

**SPALDING UNIVERSITY, INC.**  
Louisville, Kentucky

**FINANCIAL STATEMENTS**  
June 30, 2021 and 2020

SPALDING UNIVERSITY, INC.  
Louisville, Kentucky

FINANCIAL STATEMENTS  
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CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION .....	3
STATEMENTS OF ACTIVITIES .....	4
STATEMENTS OF CASH FLOWS .....	6
NOTES TO FINANCIAL STATEMENTS .....	7



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Spalding University, Inc.  
Louisville, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Spalding University, Inc. (the "University"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 University'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 University'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.

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(Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spalding University, Inc. as of June 30, 2021 and 2020, 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.

*Crowe LLP*  
Crowe LLP

Louisville, Kentucky  
January 4, 2022

SPALDING UNIVERSITY, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 11,965,594	\$ 10,357,141
Cash - restricted	257,378	165,714
Student accounts receivable, less allowance for doubtful accounts of \$2,069,705 and \$1,703,419 at June 30, 2021 and 2020, respectively	559,030	442,411
Student loans receivable – current portion	351,969	498,141
Contributions receivable – current portion (Note 4)	258,536	293,017
Other receivables	543,544	392,539
Prepaid expenses and other	<u>436,001</u>	<u>657,695</u>
Total current assets	14,372,052	12,806,658
Student loans receivable – net of current portion	732,514	758,641
Contributions receivable – net of current portion (Note 4)	640,433	918,722
Property, plant, and equipment, net (Note 5)	42,751,677	43,402,320
Investments (Note 3)	25,678,200	20,483,280
Investments held in perpetual trust	922,673	747,057
Interest in charitable remainder trust	404,202	352,217
Other	<u>30,888</u>	<u>43,226</u>
Total assets	<u>\$ 85,532,639</u>	<u>\$ 79,512,121</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 1,072,151	\$ 778,237
Accrued expenses and other	1,411,354	1,309,897
Deferred revenue	886,274	943,303
Note payable – current portion (Note 7)	5,330,057	2,336,310
Fair value of swap agreement – current portion (Note 8)	<u>90,164</u>	<u>124,988</u>
Total current liabilities	8,790,000	5,492,735
Note payable – net of current portion (Note 7)	2,590,221	6,828,390
Fair value of swap agreement – net of current portion (Note 8)	57,909	164,235
Refundable government student loan funds	1,251,728	1,325,512
Other long-term liabilities	<u>1,261,344</u>	<u>914,533</u>
Total liabilities	13,951,202	14,725,405
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	39,250,059	38,648,368
Board designated	<u>400,000</u>	<u>400,000</u>
Total net assets without donor restrictions	39,650,059	39,048,368
With donor restrictions (Note 11)	<u>31,931,378</u>	<u>25,738,348</u>
Total net assets	<u>71,581,437</u>	<u>64,786,716</u>
Total liabilities and net assets	<u>\$ 85,532,639</u>	<u>\$ 79,512,121</u>

See accompanying notes to financial statements.

SPALDING UNIVERSITY, INC.  
STATEMENTS OF ACTIVITIES  
Year ended June 30, 2021  
(With Comparative Figures for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Tuition and fees, net	\$ 26,030,942	\$ -	\$ 26,030,942	\$ 26,949,205
Auxiliary enterprises	1,804,606	-	1,804,606	1,601,727
Contributions	248,001	1,465,242	1,713,243	1,684,383
Bequests and perpetual trusts	100,000	10,935	110,935	10,828
Sponsored programs	-	2,346,582	2,346,582	2,362,844
Other	269,594	31,637	301,231	261,760
Net investment income	18,783	257,380	276,163	419,102
Gain on sale of property	220,963	-	220,963	-
Net assets released from restrictions	<u>3,157,576</u>	<u>(3,157,576)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>31,850,465</u>	<u>954,200</u>	<u>32,804,665</u>	<u>33,289,849</u>
<b>EXPENSES</b>				
Instructional	11,844,928	-	11,844,928	13,182,864
Academic support and research	1,070,826	-	1,070,826	1,223,687
Student services	3,415,859	-	3,415,859	4,037,486
Institutional support	8,240,737	-	8,240,737	8,696,807
Physical plant and maintenance	2,904,924	-	2,904,924	2,850,728
Depreciation	1,960,040	-	1,960,040	1,901,474
Fundraising	287,156	-	287,156	386,088
Auxiliary enterprises	<u>1,856,371</u>	<u>-</u>	<u>1,856,371</u>	<u>1,660,620</u>
Total expenses	<u>31,580,841</u>	<u>-</u>	<u>31,580,841</u>	<u>33,939,754</u>
<b>Change in net assets before other income and net assets released for capital purposes</b>	269,624	954,200	1,223,824	(649,905)
Other income				
Change in value of split interest agreements	-	268,326	268,326	11,224
Realized/unrealized gain (loss) on investments	(147)	5,161,568	5,161,421	462,188
Change in value of swap agreement	<u>141,150</u>	<u>-</u>	<u>141,150</u>	<u>40,919</u>
Increase in net assets from other income	141,003	5,429,894	5,570,897	514,331
Net assets released for capital purposes	<u>191,064</u>	<u>(191,064)</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	601,691	6,193,030	6,794,721	(135,574)
Net assets, beginning of year	<u>39,048,368</u>	<u>25,738,348</u>	<u>64,786,716</u>	<u>64,922,290</u>
<b>Net assets, end of year</b>	<u>\$ 39,650,059</u>	<u>31,931,378</u>	<u>71,581,437</u>	<u>\$ 64,786,716</u>

See accompanying notes to financial statements.

SPALDING UNIVERSITY, INC.  
STATEMENTS OF ACTIVITIES  
Year ended June 30, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Tuition and fees, net	\$ 26,949,205	\$ -	\$ 26,949,205
Auxiliary enterprises	1,601,727	-	1,601,727
Contributions	190,233	1,494,150	1,684,383
Bequests and perpetual trusts	-	10,828	10,828
Sponsored programs	-	2,362,844	2,362,844
Other	243,475	18,285	261,760
Net investment income	79,402	339,700	419,102
Net assets released from restrictions	<u>3,219,216</u>	<u>(3,219,216)</u>	<u>-</u>
Total revenues, gains and other support	<u>32,283,258</u>	<u>1,006,591</u>	<u>33,289,849</u>
<b>EXPENSES</b>			
Instructional	13,182,864	-	13,182,864
Academic support and research	1,223,687	-	1,223,687
Student services	4,037,486	-	4,037,486
Institutional support	8,696,807	-	8,696,807
Physical plant and maintenance	2,850,728	-	2,850,728
Depreciation	1,901,474	-	1,901,474
Fundraising	386,088	-	386,088
Auxiliary enterprises	<u>1,660,620</u>	<u>-</u>	<u>1,660,620</u>
Total expenses	<u>33,939,754</u>	<u>-</u>	<u>33,939,754</u>
<b>Change in net assets before other income and net assets released for capital purposes</b>	(1,656,496)	1,006,591	(649,905)
Other income			
Change in value of split interest agreements	-	11,224	11,224
Realized/unrealized gain on investments	187	462,001	462,188
Change in value of swap agreement	<u>40,919</u>	<u>-</u>	<u>40,919</u>
Increase in net assets from other income	41,106	473,225	514,331
Net assets released for capital purposes	<u>1,336,688</u>	<u>(1,336,688)</u>	<u>-</u>
<b>Change in net assets</b>	(278,702)	143,128	(135,574)
Net assets, beginning of year	<u>39,327,070</u>	<u>25,595,220</u>	<u>64,922,290</u>
<b>Net assets, end of year</b>	<u>\$ 39,048,368</u>	<u>\$ 25,738,348</u>	<u>\$ 64,786,716</u>

See accompanying notes to financial statements.

SPALDING UNIVERSITY, INC.  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 6,794,721	\$ (135,574)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	152,857	124,392
Depreciation	1,960,040	1,901,474
Change in interest rate swap valuation	(141,150)	(40,919)
Net (gain) loss on disposal of property	(220,963)	980
Realized/unrealized gains on investments	(5,161,755)	(462,188)
Change in value of split interest agreements	(268,326)	(11,224)
Contributions restricted for capital and permanent investment	(882,200)	(882,576)
Changes in operating assets and liabilities		
Student accounts receivable	(269,476)	(331,767)
Student loans receivable	172,299	68,335
Contributions receivable	312,770	25,023
Other receivables	(151,005)	17,609
Prepaid expenses and other	221,694	(87,783)
Other long-term assets	12,338	14,424
Accounts payable	293,914	(1,144,678)
Accrued expenses and other	473,711	206,212
Deferred revenue	(57,029)	104,093
Other long-term liabilities	(25,443)	749
Net cash provided by (used in) operating activities	3,216,997	(633,418)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	4,161,709	5,694,456
Purchases of investments	(4,194,876)	(5,397,867)
Proceeds from sale of property and equipment	383,925	8,180
Purchases of property, plant, and equipment	(1,472,358)	(3,527,281)
Net cash used in investing activities	(1,121,600)	(3,222,512)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for capital and permanent investment	882,200	882,576
Maturities of split interest agreements	40,725	30,104
Proceeds from issuance of note payable	-	4,619,700
Repayment of government student loan funds	(73,783)	(66,554)
Repayments on note payable	(1,244,422)	(1,010,000)
Net cash provided by (used in) financing activities	(395,280)	4,455,826
<b>Net change in cash and cash equivalents</b>	1,700,117	599,896
Cash and cash equivalents, beginning of year	10,522,855	9,922,959
<b>Cash and cash equivalents, end of year</b>	\$ 12,222,972	\$ 10,522,855
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ 180,094	\$ 215,367
Purchase of property, plant, and equipment in accounts payable	250,704	134,614

See accompanying notes to financial statements.



## NOTE 1 – NATURE OF OPERATIONS

Spalding University (the “University”) is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award associates, bachelors, masters, specialist, and doctoral degrees. It is committed to academic excellence in its liberal arts and sciences and in its professional programs. A majority of the University’s students come from Jefferson County, Kentucky and the surrounding region but also includes students from 46 different states and 9 foreign countries.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the University have been prepared on the accrual basis of accounting, in conformity with accounting standards generally accepted in the United States of America (“GAAP”). Accordingly, net assets have been grouped into the following two categories:

Net assets without donor restrictions are net assets that are not subject to donor-imposed stipulations. Certain net assets without donor restrictions are designated by the Board of Trustees for internal purposes and are referred to as Board designated.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature while others are perpetual in nature.

Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Net assets are released from restriction when expenses satisfying the restricted purpose are incurred or by occurrence of other events. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Cash and Cash Equivalents: Cash equivalents include highly liquid investment securities with original maturities of three months or less. At times during the year, such cash and cash equivalents may be in excess of the FDIC insurance level. Restricted cash represents funding for Federal government programs for student loans receivable.

Student Accounts Receivable: Accounts receivable are stated at their unpaid principal balance of the original amount billed to students, net of an allowance for doubtful accounts for the estimated portion that will ultimately be uncollectible. When collection is considered unlikely, accounts are charged off to the allowance. Any subsequent recoveries are added to the allowance. The allowances are based on prior experience and management’s analysis of specific receivables. There is no interest charged on past due accounts.

Student Loans Receivable: The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs and are stated at their unpaid principal balances. Based on an analysis of specific receivables, certain governmental guarantees and prior history, management has determined that an allowance for uncollectible loans is not considered necessary. Student loans receivable are written off when deemed uncollectible and may be assigned to the Department of Education. Recoveries of student loans receivable previously written off are recorded when received.

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(Continued)

SPALDING UNIVERSITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

For federal government programs, after a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student loans receivable and is recognized as it is charged. Interest is not charged to students for Institutional program loans.

Interest income on loans is recorded as restricted income and used to fund the student loan program. Late charges are assessed if payments are not paid by the payment due date and are recognized as they are charged. Student loans receivable are considered to be past due if a payment is not made within 90 days of the payment due date. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the Department of Education.

At June 30, 2021 and 2020, student loans represented 1.3% and 1.6% of total assets, respectively. At June 30, student loans consisted of the following:

	<u>2021</u>	<u>2020</u>
Federal government programs	\$ 1,017,726	\$ 1,180,711
Institutional programs	<u>66,757</u>	<u>76,071</u>
Student loans receivable, net	<u>\$ 1,084,483</u>	<u>\$ 1,256,782</u>

The University participates in the Federal Perkins Loan Program and the Nursing Student Loan Program. The Federal Perkins Loan Program expired on September 30, 2017. No new Perkins loans can be issued after June 30, 2018. The availability of funds for loans under the Nursing Student Loan Program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of approximately \$1,251,728 and \$1,325,512 as of June 30, 2021 and 2020, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2021 and 2020, the following amounts were past due under student loan programs:

	<u>1-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>90+ Days Past Due</u>	<u>Total Past Due</u>
<b>USDE – Perkins</b>				
2021	\$ 493	\$ 415	\$ 49,204	\$ 50,112
2020	272	416	233,078	233,766
<b>DHHS – Nursing</b>				
2021	\$ 49,808	\$ 62,903	\$ 103,233	\$ 215,944
2020	925	383	117,680	118,988

Amounts due under the Perkins and Nursing loan programs are guaranteed by the government, thus, no reserves are placed on any past due balances under those programs.

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments: Investment securities are carried at fair value (see Note 13 for discussion of fair value), determined by quoted market prices. Receipt of donated investments is recorded at the fair value of the investment at the time of the donation. Gains and losses on investments sold are determined on a specific identification basis.

The University primarily invests in fixed income securities (including obligations of the U.S. Government and government agencies), fixed income mutual funds, publicly-traded stocks, and equity mutual funds. These investment securities are subject to the risks common to financial markets, including interest rate risks, credit risks, and overall market risks, all of which could affect the value of the investments in the future.

As noted in Note 12, the University adopted the *Uniform Prudent Management of Institutional Funds Act* (“UPMIFA”) in fiscal year 2011. Under UPMIFA, net appreciation on endowment fund investments, whose income is otherwise unrestricted as to use, is reported as net assets with donor restrictions restricted by purpose or passage of time until appropriated for expenditure by the University, unless the donor has permanently restricted such net appreciation in perpetuity. In cases where the donor has placed temporary restrictions on the use of the income from endowed gifts, related net appreciation is subject to those restrictions and is reported as a part of net assets with donor restrictions until the restriction has been met.

Property, Plant, and Equipment: Property, plant, and equipment are recorded at cost at date of acquisition or fair value at date of gift. They are being depreciated over the estimated useful lives of the assets on the straight-line method. Property, plant, and equipment with a unit cost of \$1,000 and volume purchases with a cost of \$4,000 or more and an estimated useful life of greater than one year are capitalized. Routine repairs and maintenance are charged to operating expenses in the period in which the expense is incurred.

The estimated useful lives are as follows:

Buildings and improvements	40 - 60 years
Equipment, fixtures, and vehicles	4 - 30 years

The University reviews long-lived assets subject to depreciation and amortization, including property and equipment, whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. If this review were to result in the conclusion that the carrying value of long-lived assets would not be recoverable, then a write down of the assets would be recorded through a charge to net assets equal to the difference in the fair value of the assets and their carrying value. There was no impairment loss recognized for the years ended June 30, 2021 and 2020.

Investments Held in Perpetual Trusts: The University is the beneficiary of three irrevocable trusts managed by other entities. The first, held by PNC Wealth Management, lists Spalding as 1/3 beneficiary of the trust’s dividend and interest income, which has been restricted by the donor to be used for the School of Nursing Program. The second trust, held by the Community Foundation of Louisville, lists Spalding as 1/2 beneficiary of the trust’s dividend and interest income, however, the donor has not restricted the use of this income. The third held by U.S. Trust, lists Spalding as 1/3 beneficiary of the trust’s dividend and interest income, which has been restricted by the donor to be used for a Spalding Student of Italian descent. The investments in these trusts are reported at fair value, determined by the University’s proportionate interest in trust.

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SPALDING UNIVERSITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Interests in Charitable Remainder Trusts: Interests in charitable remainder trusts represents the fair value of the interests that the University has in irrevocable trusts that have been established by donors with the University named as the beneficiary.

Revenue Recognition: Net tuition revenues consisted primarily of tuition, net of scholarships, and fees derived from courses taught by the University. Tuition revenue was recognized pro-rata over the applicable period of instruction. A contract was entered into with a student and covered a course or semester. Revenue recognition occurred once a student started attending a course. The University had no costs that were capitalized to obtain or to fulfill a contract with a customer.

Auxiliary revenues include primarily the following operations: food service, student housing and community health services. Charges to students for board and lodging are substantially billed and collected at the beginning of each semester. Associated revenues are earned and recognized over the course of each semester as these services are delivered.

The following table presents our revenues disaggregated by the nature of transfer of services for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Undergraduate programs	\$ 17,767,714	\$ 18,490,597
Graduate programs	14,130,209	14,209,486
Less: scholarships and fellowships	<u>(5,866,981)</u>	<u>(5,750,878)</u>
Net tuition revenues	26,030,942	26,949,205
Board and lodging	887,392	1,069,997
Auxiliary revenues	<u>917,214</u>	<u>531,730</u>
 Total revenue from contracts with customers	 <u>\$ 27,835,548</u>	 <u>\$ 28,550,932</u>

The University presents amounts expended for scholarships and fellowships as a reduction of tuition and fees revenue in the statement of activities and changes in net assets. Scholarships and fellowships are funded from both net assets without donor restrictions and with donor restrictions of the University. During fiscal 2021, \$5,866,981 was expended for scholarships and fellowships, of which \$352,505 was funded from net assets with donor restrictions. During fiscal 2020, \$5,750,878 was expended for scholarships and fellowships, of which \$275,993 was funded from net assets with donor restrictions.

The University's receivables represented unconditional rights to consideration from its contracts with students. Once a student is invoiced, payment is due prior to the start of classes. Included in each invoice to the student were all educational related items including tuition, net of scholarships, student housing, and food service. The University's contract liabilities were reported as deferred revenue and student deposits in the statement of financial position. Deferred revenue and student deposits in any period represented the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue on the statement of activities and were reflected as liabilities in the accompanying statement of financial position. Some of the University's education programs had starting and ending dates that differ from its fiscal year end. Therefore, at the end of the fiscal year end, a portion of revenue from these programs was not yet earned.

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(Continued)

SPALDING UNIVERSITY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2021 and 2020

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The University had identified a performance obligation associated with the provision of its educational instruction and other educational services, housing services, and other academic related services and used the output measure for recognition as the period of time over which the services were provided to our students. The University had identified performance obligations related to its dining services and student housing and recognized revenue at the point in time services were provided to its customers. The University maintained an institutional tuition refund policy, which provided for all or a portion of tuition to be refunded if a student withdrew during stated refund periods. If a student withdrew at a time when only a portion, or none of the tuition was refundable, then in accordance with its revenue recognition policy, the University continued to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. The University did not record revenue on amounts that were refunded.

Deferred Revenue from Contracts with Customers: Deferred revenue from contracts with customers represents payments received in advance for which services have not been performed as of June 30, 2021. The balance of deferred revenue at June 30, 2021, less any refunds issued, will be recognized as revenue over the academic term beginning July 1, 2021, as services are rendered. The following table represents deferred revenue related to tuition and auxiliary services:

	Balance at July 1, <u>2020</u>	Cash Received in Advance of <u>Performance</u>	Revenue Recognized <u>2021</u>	Balance at June 30, <u>2021</u>
Deferred revenue tuition	\$ 717,353	\$ 25,848,163	\$ (26,030,942)	\$ 534,574
Deferred revenue room and board	<u>225,950</u>	<u>776,175</u>	<u>(650,425)</u>	<u>351,700</u>
Total deferred revenue	<u>\$ 943,303</u>	<u>\$ 26,624,338</u>	<u>\$ (26,681,367)</u>	<u>\$ 886,274</u>

	Balance at July 1, <u>2020</u>	Cash Received in Advance of <u>Performance</u>	Revenue Recognized <u>2020</u>	Balance at June 30, <u>2021</u>
Deferred revenue tuition	\$ 563,210	\$ 27,103,348	\$ (26,949,205)	\$ 717,353
Deferred revenue room and board	<u>276,000</u>	<u>1,021,715</u>	<u>(1,071,765)</u>	<u>225,950</u>
Total deferred revenue	<u>\$ 839,210</u>	<u>\$ 28,125,063</u>	<u>\$ (28,020,970)</u>	<u>\$ 943,303</u>

In-Kind Contributions: The University records various types of in-kind support, including contributed professional services, advertising, and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

Tax Exempt Status: The University is a not-for-profit corporation and has been recognized by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GAAP prescribes recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits or liabilities will be recognized only if the tax position would “more-likely-than-not” be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit or liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit or liability will be recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at June 30, 2021 and 2020 and does not expect this to change in the next 12 months.

The University would recognize interest and penalties related to uncertain tax positions in interest and income tax expense, respectively. The University does not have amounts accrued for interest or penalties as of June 30, 2021 and 2020.

Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Functional Allocation of Expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain items have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, plant operations and depreciation, which are allocated on a square footage basis. See Note 15 – Schedule of Functional Expenses.

Related Party Transactions: Related party transactions are reviewed by the University and disclosed to the extent deemed material. Certain members of the Board of Trustees have receivables with the University of \$30,500 as of June 30, 2021 and \$90,500 as of June 30, 2020. These receivables are included with contribution receivables on the Statement of Financial Position. Related party receivables are reviewed for collectability on an annual basis.

Uncertainty Related to Coronavirus: In December 2019, a novel strain of coronavirus surfaced and spread worldwide, resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. For the safety of its students, faculty and staff, the University closed its campus and switched to a virtual instruction platform in March 2020, for the remainder of the academic year. For the academic year ended in June 2021 the majority of classes remained virtual.

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(Continued)

SPALDING UNIVERSITY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2021 and 2020

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The University received funding through the Higher Education Emergency Relief Fund (HEERF), via a Federal funding for coronavirus response. A summary of the funds is provided below:

	<u>2021</u>	<u>2020</u>
HEERF Awards Received		
HEERF Awards for Student Portion	\$ 2,292,956	\$ 577,878
HEERF Awards for Institutional Portion	2,993,739	577,877
HEERF Awards for Strengthening Institutions Program (SIP)	139,161	-
Total HEERF Grants Received	\$ 5,425,856	\$ 1,155,755
HEERF Funds Utilized		
Student Grants	\$ 708,556	\$ 447,200
Lost Room and Board Revenue	-	364,787
Student Bad Debt Forgiveness	147,968	-
General expenditures for online instruction and COVID mitigation	672,334	-
	\$ 1,528,858	\$ 811,987

At June 30, 2021 \$4,240,766 of HEERF awards were still available. All of these funds are expected to be utilized within one year. Subsequent to year end an additional SIP award of \$152,010 was awarded. In the coming year, the University will continue to operate on a hybrid basis, offering both online and face-to-face instruction as deemed appropriate. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted. The revenue associated with grant programs is classified as sponsored programs on the Statement of Activities.

Reclassifications: Certain reclassifications have been made to the prior year financial statements to conform to the current year financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2021 to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended June 30, 2021. Management has performed their analysis through January 4, 2022, the date the financial statements were available to be issued.

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(Continued)

SPALDING UNIVERSITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 3 – INVESTMENTS**

Investments at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 1,801,876	\$ 893,451
Domestic common stocks:		
Energy	361,353	267,690
Basic materials	318,010	233,321
Industrials	1,328,242	690,651
Consumer discretionary	1,346,687	1,365,564
Consumer staples	840,197	738,155
Financials	1,529,151	1,068,717
Technology	3,168,045	2,474,356
Healthcare	1,843,547	1,555,697
Telecommunications	1,924,019	1,293,126
Utilities	429,040	354,771
Obligations of the U.S. government and government agencies	2,454,717	3,350,150
Corporate bonds	2,069,779	2,095,338
Fixed income mutual funds	1,395,737	729,461
Equity mutual funds	<u>4,867,800</u>	<u>3,372,832</u>
 Total investments	 <u>\$ 25,678,200</u>	 <u>\$ 20,483,280</u>

**NOTE 4 – CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Conditional contributions, which are those with a barrier and right of return/release are recorded as revenue when the underlying conditions are substantially met. Contributions to be received within one year are recorded at their fair value. Contributions due after one year are recorded after discounting at the present value of the future cash flows. Contributions receivable are reviewed annually to determine if an allowance for uncollectible contributions receivable is needed. Based upon management's judgment, considering such factors as prior collection history, type of contribution, and nature of fund-raising activity, an allowance for uncollectible contributions receivable of \$315,701 and \$189,322 were recorded as of June 30, 2021 and 2020, respectively. Unconditional promises to give in the amount of \$10,000 and \$12,000 were written off in 2021 and 2020, respectively, that were deemed uncollectible for the Athletic Capital Campaign, Restorative Justice, and Entech.

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(Continued)



SPALDING UNIVERSITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 4 – CONTRIBUTIONS RECEIVABLE (Continued)**

Contributions receivable are scheduled to be received over the following periods as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 346,609	\$ 336,326
One to five years	<u>895,804</u>	<u>1,133,889</u>
Total contributions receivable	1,242,413	1,470,215
Less:		
Allowance for uncollectible promises to give	315,701	189,322
Discounting to present value	<u>27,743</u>	<u>69,154</u>
	898,969	1,211,739
Less current portion	<u>258,536</u>	<u>293,017</u>
Total long-term portion	<u>\$ 640,433</u>	<u>\$ 918,722</u>

**NOTE 5 – PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 11,016,264	\$ 11,118,094
Buildings and improvements	43,692,921	43,565,883
Leasehold improvement	605,067	605,067
Equipment, fixtures and vehicles	19,254,273	18,811,311
Construction in progress	<u>1,363,638</u>	<u>527,046</u>
	75,932,163	74,627,401
Less accumulated depreciation	<u>33,180,486</u>	<u>31,225,081</u>
Total property, plant, and equipment, net	<u>\$ 42,751,677</u>	<u>\$ 43,402,320</u>

**NOTE 6 – LINE OF CREDIT**

During 2020, the University entered into a revolving line of credit agreement (the "Agreement"), with a commercial bank. Under the Agreement, the University had a \$2,000,000 line bearing interest at LIBOR plus 0.5%. The line of credit is secured by a money market account held by the same bank and matures in April 2022. There were no amounts borrowed at June 30, 2021.

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(Continued)

SPALDING UNIVERSITY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2021 and 2020

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**NOTE 7 – NOTES PAYABLE**

In April 17, 2019, the University entered into a tax-exempt note payable with PNC Bank, National Association in the amount of \$5,555,000. Interest was payable at 68% of daily LIBOR plus a 0.95%, not to exceed 15% per annum. The interest rate was 0.95% at June 30, 2021 and 2020. Principal payments and interest expense totaled \$1,060,000 and \$35,593, respectively, during the year ended June 30, 2021, and \$1,010,000 and \$80,986, respectively, during the year ended June 30, 2020. The note payable requires the University to meet certain financial covenants. The University is in compliance with all covenants at June 30, 2021.

Principal payments required are as follows:

	<u>Note Payable</u>
Year ending June 30,	
2022	\$ 1,110,000
2023	1,160,000
2024	1,215,000
Total principal payments	<u>\$ 3,485,000</u>

In April of 2020 the University secured a term loan with PNC Bank National Association under the Paycheck Protection Program (PPP Loan). This loan was used to retain workers, maintain payroll, and make utility payments due to the Coronavirus Public Health Emergency. The PPP Loan is unsecured and guaranteed by the U.S. Small Business Administration (SBA). The University received forgiveness of the PPP supported loan of \$4,169,417 subsequent to year end.

The table below reflects the activity of the PPP Loan:

	<u>Note Payable</u>
Initial funded PPP Loan as of April 2020	\$ 4,619,700
Repayment by University	(184,422)
Conversion of PPP Loan to term loan with PNC	(265,861)
PPP loan as of June 30, 2021	<u>\$ 4,169,417</u>

The PPP loan balance at June 30, 2021 was forgiven by the SBA in October of 2021.

The \$ 265,861 term loan with PNC National Association has a term of 5 years from the date of the original receipt of the PPP Loan April 15, 2020. The interest rate on this loan is 1%. There were no payments due or interest expense for FY June 30, 2021. Payments begin in November of 2021.

Principal payments required are as follows:

	<u>Term Loan With PNC</u>
Year ending June 30,	
2022	\$ 50,640
2023	75,960
2024	75,960
2025	63,301
Total principal payments	<u>\$ 265,861</u>

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(Continued)

**NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS**

The University entered into an interest rate swap agreement with JPMorgan Chase on February 19, 2008 to reduce its exposure to adverse fluctuations in the market interest rates on the Series 2003 Bonds. During the year ended June 30, 2009, JPMorgan Chase agreed to transfer ownership of the agreement to US Bank in conjunction with the refunding of the Series 2003 Bonds and issuance of the Series 2008 Bonds in October 2008. In April of 2019, US Bank, National Association agreed to transfer the ownership of the interest rate swap agreement to PNC Bank, National Association through a novation agreement in conjunction with the refunding of outstanding bonds. The notional amount of the swap agreement was \$3,485,000 and \$4,545,000 at June 30, 2021 and 2020, respectively, and will decrease as principal payments on the tax-exempt note are made. Under the interest rate swap agreement, the University will pay PNC Bank interest calculated at a fixed rate of 3.79% based on the notional amount. PNC Bank will, in turn, pay the University interest calculated on the notional amount using a variable rate equal to 68% of LIBOR. In accordance with the interest rate swap agreement, payments between the University and PNC Bank are netted and a net settlement amount is paid monthly.

In accordance with GAAP, the University recorded the decrease in fair value of the interest rate swap agreement of \$141,150 and \$40,919 at June 30, 2021 and 2020, respectively, in other income in the University's statements of activities. The fair value of the swap agreement liability was \$148,073 and \$289,223 as of June 30, 2021 and 2020, respectively. The net settlement from the swap agreement is included in interest expense, which is allocated across the expense classifications in the statements of activities. For the years ended June 30, 2021 and 2020, the net settlements resulted in an increase to interest expense in the amounts of \$138,704 and \$133,129, respectively.

**NOTE 9 – SELF-FUNDED HEALTH INSURANCE**

The University's medical plan is self-funded. The University provides medical benefits for all eligible employees through the use of self-funding, employee contributions, and stop-loss insurance coverage. The amounts funded by the University are based on claims processed and submitted for payment on a weekly basis by a third-party plan administrator.

The University purchased stop-loss liability insurance policies (reinsurance) that reimburse the University for individual participant claims paid in excess of \$80,000 and aggregate claims in excess of \$1,974,048. The University's expense for self-funded medical benefits, and the related administrative costs and insurance costs for the years ended June 30, 2021 and 2020 was \$1,871,626 and \$1,742,395, respectively. As of June 30, 2021 and 2020, \$300,000 and \$250,000, respectively, were accrued for self-insurance of expected claims incurred as of the statement of net position date.

**NOTE 10 – EMPLOYEE BENEFIT PLAN**

The University participates in the Standard Defined Contribution Retirement Plan (the "Plan"). All eligible employees are able to contribute voluntary funds to the Plan on the first of the month, following hire date.

Beginning in August 2020, as a cost-saving measure to address challenges brought on by the COVID-19 pandemic and enrollment decline, the University elected to suspend its retirement plan match for employees. This reduction was taken as a temporary measure that was partially restored subsequent to year end.

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(Continued)

SPALDING UNIVERSITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 10 – EMPLOYEE BENEFIT PLAN (Continued)**

For the year ended June 30, 2020, a University contribution in the amount of 2.50% of gross salary for all eligible employees begins 6 months after the employee’s hire date, regardless of whether the employee voluntarily contributes to the Plan. Additionally, all voluntary contributions to the Plan by employees are matched by the University up to 5.0% of gross salary. Matching contributions also begin 6 months after hire date.

Total employee benefit plan expense for the Plan was \$115,182 and \$994,659 for the years ended June 30, 2021 and 2020, respectively.

Effective August 2021, the University restored the 2.50% contribution for all eligible employees. Additionally, all voluntary contributions to the Plan by employees are matched by the University up to 2.50% of the gross salary.

**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions restricted by purpose or passage of time are available for the following purposes at June 30, 2021 and 2020:

<u>Program</u>	<u>2021</u>	<u>2020</u>
Academic support and research	\$ 761,354	\$ 553,520
General operations	205,202	230,941
Institutional support	279,770	963,995
Instruction	4,400,223	3,449,637
Operation and maintenance of physical plant	392,263	405,690
Student financial aid	11,600,897	7,544,890
Student services	<u>1,546,967</u>	<u>562,541</u>
	<u>\$ 19,186,676</u>	<u>\$ 13,711,214</u>

Net assets with donor restrictions are restricted to investment in perpetuity, the income of which is expendable to support the following purposes at June 30, 2021 and 2020:

<u>Program</u>	<u>2021</u>	<u>2020</u>
Academic support and research	\$ 448,828	\$ 448,828
General operations	1,394,450	1,159,265
Institutional support	30,356	30,356
Instruction	1,251,205	1,247,526
Operation and maintenance of physical plant	2,830	2,830
Student financial aid	9,512,873	9,034,169
Student services	<u>104,160</u>	<u>104,160</u>
	<u>\$ 12,744,702</u>	<u>\$ 12,027,134</u>

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(Continued)

SPALDING UNIVERSITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Assets released from restriction were categorized as follows during the years ended June 30, 2021 and 2020:

<u>Program</u>	<u>2021</u>	<u>2020</u>
Academic support	\$ 14,964	\$ -
General operations	47,034	1,204
Institutional support	1,779,900	390,917
Instruction	803,172	1,632,311
Operation and maintenance of physical plant	207,766	353,027
Student financial aid	346,105	275,993
Student services	<u>149,699</u>	<u>1,902,452</u>
	<u>\$ 3,348,640</u>	<u>\$ 4,555,904</u>

**NOTE 12 – ENDOWMENT COMPOSITION**

The University's endowment primarily consists of a fund held at Stock Yards Bank. Endowment net asset as of June 30, 2021 and 2020 are \$26,379,566 and \$20,916,319, respectively, and are all net assets with donor restrictions.

Changes in endowment net assets for year ended June 30, 2021:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 20,916,319
Net appreciation (net realized and unrealized gains/losses)	5,161,568
Investment income, net	525,706
Contributions	475,973
Appropriation of endowment assets for expenditures	<u>(700,000)</u>
Endowment net assets, end of year	<u>\$ 26,379,566</u>

Changes in endowment net assets for year ended June 30, 2020:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 20,739,496
Net appreciation (net realized and unrealized gains/losses)	462,001
Investment income, net	350,924
Contributions	63,898
Appropriation of endowment assets for expenditures	<u>(700,000)</u>
Endowment net assets, end of year	<u>\$ 20,916,319</u>

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(Continued)

**NOTE 12 – ENDOWMENT COMPOSITION** (Continued)

Interpretation of Relevant Law: Effective in July 2010, the *Uniform Prudent Management of Institutional Funds Act* (“UPMIFA”) was adopted by the Commonwealth of Kentucky. The University interprets UPMIFA 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 classifies as net assets with donor restrictions restricted in perpetuity (a) the original value of 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 remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions restricted in perpetuity is classified as net assets with donor restrictions restricted by purpose or passage of time until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In addition, UPMIFA provides for allowing certain Board restricted net assets to be considered as endowment. Beneficial interests in trusts in the amount of \$1,326,875 and \$1,099,274 as of June 30, 2021 and 2020, respectively, are included in the University’s endowment, but are not subject to UPMIFA requirements.

In accordance with UPMIFA, 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 purposes of 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

Return Objectives and Risk Parameters: 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. University 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 price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The University has a policy of appropriating up to 5.5% of its endowment fund's average fair value over the previous twelve quarters. The distribution calculation is based on the twelve quarters ending December 31 prior to the applicable fiscal year end in order for budgeted income amounts to be determined. In establishing the policy, the University considered the long term expected return on its endowment funds. Accordingly, over the long term, the University expects the current spending policy to allow its endowment funds to maintain the purchasing power of the original gift.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the value of the original gift. Deficiencies of this nature that are in excess of related amounts are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2021 and 2020.

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(Continued)

**NOTE 12 – ENDOWMENT COMPOSITION** (Continued)

Endowment fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations. In order to make a principal disbursement, a two-thirds majority vote by the University's Board of Trustees will be required.

**NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the University's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are described below:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of domestic common stocks, obligations of the U.S. Government and government agencies and fixed income and equity mutual funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

The fair value of corporate bonds is calculated based on market prices of similar securities (Level 2 inputs).

The fair value of the beneficial interests in the perpetual trust assets (or any type of beneficial interest) is based on a valuation model that calculates the present value of estimated distributed income. The valuation model incorporates the fair value of investment holdings which are readily marketable securities valued at quoted prices and incorporates assumptions that market participants would use in estimating future distributed income. The University does not have the ability to redeem the investment within 90 days (Level 3 inputs). The University is able to compare the valuation model inputs and results to widely available published industry data for reasonableness.

Derivative contracts are valued using quoted market prices and significant other observable inputs. The University's only such financial instrument is an interest rate swap contract. Interest rate swaps do not have observable market quotes. For this financial instrument, the University's swap counterparty provides an annual valuation using the difference between the fixed rate paid by the University and the counterparty's comparative market interest rate forecast discounted at the swap yield curve. The models are based on observable inputs for forward interest rates and discount rates. As such, these derivative instruments are classified within Level 2 of the fair value hierarchy.

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(Continued)

SPALDING UNIVERSITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

**NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS** (Continued)

Assets measured at fair value on a recurring basis are summarized below:

	<u>Fair Value Measurements at June 30 Using</u>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>2021</u>			
Assets			
Domestic common stocks	\$ 13,088,291	\$ -	\$ -
Obligations of U.S. Government and government agencies	2,454,717	-	-
Corporate bonds	-	2,069,779	-
Fixed income mutual funds	1,395,737	-	-
Equity mutual funds	4,867,800	-	-
Beneficial interests in trusts	<u>-</u>	<u>-</u>	<u>1,326,875</u>
Total	<u>\$ 21,806,545</u>	<u>\$ 2,069,779</u>	<u>\$ 1,326,875</u>
Liabilities			
Interest rate swap	<u>\$ -</u>	<u>\$ 148,073</u>	<u>\$ -</u>
<u>2020</u>			
Assets			
Domestic common stocks	\$ 10,042,047	\$ -	\$ -
Obligations of U.S. Government and government agencies	3,350,151	-	-
Corporate bonds	-	2,095,339	-
Fixed income mutual funds	729,461	-	-
Equity mutual funds	3,372,832	-	-
Beneficial interests in trusts	<u>-</u>	<u>-</u>	<u>1,099,274</u>
Total	<u>\$ 17,494,491</u>	<u>\$ 2,095,339</u>	<u>\$ 1,099,274</u>
Liabilities			
Interest rate swap	<u>\$ -</u>	<u>\$ 289,223</u>	<u>\$ -</u>

(Continued)



SPALDING UNIVERSITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The table below presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2021 and 2020:

	Beneficial Interests <u>In Trusts</u>
Beginning balance, July 1, 2019	\$ 1,118,154
Distributions	(30,104)
Realized and unrealized gains	<u>11,224</u>
Ending balance, June 30, 2020	<u>\$ 1,099,274</u>
Beginning balance, July 1, 2020	\$ 1,099,274
Distributions	(40,725)
Realized and unrealized gains	<u>268,326</u>
Ending balance, June 30, 2021	<u>\$ 1,326,875</u>

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

From time to time, the University is involved in legal actions arising in the ordinary course of its activities. A legal reserve in the amount of \$150,000 and \$100,000 as of June 30, 2021 and 2020, respectively, was established for pending and possible litigation. It is the opinion of management that the ultimate liabilities, if any, with respect to these matters will not materially affect the financial position and operations of the University.

The University is currently participating in grant programs from various departments and agencies of the federal government. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. University management believes disallowances, if any, will not have a material adverse effect on the University's financial position.

The estimated cost to complete construction projects under contract was \$5,104,658 and \$261,928 as of June 30, 2021 and 2020, respectively.

In November 2021, the University entered into a note payable with Republic Bank & Trust Company in the amount of \$6,000,000. The proceeds from this loan will be used to fund start-up costs related to the University's new Doctorate of Physical Therapy (DPT) program.

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(Continued)

SPALDING UNIVERSITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

**NOTE 15 – SCHEDULE OF FUNCTIONAL EXPENSES**

Expenses by function and purpose for year ended June 30, 2021 are summarized below:

	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising Activities</u>	<u>Total 2021</u>
Faculty and staff salaries	\$ 13,449,920	\$ 2,483,508	\$ 228,462	\$ 16,161,890
Payroll taxes and benefits	2,344,057	1,304,427	46,147	3,694,631
Professional services	813,098	804,371	6,457	1,623,926
Instructional resources	187,571	-	-	187,571
Technology and communication	10,588	1,105,123	7	1,115,718
Travel and entertainment	304,372	10,890	(5,225)	310,037
Professional development	17,720	(3,588)	-	14,132
Facilities, maintenance and utilities	2,349,201	33,618	6,466	2,389,285
Marketing	4,840	453,870	7,128	465,838
Dues, subscriptions and memberships	102,739	144,377	559	247,675
Insurance	50,973	203,742	7	254,722
Interest expense	184,983	2,693	531	188,207
Sponsored program stipends	450,337	-	-	450,337
Student COVID support	-	709,765	-	709,765
Depreciation	1,926,457	28,048	5,535	1,960,040
Supplies and other expenses	<u>969,020</u>	<u>832,663</u>	<u>5,384</u>	<u>1,807,067</u>
	<u>\$ 23,165,876</u>	<u>\$ 8,113,507</u>	<u>\$ 301,458</u>	<u>\$ 31,580,841</u>

Expenses by function and purpose for year ended June 30, 2020 are summarized below:

	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising Activites</u>	<u>Total 2020</u>
Faculty and staff salaries	\$ 13,880,767	\$ 2,930,665	\$ 261,521	\$ 17,072,953
Payroll taxes and benefits	2,785,917	1,460,699	61,300	4,307,916
Professional services	733,255	613,941	38,663	1,385,859
Instructional resources	371,273	2,616	-	373,889
Technology and communication	53,479	1,138,653	6	1,192,138
Travel and entertainment	635,792	29,512	14,916	680,220
Professional development	123,440	23,148	1,879	148,467
Facilities, maintenance and utilities	2,387,132	37,965	6,445	2,431,542
Marketing	15,039	774,163	1,000	790,202
Dues, subscriptions and memberships	110,713	149,330	2,638	262,681
Insurance	51,337	217,215	5	268,557
Interest expense	220,546	3,588	635	224,769
Sponsored program stipends	1,070,846	-	-	1,070,846
Student COVID support	-	447,200	-	447,200
Depreciation	1,865,750	30,354	5,370	1,901,474
Supplies and other expenses	<u>691,723</u>	<u>683,529</u>	<u>5,789</u>	<u>1,381,041</u>
	<u>\$ 24,997,009</u>	<u>\$ 8,542,578</u>	<u>\$ 400,167</u>	<u>\$ 33,939,754</u>

(Continued)

SPALDING UNIVERSITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 16 – LIQUIDITY AND AVAILABILITY**

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 12,222,972	\$ 10,357,141
Cash held with restrictions	(2,257,378)	(2,165,714)
Student accounts receivable	559,030	442,411
Other receivables available for general expenditure	400,913	193,999
Endowment spending rate distribution	<u>700,000</u>	<u>700,000</u>
	<u>\$ 11,625,537</u>	<u>\$ 9,527,837</u>

The University endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of the University liquidity management plan, structure financial assets to be available as the general expenditures, liabilities and other obligations become due. In addition, the University invests cash in excess of daily requirements in short-term investments, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which had a balance of \$400,000 as of June 30, 2021 and 2020. Subsequent to year end, the Board increased the designated operating reserve to \$1,300,000.

To help manage unanticipated liquidity needs, a committed line of credit of \$2,000,000 can be drawn upon (see Note 6).

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(Continued)

SPALDING UNIVERSITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 17 – DEPARTMENT OF EDUCATION FINANCIAL RESPONSIBILITY RATIOS**

**Net assets**

1. Annuities with donor restrictions \$ -

**Property, Plant and Equipment, net**

2. Pre-implementation property, plant and equipment, (property, plant and equipment, net)

a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2020) \$ 39,884,199

b. Less subsequent depreciation and disposals (1,921,197)

c. Property, plant and equipment pre-implementation 37,963,002

3. Property, plant and equipment post-implementation with outstanding debt for original purchase -

4. Property, plant and equipment post-implementation without outstanding debt for original purchase

a. Ending balance of last financial statements submitted To the Department of Education (June 30, 2020) 874,485

b. Less subsequent depreciation and disposal (38,843)

c. Property, plant and equipment acquired without outstanding debt for original purchase 2,589,395

d. Property, plant and equipment post-implementation without Outstanding debt for original purchase 3,425,037

5. Construction in progress 1,363,638

6. Total property, plant and equipment, net – June 30, 2021 \$ 42,751,677

**Debt**

7. Pre-implementation debt

a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2019) \$ 4,545,000

b. Less subsequent debt repayments (1,060,000)

c. Long-term debt for long-term purposes post implementation 3,485,000

8. Long-term debt for long-term purposes post-implementation -

9. Long-term debt not for the purchase of property, plant and equipment or liability greater than assets value 265,861

10. Total debt \$ 3,750,861

**Equity**

11. Unsecured related party receivable \$ 30,500

**Net Income**

12. Total revenue, gains and other support 31,850,465

13. Change in value of swap agreement 141,150

14. Net assets released for capital purposes 191,064

15. Total revenue \$ 32,182,679

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