



Saint Francis University

Consolidated Financial Statements
and Supplementary Information

June 30, 2021 and 2020

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9
Supplementary Information	
Financial Responsibility Supplemental Schedule	32

Independent Auditors' Report

To the Board of Trustees of

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying financial responsibility supplemental schedule on page 32, as required by Title 34 CFR Section 668.172, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated

	2021	2020
Assets		
Cash and cash equivalents	\$ 5,653,728	\$ 2,873,103
Accounts receivable:		
Students, net	1,423,723	1,841,199

	Without Donor Restrictions	With Donor Restrictions	Total	2020 Total
Operating Revenues				
Tuition and fees, net	\$ 39,798,637	\$ -	\$ 39,798,637	\$ 39,584,782
Federal grants and contracts	1,764,787	2,470,718	4,235,505	2,653,061

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Tuition and fees, net	\$ 39,584,782	\$ -	\$ 39,584,782
Federal grants and contracts	1,989,468	663,593	2,653,061
State and local grants	963,018	-	963,018
Private gifts, grants and bequests	1,974,477	4,565,003	6,539,480
Interest and dividends, net	298,596	649,375	947,971
Other income	2,369,482	-	2,369,482
Auxiliary enterprises, net	11,300,940	-	11,300,940
Transfer from nonoperating to fund depreciation			

	Instructional	Research and Public Service	Academic Support	Student Services	Student Aid	Institutional Support	Auxiliary Enterprises	Facilities, Operations and Maintenance	Total
Operating Expenses									
Compensation:									
Salaries and wages	\$ 13,430,844	\$ 1,190,420	\$ 445,614	\$ 5,474,756	\$ -	\$ 3,264,358	\$ 1,888,445	\$ 1,837,086	\$ 27,531,523
Benefits	3,321,241	359,655	121,171	1,484,285	-	2,649,658	1,096,829	814,815	9,847,654
Professional services	278,483	-	-	311,230	-	3,786,929	1,545,112	125,678	6,047,432
Other	579,348	135,649	368,330	1,950,415	-	1,503,091	828,309	44,258	5,409,400
Depreciation and amortization	1,092,281	109,415	81,348	704,904	-	193,811	2,063,276	511,452	4,756,487
Supplies, equipment maintenance and repairs	493,660	103,739	3,894	483,632	-	296,440	331,828	621,022	2,334,215
Utilities	7,957	2,345	-	42,019	-	180,522	623,588	797,030	1,653,461
Food	-	-	-	-	-	-	1,354,333	-	1,354,333
Travel, conferences, recruitment, meals and lodging	72,423	46,731	-	970,536	-	104,188	15,534	325	1,209,737
Interest on indebtedness	-	-	-	52,971	-	3,314	69,662	1,038,523	1,164,470

Saint Francis University

Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Expenses						Auxiliary Enterprises	Facilities, Operations and Maintenance	Total
	Instructional	Research and Public Service	Academic Support	Student Services	Student Aid	Institutional Support			
Operating Expenses									
Compensation:									
Salaries and wages	\$ 13,042,138	\$ 1,064,760	\$ 429,195	\$ 5,468,148	\$ -	\$ 3,859,918	\$ 1,772,980	\$ 1,866,374	\$ 27,503,513
Benefits	3,270,516	308,876	117,059	1,520,076	-	2,995,762	1,002,697	799,405	10,014,391
Other	218,620	155,850	346,714	1,866,581	-	1,503,597	649,460	175,685	4,916,507
Depreciation and amortization	1,250,874	105,857	69,174	659,487	-	226,104	1,888,462	521,475	4,721,433
Professional services	253,310	28,881	-	517,216	-	1,780,117	1,613,934	154,459	4,347,917
Travel, conferences, recruitment, meals and lodging	268,558	257,993	123	1,773,282	-	176,018	11,662	4,737	2,492,373
Supplies, equipment maintenance and repairs	721,383	60,242	4,514	384,225	-	296,609	309,050	457,772	2,233,795
Utilities	15,512	3,340	251	55,316	-	124,597	664,225	874,135	1,737,376
Food	-	-	-	-	-	-	1,288,996	-	1,288,996
Interest on indebtedness	-	-	-	38,080	-	53,301	73,150	984,502	1,149,033
Insurance	1,003	-	-	108,875	-	-	232,611	335,068	677,557
Marketing and advertising	283,659	-	93	56,012	-	281,626	6,168	-	627,558
Student Emergency Assistance Fund (HEERF)	-	-	-	-	602,915	-	-	-	602,915
	19,325,573	1,985,799	967,123	12,447,298	602,915	11,297,649	9,513,395	6,173,612	62,313,364
Allocation of facilities, operations and maintenance	2,928,004	367,346	828,287	1,697,279	-	352,696	-	(6,173,612)	-
Total operating expenses	<u>\$ 22,253,577</u>	<u>\$ 2,353,145</u>	<u>\$ 1,795,410</u>	<u>\$ 14,144,577</u>	<u>\$ 602,915</u>	<u>\$ 11,650,345</u>	<u>\$ 9,513,395</u>	<u>\$ -</u>	<u>\$ 62,313,364</u>

See notes to consolidated financial statements

Saint Francis University

Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 16,217,108	\$ 1,886,058
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,745,728	4,710,673
(Gain) loss on disposal of plant assets	(42,449)	394,413
Realized and unrealized (gain) loss on investments	(12,961,212)	159,684
Private gifts restricted for long-term investment	(2,611,188)	(588,201)
Private gifts restricted for purchase of property and equipment	(758,693)	(439,651)
Change in value of split-interest agreements	(21,019)	(372)
Changes in assets and liabilities:		
Accounts receivable	(191,352)	317,491
Unconditional promises to give	4,024,361	141,613
Inventory	30,678	(33,682)
Prepaid expenses and other	(125,557)	(44,470)
Accounts payable	133,915	(507,667)
Accrued payroll and related liabilities	(272,878)	(449,853)
Refundable advances	(446,039)	(316,479)
Other accrued liabilities	(2,896)	(3,665)
Student deposits and prepayments	(981,453)	852,574
	-	
Net cash provided by operating activities	6,737,054	6,078,466
Cash Flows From Investing Activities		
Proceeds from sales of investments	20,632,837	16,401,844
Purchases of investments	(24,007,304)	(17,811,674)
Capital grants received	-	223,218
Purchases of plant assets	(2,999,478)	(3,772,432)
Purchase of property and equipment with restricted contributions	(758,693)	(457,271)
Proceeds from the sale of plant assets	-	11,176
Payments on student loans receivable	117,436	112,857
Net cash used in investing activities	(7,015,202)	(5,292,282)
Cash Flows From Financing Activities		
Payments on bonds and loans payable and finance leases	(1,098,773)	(1,350,158)
Proceeds from contributions restricted for long-term investments	4,240,919	685,824
Proceeds from contributions restricted for purchase of property and equipment	758,693	439,651
Decrease in debt service reserve fund assets	20,485	15,458
Decrease in bond project fund	-	804,609
(Payments) proceeds of annuity obligations	(24,425)	144
Net repayments to federal government for student loans	(99,918)	(167,782)
Net cash provided by in financing activities	3,796,981	427,746
Net change in cash and cash equivalents and restricted cash and cash equivalents	3,518,833	1,213,930
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	7,011,315	5,797,385
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	\$ 10,530,148	\$ 7,011,315
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents to Consolidated Statements of Financial Position		
Cash and cash equivalents	\$ 5,653,728	\$ 2,873,103
Cash and cash equivalents restricted for purchase of property and equipment	2,095,584	1,336,891
Cash and cash equivalents included in debt service reserve fund	2,780,836	2,801,321
Total cash and cash equivalents and restricted cash and cash equivalents	\$ 10,530,148	\$ 7,011,315
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 1,168,444	\$ 1,152,391
Supplemental Disclosure of Noncash Investing and Financing Activities		
Plant assets in accounts payable	\$ 1,209,261	\$ 603,016
Asset acquired under finance lease	\$ 38,399	\$ -
Asset acquired under operating lease	\$ 1,090,932	\$ -
Assets acquired with notes payable	\$ 325,000	\$ 1,930,000

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Saint Francis University (the College) is a not-for-profit educational institution located in Loretto, Pennsylvania. The College awards grants-in-aid and sc

Accounts Receivable, Students

Accounts receivable, students are reported at net realizable value. Accounts receivable, students are not collateralized. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the University's historical losses and periodic review of individual accounts.

Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. An allowance is made for uncollectible contributions

The University's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the University's investment policy. The degree and concentration of credit risk varies by type of investment. The fair values reported in the consolidated statements of financial position are exposed to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Plant Assets

Plant assets are stated at cost, if purchased, or fair value at the date of gift, if donated, less accumulated depreciation, computed on a straight-line basis over their estimated useful lives: buildings (12-62 years); land improvements (20-40 years); furniture and equipment (2-10 years); vehicles (5 years). Library books are stated at cost and are depreciated on a straight-line basis over an estimated useful life of 7 years. Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized.

Advance From Federal Government for Student Loans

The University is a participant in the Federal Perkins Loan program, a program which makes student loans available to eligible participants. This program is funded by both the federal government and the University, with the portion estimated to be allocable to the federal government recorded as a liability in the consolidated statements of financial position, and the portion allocable to the University included in net assets without donor restrictions.

Revenue Recognition

Tuition and fees revenue is recognized in the fiscal year in which the academic programs are delivered. Sales and services of auxiliary enterprises revenue, which consists of room and board and related services, is recognized when the related service is provided or performed. Tuition and fees and auxiliary enterprise contracts are considered to have a duration of less than one year.

Transaction prices for tuition, fees, room and board are determined based on the approved University tuition and fees schedules. Institutional financial aid and discounts provided by the University are reflected as a reduction of tuition and fees revenue with the exception of specifically identified auxiliary and athletic awards, which are reflected as a reduction in auxiliary revenue. The University awards grants-in-aid and scholarship1po have a dur

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Tuition and Fees, Net

Tuition and fees are presented net of grants-in-aid, scholarships, discounts and fellowships.

A discount to tuition and fees results when the University reduces the obligation of a student by granting financial aid. The following details the gross and net amounts of tuition and fees for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Tuition and fees	\$ 71,115,131	\$ 69,007,170
Less scholarship allowances	<u>(31,316,494)</u>	<u>(29,422,388)</u>
Tuition and fees, net	<u>\$ 39,798,637</u>	<u>\$ 39,584,782</u>

Auxiliary Enterprises, Net

Auxiliary enterprises are presented net of grants-in-aid, discounts, scholarships and fellowships.

A discount to auxiliary enterprises results when the University reduces the obligation of a student by granting financial aid. The following details the gross and net amounts of auxiliary enterprises for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Auxiliary enterprises	\$ 14,431,373	\$ 12,811,305
Less scholarship allowances	<u>(1,736,832)</u>	<u>(1,510,365)</u>

Nonoperating Activities

For the purpose of the consolidated statements of activities, the University considers its change in net assets without donor restrictions to be operational changes, except for changes related to gains or losses on investments, transfers to operations to fund depreciation, capital grants and change in the value of split-interest agreements.

Advertising Costs

Advertising costs are expensed as incurred and amounted to approximately \$1,839,000 in 2021 and \$1,146,000 in 2020.

Fund-Raising Costs

Fund-raising costs are expensed as incurred and amounted to approximately \$1,048,000 in 2021 and \$1,112,000 in 2020 and are included in institutional support in the consolidated statements of activities.

Cash Equivalents and Restricted Cash Equivalents

For the purposes of the consolidated statements of cash flows, the University considered all highly liquid investments with original maturities of three months or less (excluding certain short-term instruments which are classified as investments) to be cash equivalents.

Functional Expenses

The University allocates depreciation, interest and plant operations and maintenance costs to program and supporting activities. Depreciation is allocated based upon the purpose, program and location of each asset. Interest is allocated based upon the project or asset purpose of each loan. Plant operations and maintenance costs are allocated based upon square footages of all nonauxiliary facilities' primary uses.

Leases

The University has entered into a variety of operating and finance leases for student housing facilities, office/classroom space, copiers and other equipment. The obligations associated with these leases have been recognized as a liability in the consolidated statements of financial position based on

The University accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in fiscal 2021 and 2020.

The University's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Title IV Requirements

The University participates in Government Student Financial Assistance Programs (Title IV) administered by the U.S. Department of Education (ED) for the payment of student tuitions. Substantial portions of the revenue and collection of ending accounts receivable as of June 30, 2021 and 2020 are dependent upon the University's continued participation in the Title IV programs.

Institutions participating in the Title IV programs are also required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in the regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs.

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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2020 consolidated financial statements have been reclassified for comparative purposes to conform to the 2021 presentation.

New Accounting Standard Adopted

Effective July 1, 2020, the University adopted the FASB Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842) (as amended)*. Topic 842 was issued to increase transparency and comparability among entities by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Under the provisions of Topic 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, in the statement of financial position. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the leasing activities.

The University elected the option to apply the transition requirements at the effective date of July 1, 2020, which allows the effects of initially applying Topic 842 to be recognized as a cumulative effect adjustment to net assets without donor restrictions in the period of adoption. Consequently, the consolidated financial statements and disclosures required under Topic 842 have not been updated as of and for year ended June 30, 2020. The University also elected the package of practical expedients, which permits the University to not reassess prior conclusions about lease identification, classification and initial direct costs. In addition, the University elected the short-term lease recognition exemption for all leases that qualify under Topic 842.

The most significant effects of the adoption of Topic 842 on the University's consolidated financial statements relate to the recognition of new right-of-use assets and operating lease obligations on its consolidated statements of financial position for operating leases and providing significant new disclosures about leasing activities. Upon adoption, the University recognized operating lease obligations of approximately \$1,091,000 based on the present value of the remaining minimum rental payments as determined in accordance with Topic 842 for leases that had historically been accounted for as operating leases under Topic 840. The University recognized the corresponding operating right-of-use assets based on the operating lease obligations. The accounting for existing capital leases, now referred to as finance leases, remain substantially unchanged.

During March 2019, the FASB issued ASU No. 2019-03, *Non-Profit Entities (Topic 958): Updating the Definition of Collections (Topic 958)*. ASU No. 2019-03 modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from collection items that are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The University adopted this guidance as of July 1, 2020 on a prospective basis and this adoption had no material impact on its consolidated results of operations, financial position or cash flows or disclosures.

During August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. The amendments are based on concepts in the FASB's Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*, which the Board finalized on August 28, 2018. The University adopted this guidance as of July 1, 2020 and was applied retrospectively to all periods presented.

New Accounting Standards Not Yet Adopted

During September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU No. 2020-07 is effective for the University for the fiscal year ending June 30, 2022. The University is currently assessing the effect that ASU No. 2020-07 will have on its consolidated financial statements.

2. Accounts Receivable, Students

Accounts receivable, students represent amounts due for tuition, fees and room and board from currently enrolled and former students. The University extends unsecured credit to students and parents of dependent students in connection with their studies. Some of those students are no longer enrolled in the University.

Accounts receivable, students consist of the following at June 30:

	2021	2020
Accounts receivable	\$ 1,837,223	\$ 2,186,299
Allowance for doubtful accounts	(413,500)	(345,100)

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

The following tables present the financial instruments measured at fair value as of June 30, 2021 and 2020 by caption on the consolidated statements of financial position by the valuation hierarchy defined above:

	2021			Total Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Cash and cash equivalents	\$ 3,661,100	\$ -	\$ -	\$ 3,661,100
Equity mutual funds:				
Large-cap	7,861,385	-	-	7,861,385
International	9,186,050	-	-	9,186,050
Fixed income mutual funds:				
Core fixed income	3,752,888	-	-	3,752,888
Real return	2,350,830	-	-	2,350,830
Short-term	5,524,707	-	-	5,524,707
Inflation protected	1,020,72	Tw ()Tj 9.48	0 0 95	Tm 8622.3(ted)5()-40 0

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

	2020			Total Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Cash and cash equivalents	\$ 3,281,261	\$ -	\$ -	\$ 3,281,261
Equity mutual funds:				
Large-cap	6,278,550	-	-	6,278,550
International	6,749,287	-	-	6,749,287
Fixed income mutual funds:				
Core fixed income	3,922,423	-	-	3,922,423
Real return	2,246,532	-	-	2,246,532
Short-term	4,387,764	-	-	4,387,764
International	2,367,667	-	-	2,367,667
Equity securities:				
Large-cap	11,279,175	-	-	11,279,175
Small-cap	4,833,667	-	-	4,833,667
Bonds:				
U.S. government	-	945,509	-	945,509
Asset backed	-	1,535,685	-	1,535,685
U.S. corporate	-	2,403,143	-	2,403,143
Total investments by valuation hierarchy	<u>\$ 45,346,326</u>	<u>\$ 4,884,337</u>	-	50,230,663
Alternative investments reported at net asset value				1,170,729
Cash surrender value of life insurance at contract value				<u>136,168</u>
Total investments				<u>\$ 51,537,560</u>

Valuation Methodologies

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2021 and 2020.

Cash and cash equivalents: The -f TD .0005 methodssss:

The alternative investments represent investments in private equity funds that pursue multiple strategies to diversify risks and reduce volatility. The alternative investments pursue multiple

The University matches and contributes one-third of the amount contributed by the U.S. Government to the Program.

The prescribed practices for the Program do not provide for accrual of interest on student loans receivable or for a provision of allowance for doubtful loans. Accordingly, interest on loans is recorded as received; uncollectible loans are not recognized until the loans are canceled or written off in conformity with the Program requirements. The impact of recording interest income on a cash basis is not considered significant. In addition, the credit quality of the student is not evaluated after the initial

8. Bonds Payable

Bonds payable at June 30, 2021 and 2020 are comprised of the following issues:

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

9. Notes Payable

Notes payable at June 30, 2021 and 2020 are comprised of the following:

	2021	2020
Note payable to First National Bank, payable in monthly installments of \$9,297, including principal and interest at 1.89%; matures May 2024; secured by vehicles	\$ 316,197	\$ -
Note payable to First National Bank, payable in monthly installments of \$4,315, including principal and interest at 2.73%; matures April 2022; secured by the computer equipment acquired with the borrowing	42,613	92,461
Note payable to 1st Summit Bank, payable in monthly installments of \$4,098, including principal and interest at 3.24%; matured May 2021	-	44,352
Note payable to First National Bank, payable in monthly installments of \$736, including principal and interest at 4.23%; matures November 2023; secured by the equipment acquired by the borrowing	20,227	28,004
Note payable to Reliance Bank, payable in monthly installments of \$6,234, including principal and interest at 3.75% first 24 months, 4.75% next 24 months, 5.50% last 24 months; matures April 2025; unsecured	265,903	329,073
\$4,000,000 note payable to Northwest Savings Bank, interest only payments until October 1, 2024 with principal and interest payments to follow for a term of 240 months thereafter, interest at 3.84%; matures October 2044; secured by the gross revenues of the University	4,000,000	4,000,000
\$725,000 note payable to First National Bank, payable in monthly installments of \$9,995, including principal and interest at 4.19%; matures August 2026; secured by the equipment acquired by the borrowing	555,470	649,608
Total	<u>\$ 5,200,410</u>	<u>\$ 5,143,498</u>

The aggregate future principal payments on notes payable at June 30, 2021, is as follows:

Years ending June 30:	
2022	\$ 320,360
2023	287,425
2024	282,620
2025	263,532
2026	255,510
Thereafter	<u>3,790,963</u>
Total	<u>\$ 5,200,410</u>

Interest expense on all long-term debt was approximately \$1,164,000 and \$1,149,000 in 2021 and 2020, respectively.

11. Endowment Funds

The University's endowment consists of approximately 200 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the University has interpreted Pennsylvania law 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 University classified as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as either net assets with donor restrictions or net assets without donor restrictions based on the existence of donor restrictions or by law.

The University 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 purpose of the University 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 of the University
- (7) The investment policies of the University

The University 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 University 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 of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the performance of a median balanced fund while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent, net of fees, annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the University 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 University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Commonwealth of Pennsylvania Act 141 permits the University to allocate to income each year a portion of endowment return. The law allows not-for-profit organizations to spend a percentage of the market value of their endowment funds, including realiz

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law. At June 30, 2021 and 2020, there were no deficiencies reported in net assets with donor restrictions. Management has interpreted state law to permit prudent spending from underwater endowments.

	Without Donor Restrictions	With Donor Restrictions		Total Funds, June 30, 2021
		Original Gift	Accumulated Gain (Losses)	
Board-designated funds	\$ 11,027,003	\$ -	\$ -	\$ 11,027,003
Donor-restricted funds	-	30,485,446	22,828,788	53,314,234
Total	<u>\$ 11,027,003</u>	<u>\$ 30,485,446</u>	<u>\$ 22,828,788</u>	<u>\$ 64,341,237</u>

15. Contingencies

The University participates in a Private College Consortium (the Consortium),

17. Coronavirus (COVID-19) and Emergency Relief Funding

The Coronavirus Aid, Relief and Economics Security (CARES) Act provided budgetary relief to higher education institutions. Congress set aside approxi

18. Leases

The University has entered into the following lease arrangements:

Finance leases: the University leases exercise equipment and computers and related equipment. The leases generally have lease terms of four to five years.

Operating leases: the University leases a facility for office/classroom space, copiers and other equipment. The leases generally have initial lease terms of four to seven years.

Short-term leases: The University has certain leases that are for periods of 12 months or less. Leases with an initial term of 12 months or less are not recorded on the consolidated statements of financial position since the University has elected the practical expedient to exclude these leases from operating right-of-use asset and lease liabilities. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

The University makes certain assumptions and judgments in determining the discount rate, as most leases do not provide an implicit rate. The University uses their incremental borrowing rate, for collateralized borrowing, based on information available at the commencement date in determining the present value of lease payments. The weighted average discount rate used for the year ended June 30, 2021 was 1.89 percent. Rent expense totaled approximately \$55,000 and \$16,000 for the years ended June 30, 2021 and 2020, respectively.

Subsequent to the lease commencement date, the University reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.

Future minimum lease payments under operating and finance leases at June 30, 2021 are as follows:

	Operating	Finance
Years ending June 30:		
2022	\$ 128,004	\$ 39,016
2023	196,989	39,016
2024	192,156	24,310
2025	170,991	-
2026	139,860	-
Thereafter	349,650	-
Total	1,177,650	102,342
Less amount representing interest	(86,718)	(3,614)
Present value of net minimum lease payments	\$ 1,090,932	\$ 98,728

19. ED Financial Responsibility

The ED revised the regulations for financial responsibility effective July 1, 2019. The regulations require the University provide additional disclosures, including a financial responsibility supplemental schedule, to assist the ED in measuring financial responsibility through the composite score of financial ratios. The financial responsibility supplemental schedule must contain all financial elements required to calculate the composite score ratios, with a cross-reference to the consolidated financial statement line or note that contains the element.

Note 6 provides information on the University's plant assets, net, but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of plant assets, net, at June 30, 2021 based on the July 1, 2019 implementation date.

Pre-implementation:	
Plant assets, net	<u>\$ 58,619,070</u>
Post-implementation:	
Plant assets, net, with outstanding debt for original purchase	<u>2,850,604</u>
Plant assets, net, without outstanding debt for original purchase	6,174,416
Construction in progress	3,026,243
	original purch

Financial Statement and Line Name or Note Location

	Expendable Net Assets	
Statement of Financial Position	Net assets without donor restrictions	\$ 49,695,636
Statement of Financial Position	Net assets with donor restrictions	61,321,031
Note 10	Net assets with donor restrictions - restricted in perpetuity	30,682,785
Note 10	Net assets with donor restrictions - time or purpose	\$ 30,638,246
Note 19	Plant assets - pre-implementation	58,619,070
Note 19	Plant assets - post-implementation with outstanding debt for original purchase	2,850,604
Note 19	Plant assets - post-implementation without outstanding debt for original purchase	6,174,416
Statement of Financial Position	Construction in progress	3,026,243
Statement of Financial Position	Total plant assets, net (including CIP)	70,670,333
Statement of Financial Position	Lease right-of-use assets, net	1,090,932
Statement of Financial Position - Long-term debt, net	Long-term debt for long-term purposes	
Note 19	Long-term debt for long-term purposes - pre-implementation	26,474,051
Note 19	Long-term debt for long-term purposes - post implementation	2,910,087
Statement of Financial Position	Lease right-of-use asset liability	1,090,932
	Total Expenses and Losses Without Donor Restrictions	
Statement of Activities	Total expenses without donor restrictions	\$ 63,304,796
Statement of Activities - transfer to operations to fund depreciation	Nonoperating and net investment (loss)	719,757
	Modified Net Assets	
Statement of Financial Position	Net assets without donor restrictions	\$ 49,695,636
Statement of Financial Position	Net assets with donor restrictions	61,321,031
	Modified Assets	
Statement of Financial Position	Total assets	\$ 151,416,413