	<u>255,246</u>
	<u>\$ 681,378</u>	<u>\$ 1,622,136</u>

The College shares common investment accounts with other schools controlled by the St. Cecilia Congregation pooled together into a unifund. Realized and unrealized gains and losses from securities are allocated quarterly to the unifund. The College intends to separate its investments in the unifund from the other schools.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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, 2015 and 2014, the total copier expense was approximately \$30,323 and \$44,095, respectively.

Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2016	\$ 31,135
2017	31,135
2018	23,351
	<u>\$ 85,621</u>

The College has a lease for student housing at \$13,441 a month which expired on July 31, 2014, and was renewed on August 1, 2014 with a monthly lease payment of \$8,665 and expiring on July 31, 2017. The lease calls for an increase of two and one-half percent on August 1, 2015 and each August 1 thereafter. For the year ended June 30, 2015 and 2014, the total lease expense was approximately \$108,751 and \$155,770, respectively.

Future minimum payments are as follows:

Years Ending June 30,	Amount
2016	\$ 106,356
2017	109,014
2018	9,103
	<u>\$ 224,473</u>

On December 1, 2014, the College entered into an agreement to lease 8,122 square feet for a simulation lab. The lease calls for base rent of \$1 for the entire term. The lease expires on November 30, 2016 with two options to renew the lease for one year. Estimate of the fair value of the lease for the year ended June 30, 2015 is \$99,874 and is included in private gifts and grants.

Subsequent to year end the College entered into a facility use agreement for the Villaggio Betania, owned by the Dominican Sisters of St. Cecilia Congregation, in Bracciano, Italy for the purpose of a study abroad program at the current rate of 50 euros per guest per night.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE J - OPERATING EXPENSES

Operating expenses, by natural classification, for the year ended June 30, 2015 and 2014 were:

	<u>2015</u>	<u>2014</u>
Salaries and Wages	\$ 5,670,685	\$ 6,022,443
Payroll Taxes and Benefits	908,719	941,079
Supplies	374,803	412,941
Repairs and Maintenance	283,670	316,921
Depreciation	262,471	274,263
Contracted Services	249,368	241,061
Utilities	166,757	170,015
Travel and Entertainment	159,379	142,997
Advertising	117,828	88,173
Rental Fees	212,621	172,813
Refreshments	88,424	88,849
Other	86,456	72,353
Security	79,664	71,576
Legal and Professional	77,386	90,309
Testing Expenses	65,036	70,388
Insurance	53,483	64,015
Membership Dues and Subscriptions	50,955	46,889
Recruiting	43,546	61,859
Conferences and Speakers	39,249	38,020
Online Computer Services	28,752	28,293
Other Fundraising Expenses	27,293	1,013
Postage	24,962	27,631
Provision for Bad Debts	22,773	49,547
Graduation Expenses	17,873	19,559
Accreditation	14,168	5,907
Bank Service Charges and Credit Card Fees	2,462	4,338
Interest	-	15
Total Expenses	<u>\$ 9,128,783</u>	<u>\$ 9,523,267</u>

NOTE K - RESTRICTIONS ON NET ASSETS

Unrestricted net assets at June 30, 2015 and 2014 consist of:

	<u>2015</u>	<u>2014</u>
Operations	\$ 2,012,791	\$ 3,159,136
Plant Assets	2,763,253	2,377,126
Quasi (Board Designated):		
Campaign	772,957	500,000
Scholarship Endowments	404,873	392,061
Sisters Education Endowment	4,663,755	4,691,258
	<u>\$ 10,617,629</u>	<u>\$ 11,119,581</u>

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE K - RESTRICTIONS ON NET ASSETS (continued)

Temporarily restricted net assets at June 30, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Available for Financial Aid	\$ 32,461	\$ 28,626
Scholarship Endowments	1,846,212	1,623,585
General Endowment	619,831	623,073
Time Restriction	193,613	381,041
Capital Campaign		
Nursing Simulation Lab	30,154	100,000
Adoration Chapel	30,000	-
General Campaign	3,424,995	3,696,417
Nursing Program	-	33,383
Study of Ethics	50,000	50,000
Catechetical Program	42,017	36,900
Other	26,501	6,002
	<u>\$ 6,295,784</u>	<u>\$ 6,579,027</u>

Permanently restricted net assets consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
General Endowment	\$ 1,218,533	\$ 1,218,433
Scholarship Endowments	7,774,441	7,537,693
	<u>\$ 8,992,974</u>	<u>\$ 8,756,126</u>

Net assets released from restrictions during the years were comprised of the following:

	<u>2015</u>	<u>2014</u>
General Endowment	\$ 81,408	\$ 83,719
Financial Aid		
Scholarship Endowments	156,490	101,700
Other	5,849	5,015
Nursing Program	33,383	90,000
General Campaign	302,281	75,723
Nursing Simulation Lab	69,846	-
Adoration Chapel	1,750	-
Secondary Licensure	500	17,514
Catechetical Program	502	5,533
Time Restriction	250,000	250,000
Other	8,587	16,918
	<u>\$ 910,596</u>	<u>\$ 646,122</u>

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE L - PROPERTY AND EQUIPMENT

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

	2015	2014
Buildings	\$ 3,625,729	\$ 3,493,073
Buildings and Land Improvements	867,279	841,368
Construction in Progress	463,466	194,914
Equipment and Furnishings	1,522,432	1,474,000
Library	707,139	707,139
	<u>7,186,045</u>	<u>6,710,494</u>
Less: Accumulated Depreciation	<u>4,422,792</u>	<u>4,333,368</u>
	<u>\$ 2,763,253</u>	<u>\$ 2,377,126</u>

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

The College has started construction of a new dorm and included in Construction in Progress is about \$235,227 related to this at June 30, 2015. The total cost of the dorm is estimated to be about \$10.4 million. The College may use a portion of its board designated endowment funds to pay for the dorm. Market volatility could impact the amount of available funds.

NOTE M - SCHOLARSHIP ALLOWANCE

Scholarship allowances by classification, for the year ended June 30, 2015 and 2014 were as follows:

	2015	2014
Pell Grants	\$ 589,549	\$ 641,483
Supplemental Education Opportunity Grants	21,435	26,475
Scholarships - Dominican Sisters	833,528	1,863,036
- Other	1,071,846	653,027
	<u>\$ 2,516,358</u>	<u>\$ 3,184,021</u>

NOTE N - CONCENTRATION OF CONTRIBUTIONS

The College received in the years ended June 30, 2015 and 2014 approximately 12% and 13% of its unrestricted revenues and gains from private gifts and grants, respectively. A change in the amount of gifts and grants received would ultimately affect operating results.

NOTE O - GOVERNMENT GRANTS AND OTHER PROGRAMS OF STUDENT FINANCIAL ASSISTANCE

Federal financial aid by classification for the year ended June 30, 2015 is as follows:

	FSEOG	FWS	PELL	TOTAL
Government Funds Received	\$ 21,435	\$ 30,138	\$ 589,549	\$ 641,122
Institutional Match	7,145	10,046	-	17,191
Administrative Cost Allowance	-	-	-	-
Student Financial Awards	<u>\$ 28,580</u>	<u>\$ 40,184</u>	<u>\$ 589,549</u>	<u>\$ 658,313</u>

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE O - GOVERNMENT GRANTS AND OTHER PROGRAMS OF STUDENT FINANCIAL ASSISTANCE (continued)

Federal financial aid by classification for the year ended June 30, 2014 is as follows:

	<u>FSEOG</u>	<u>FWS</u>	<u>PELL</u>	<u>TOTAL</u>
Government Funds Received	\$ 26,475	\$ 24,540	\$ 641,483	\$ 692,498
Institutional Match	8,825	8,180	-	17,005
Administrative Cost Allowance	-	-	-	-
Student Financial Awards	<u>\$ 35,300</u>	<u>\$ 32,720</u>	<u>\$ 641,483</u>	<u>\$ 709,503</u>

The College received 8.4% and 7.8% of its total unrestricted revenues from federal financial aid programs in the years ended June 30, 2015 and 2014, respectively.

NOTE P - 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 across the United States providing students an education based in Christian principles and tradition. In addition, the Congregation owns and operates 7 convents located in Tennessee, Alabama, Washington D.C., Italy, and The Netherlands. 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 \$529,872 and \$566,530 during the years ended June 30, 2015 and 2014 for contracted services, landscaping, waste removal, utilities and bank fees, respectively.

NOTE Q - FUNDRAISING COSTS

Fundraising costs incurred by the College in 2015 and 2014 totaled \$339,745 and \$275,060, respectively. These costs relate primarily to planned giving, annual fund, development, and the capital campaign.

The College has started a campaign to raise funds based on the Aquinas College Strategic Plan. As a result of the strategic planning process the College has identified the need for funds for a residence hall, a new academic building, renovation of the existing building, and to increase the endowment.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE R - ENDOWMENT

The College's endowment consists of approximately 31 individual funds, including 28 donor-restricted funds and 3 funds designated by the Board of Directors to function as endowments. 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. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The net accumulated appreciation of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence described in UPMIFA.

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

The College's endowments by net asset class at June 30, 2015, in total and by type of endowment fund, showing donor-restricted endowment funds separately from board designated endowment funds are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted general endowment funds	\$ -	\$ 619,831	\$ 1,218,533	\$ 1,838,364
Donor-restricted scholarship endowment funds	-	1,846,212	7,774,441	9,620,653
Board designated sisters education endowment funds	4,663,755	-	-	4,663,755
Board designated scholarship endowment funds	<u>404,873</u>	<u>-</u>	<u>-</u>	<u>404,873</u>
Total funds	<u>\$5,068,628</u>	<u>\$ 2,466,043</u>	<u>\$ 8,992,974</u>	<u>\$ 16,527,645</u>

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE R - ENDOWMENT (continued)

The College's endowments by net asset class at June 30, 2014, in total and by type of endowment fund, showing donor-restricted endowment funds separately from board designated endowment funds are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted general endowment funds	\$ -	\$ 623,073	\$ 1,218,433	\$ 1,841,506
Donor-restricted scholarship endowment funds	-	1,623,585	7,537,693	9,161,278
Board designated sisters education endowment funds	4,691,258	-	-	4,691,258
Board designated scholarship endowment funds	<u>392,061</u>	<u>-</u>	<u>-</u>	<u>392,061</u>
Total funds	<u>\$5,083,319</u>	<u>\$ 2,246,658</u>	<u>\$ 8,756,126</u>	<u>\$ 16,086,103</u>

Changes in endowment assets for the year ended June 30, 2014 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, June 30, 2013	\$4,547,212	\$ 1,535,778	\$ 2,921,235	\$ 9,004,225
Dividend and interest income (during year)	96,569	126,900	-	223,469
Net appreciation (depreciation) (realized and unrealized)	597,507	769,399	-	1,366,906
Contributions and additions to endowments	-	-	5,834,891	5,834,891
Appropriation of endowment assets for expenditure	(146,064)	(83,719)	-	(229,783)
Appropriation of scholarship endowment assets for expenditure	<u>(11,905)</u>	<u>(101,700)</u>	<u>-</u>	<u>(113,605)</u>
Endowment assets, June 30, 2014	5,083,319	2,246,658	8,756,126	16,086,103
Dividend and interest income (during year)	101,207	225,327	-	326,534
Net appreciation (depreciation) (realized and unrealized)	104,954	231,956	-	336,910
Contributions and additions to endowments	-	-	236,848	236,848
Appropriation of endowment assets for expenditure	(218,022)	(81,408)	-	(299,430)
Appropriation of scholarship endowment assets for expenditure	<u>(2,830)</u>	<u>(156,490)</u>	<u>-</u>	<u>(159,320)</u>
Endowment assets, June 30, 2015	<u>\$5,068,628</u>	<u>\$ 2,466,043</u>	<u>\$ 8,992,974</u>	<u>\$ 16,527,645</u>

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE R - ENDOWMENT (continued)

Permanently Restricted Net Assets	2015	2014
(1) The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	\$ 8,992,974	\$ 8,756,126
Total endowment funds classified as permanently restricted net assets	<u>\$ 8,992,974</u>	<u>\$ 8,756,126</u>
Temporarily Restricted Net Assets		
(1) Term endowment funds	\$ -	\$ -
(2) The portion of perpetual endowment funds subject to a time restriction:		
Without purpose restrictions	619,831	623,073
With purpose restrictions	<u>1,846,212</u>	<u>1,623,585</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 2,466,043</u>	<u>\$ 2,246,658</u>

Endowment and Other 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 requires the College to retain as a fund of perpetual duration. No deficiencies of this nature are reported in unrestricted net assets as of June 30, 2015 or 2014.

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. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that at least meets the price and yield results of the S&P 500 index for Equity Funds and Barclays Capital Aggregate Bond index for Bond Funds while assuming a low level of investment risk. 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, 2015 and 2014

NOTE R - ENDOWMENT (continued)

Endowment Spending Policy - General Endowment

On June 20, 2014 the Board changed the policy for its general endowment spending to be 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 \$299,430 and \$229,783 to be applied to the operating budget for fiscal years 2015 and 2014, respectively.

The College also has a policy of transferring from its board-designated endowment funds an amount equal to the operating loss, if any, of the previous fiscal year. In fiscal years 2015 and 2014 no such withdrawals were needed. If the College uses its board designated endowments for construction costs as disclosed in Note L then these funds will not be available for future operating losses.

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 endowments. 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 \$159,320 and \$113,605 from the scholarship endowments for the fiscal years 2015 and 2014, respectively.

NOTE S - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 28, 2015, which is the date the financial statements were available to be issued.