

College of Saint Benedict

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019

College of Saint Benedict

June 30, 2020 and 2019

Contents

Highlights..... 1

Independent Auditor's Report..... 2

Financial Statements

Statements of Financial Position 4

Statements of Activities..... 5

Statements of Functional Expenses 7

Statements of Cash Flows 9

Notes to Financial Statements 10

College of Saint Benedict

Highlights (Unaudited)

Years Ended June 30, 2020 and 2019

	2020	2019
Student Body		
Fall FTE, Campus	1,724	1,755
Applications, Acceptances, Enrollments and Graduates		
Applications	2,052	1,931
Acceptances	1,651	1,610
Percent accepted	80.5%	83.4%
Enrolled	438	437
Percent enrolled to accepted	26.5%	27.1%
ACT	25	25
Graduates	428	406
Faculty and Staff		
Total employment (FTE)	447	462
Total faculty (FTE)	151	156
Number of full-time faculty	142	147
Tenured faculty	89	89
Tuition and Fees Per Student		
Tuition	\$ 45,730	\$ 44,184
Room (average double room)	5,464	5,356
Board	5,604	5,548
Technology fee	288	288
Health fee	324	324
Campus center fee	478	468
	<u>57,888</u>	<u>56,168</u>
Total tuition and fees per student	\$ 57,888	\$ 56,168
Financial Aid		
Grants/scholarships		
College	\$ 41,851,127	\$ 41,140,936
MPCC/special/endowed	2,678,434	2,166,577
Tuition waivers	2,733,236	2,520,168
Federal	2,347,524	2,504,302
State	3,111,166	3,276,416
Private	2,127,220	2,012,123
Total grants/scholarships	<u>54,848,707</u>	<u>53,620,522</u>
Loans	14,823,745	15,196,923
Student employment	2,427,374	3,123,130
	<u>72,099,826</u>	<u>71,940,575</u>
Total financial aid	\$ 72,099,826	\$ 71,940,575
Number of Students Receiving Financial Aid		
	1,755	1,787
Endowment (at fair value)		
Net assets with donor restrictions that are permanent in nature	\$ 61,201,928	\$ 58,369,166
Net assets with donor restrictions that are temporary in nature	15,926,655	15,765,566
Underwater endowments	(31,726)	(30,827)
Board designated net assets (without donor restrictions)	8,793,742	8,554,688
Funds held in trust in perpetuity	824,731	847,525
	<u>86,715,330</u>	<u>83,506,118</u>
Total endowment	\$ 86,715,330	\$ 83,506,118
	<u>4.6%</u>	<u>5.6%</u>
Total return	4.6%	5.6%
Private Gifts and Grants		
Without donor restrictions	\$ 664,799	\$ 895,801
With donor restrictions	6,891,375	6,886,343
	<u>7,556,174</u>	<u>7,782,144</u>
Total gifts and grants	\$ 7,556,174	\$ 7,782,144

Independent Auditor's Report

Board of Trustees
College of Saint Benedict
Saint Joseph, Minnesota

We have audited the accompanying financial statements of College of Saint Benedict (College), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College of Saint Benedict as of June 30, 2020 and 2019, 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.

Other Information

The “Highlights” on page 1 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion on or provide any assurance on it.

BKD, LLP

Indianapolis, Indiana
November 6, 2020

College of Saint Benedict
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 17,068,397	\$ 18,101,641
Receivables		
Student receivables, net of allowance for doubtful accounts of \$170,000 each year	387,446	698,020
Other	1,724,575	1,015,359
Inventories	344,647	429,064
Short-term investments	7,665,011	8,541,249
Funds held by trustees, including unspent bond proceeds	2,417,020	2,356,387
Prepaid expenses and other	1,686,618	2,426,270
Student loan receivables, net	3,328,688	4,317,792
Contributions receivable, net	7,817,281	8,534,186
Long-term investments	90,929,437	85,874,517
Beneficial interest in trusts	1,253,680	1,269,160
Property and equipment	117,368,311	117,143,936
Total assets	\$ 251,991,111	\$ 250,707,581
Liabilities		
Accounts payable	\$ 983,266	\$ 1,635,245
Accrued payroll and benefits	4,577,413	3,744,538
Other liabilities	991,504	1,026,710
Refundable advance	3,118,320	1,141,657
Funds held for others	397,233	191,389
Annuities payable	454,154	477,233
Government grants repayable - Federal Perkins Loan Program	4,085,000	5,114,659
Bonds payable and mortgage note payable, net	43,476,993	45,190,743
Asset retirement obligation	1,632,596	1,600,427
Total liabilities	59,716,479	60,122,601
Net Assets		
Without donor restrictions	101,523,229	103,388,365
With donor restrictions	90,751,403	87,196,615
Total net assets	192,274,632	190,584,980
Total liabilities and net assets	\$ 251,991,111	\$ 250,707,581

College of Saint Benedict
Statement of Activities
Year Ended June 30, 2020
With Comparative Totals for 2019

	2020		Total	2019 Total
	Without Donor Restrictions	With Donor Restrictions		
Operating Revenue, Gains and Other Support				
Net tuition and fees	\$ 35,933,759	\$ -	\$ 35,933,759	\$ 36,618,929
Sales and services of auxiliary enterprises				
Residence halls	6,904,573	-	6,904,573	9,026,600
Food services	5,516,719	-	5,516,719	7,730,953
Other auxiliaries	2,167,459	-	2,167,459	2,516,083
Government grants				
Federal	2,692,408	3,955	2,696,363	1,154,910
State	215,888	-	215,888	317,818
Private gifts and grants	563,684	4,195,982	4,759,666	4,711,096
Long-term investment income and gains allocated to operations	319,564	2,876,770	3,196,334	2,526,281
Other investment income	308,860	7,814	316,674	455,660
Net gains on other investments	234,174	43,684	277,858	267,830
Other sources	850,957	43,596	894,553	1,448,782
	<u>55,708,045</u>	<u>7,171,801</u>	<u>62,879,846</u>	<u>66,774,942</u>
Net assets released from restrictions	6,574,835	(6,574,835)	-	-
Total operating revenues, gains and other support	<u>62,282,880</u>	<u>596,966</u>	<u>62,879,846</u>	<u>66,774,942</u>
Operating Expenses				
Program expenses				
Instruction	23,362,034	-	23,362,034	24,121,695
Academic support	7,415,377	-	7,415,377	7,415,960
Student services	9,470,353	-	9,470,353	9,105,740
Auxiliary enterprises				
Residence halls	3,718,223	-	3,718,223	3,993,726
Food services	4,730,921	-	4,730,921	6,006,172
Other auxiliaries	2,522,997	-	2,522,997	2,783,696
Support expenses				
Institutional support	10,393,922	-	10,393,922	7,955,661
Fundraising	2,807,293	-	2,807,293	3,080,032
Total operating expenses	<u>64,421,120</u>	<u>-</u>	<u>64,421,120</u>	<u>64,462,682</u>
Change in Net Assets Before Other Changes	(2,138,240)	596,966	(1,541,274)	2,312,260
Other Changes				
Long-term investment return in excess of amounts allocated to operations	147,426	238,383	385,809	1,526,998
Private gifts and grants	101,115	2,695,393	2,796,508	3,071,048
Gain on disposal of equipment	24,563	-	24,563	26,947
Adjustment of actuarial and asset retirement liabilities	-	24,046	24,046	407,263
	<u>(1,865,136)</u>	<u>3,554,788</u>	<u>1,689,652</u>	<u>7,344,516</u>
Change in Net Assets	(1,865,136)	3,554,788	1,689,652	7,344,516
Net Assets, Beginning of Year	<u>103,388,365</u>	<u>87,196,615</u>	<u>190,584,980</u>	<u>183,240,464</u>
Net Assets, End of Year	<u>\$ 101,523,229</u>	<u>\$ 90,751,403</u>	<u>\$ 192,274,632</u>	<u>\$ 190,584,980</u>

College of Saint Benedict
Statement of Activities
Year Ended June 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue, Gains and Other Support			
Net tuition and fees	\$ 36,618,929	\$ -	\$ 36,618,929
Sales and services of auxiliary enterprises			
Residence halls	9,026,600	-	9,026,600
Food services	7,730,953	-	7,730,953
Other auxiliaries	2,516,083	-	2,516,083
Government grants			
Federal	1,150,308	4,602	1,154,910
State	317,818	-	317,818
Private gifts and grants	795,536	3,915,560	4,711,096
Long-term investment income and gains allocated to operations	310,257	2,216,024	2,526,281
Other investment income	441,977	13,683	455,660
Net gains on other investments	229,076	38,754	267,830
Other sources	1,435,721	13,061	1,448,782
	<u>60,573,258</u>	<u>6,201,684</u>	<u>66,774,942</u>
Net assets released from restrictions	9,262,994	(9,262,994)	-
Total operating revenues, gains and other support	<u>69,836,252</u>	<u>(3,061,310)</u>	<u>66,774,942</u>
Operating Expenses			
Program expenses			
Instruction	24,121,695	-	24,121,695
Academic support	7,415,960	-	7,415,960
Student services	9,105,740	-	9,105,740
Auxiliary enterprises			
Residence halls	3,993,726	-	3,993,726
Food services	6,006,172	-	6,006,172
Other auxiliaries	2,783,696	-	2,783,696
Support expenses			
Institutional support	7,955,661	-	7,955,661
Fundraising	3,080,032	-	3,080,032
Total operating expenses	<u>64,462,682</u>	<u>-</u>	<u>64,462,682</u>
Change in Net Assets Before Other Changes	5,373,570	(3,061,310)	2,312,260
Other Changes			
Long-term investment return in excess of amounts allocated to operations	228,368	1,298,630	1,526,998
Private gifts and grants	100,265	2,970,783	3,071,048
Gain on disposal of equipment	26,947	-	26,947
Adjustment of actuarial liability	372,603	34,660	407,263
Change in donor restrictions	10,348	(10,348)	-
	<u>6,112,101</u>	<u>1,232,415</u>	<u>7,344,516</u>
Change in Net Assets	6,112,101	1,232,415	7,344,516
Net Assets, Beginning of Year	<u>97,276,264</u>	<u>85,964,200</u>	<u>183,240,464</u>
Net Assets, End of Year	<u>\$ 103,388,365</u>	<u>\$ 87,196,615</u>	<u>\$ 190,584,980</u>

College of Saint Benedict
Statement of Functional Expenses
Year Ended June 30, 2020
With Comparative Totals for 2019

	Program			Support Services			Total	2019 Total
	Program	Auxiliary	Total Program	Institutional Support	Fundraising	Total Support Services		
Salaries and wages	\$ 18,887,734	\$ 2,837,368	\$ 21,725,102	\$ 3,848,979	\$ 1,653,561	\$ 5,502,540	\$ 27,227,642	\$ 29,331,436
Employee benefits	5,291,821	900,897	6,192,718	1,349,284	359,898	1,709,182	7,901,900	6,947,294
Payroll taxes	1,305,501	157,660	1,463,161	270,161	120,645	390,806	1,853,967	1,909,152
Professional services	211,023	2,099,562	2,310,585	1,462,736	129,532	1,592,268	3,902,853	728,359
Advertising and promotion	154,005	54,929	208,934	319,866	56,112	375,978	584,912	703,486
Office expenses	515,756	119,812	635,568	10,373	163,871	174,244	809,812	1,220,221
Information technology	635,464	30,423	665,887	90,066	160,356	250,422	916,309	1,017,468
Occupancy	2,014,186	1,403,194	3,417,380	646,585	-	646,585	4,063,965	4,642,526
Travel	1,025,744	15,620	1,041,364	130,849	50,457	181,306	1,222,670	1,602,054
Conferences, conventions and meetings	89,012	-	89,012	69,269	51,738	121,007	210,019	231,708
Interest	61,138	253,778	314,916	20,788	-	20,788	335,704	347,343
Insurance	29,218	-	29,218	311,388	14,863	326,251	355,469	555,563
Training and development	46,586	12,030	58,616	140,024	18,167	158,191	216,807	703,591
Bookstore costs of goods sold	-	1,966,463	1,966,463	11,426	-	11,426	1,977,889	2,527,530
Cost of direct benefit to donors	-	-	-	15,060	4,648	19,708	19,708	7,639
Student programming	4,406,805	33,978	4,440,783	31,727	23,445	55,172	4,495,955	3,046,015
Repairs and maintenance	96,373	111,074	207,447	205,799	-	205,799	413,246	1,569,052
Depreciation and amortization	4,891,196	832,011	5,723,207	943,419	-	943,419	6,666,626	5,601,791
Bad debt expense	-	-	-	136,844	-	136,844	136,844	90,061
Other	586,202	143,342	729,544	379,279	-	379,279	1,108,823	1,680,393
	<u>\$ 40,247,764</u>	<u>\$ 10,972,141</u>	<u>\$ 51,219,905</u>	<u>\$ 10,393,922</u>	<u>\$ 2,807,293</u>	<u>\$ 13,201,215</u>	<u>\$ 64,421,120</u>	<u>\$ 64,462,682</u>

College of Saint Benedict
Statement of Functional Expenses
Year Ended June 30, 2019

	Program			Support Services			Total
	Program	Auxiliary	Total Program	Institutional Support	Fundraising	Total Support Services	
Salaries and wages	\$ 20,057,715	\$ 4,038,633	\$ 24,096,348	\$ 3,572,141	\$ 1,662,947	\$ 5,235,088	\$ 29,331,436
Employee benefits	4,962,894	570,046	5,532,940	1,057,667	356,687	1,414,354	6,947,294
Payroll taxes	1,356,817	189,316	1,546,133	243,101	119,918	363,019	1,909,152
Professional services	155,045	59,044	214,089	352,031	162,239	514,270	728,359
Advertising and promotion	257,162	43,687	300,849	270,218	132,419	402,637	703,486
Office expenses	662,896	297,824	960,720	14,498	245,003	259,501	1,220,221
Information technology	815,437	30,758	846,195	87,382	83,891	171,273	1,017,468
Occupancy	2,219,225	1,738,570	3,957,795	675,085	9,646	684,731	4,642,526
Travel	1,380,194	16,680	1,396,874	121,352	83,828	205,180	1,602,054
Conferences, conventions and meetings	29,103	79,985	109,088	(38,303)	160,923	122,620	231,708
Interest	58,145	272,830	330,975	16,368	-	16,368	347,343
Insurance	45,238	167,870	213,108	327,535	14,920	342,455	555,563
Training and development	313,983	39,216	353,199	308,340	42,052	350,392	703,591
Bookstore costs of goods sold	-	2,527,530	2,527,530	-	-	-	2,527,530
Cost of direct benefit to donors	-	-	-	2,080	5,559	7,639	7,639
Student programming	2,857,654	70,007	2,927,661	118,354	-	118,354	3,046,015
Repairs and maintenance	172,130	1,329,536	1,501,666	67,386	-	67,386	1,569,052
Depreciation and amortization	4,222,023	807,965	5,029,988	571,803	-	571,803	5,601,791
Bad debt expense	-	-	-	90,061	-	90,061	90,061
Other	1,077,734	504,097	1,581,831	98,562	-	98,562	1,680,393
	<u>\$ 40,643,395</u>	<u>\$ 12,783,594</u>	<u>\$ 53,426,989</u>	<u>\$ 7,955,661</u>	<u>\$ 3,080,032</u>	<u>\$ 11,035,693</u>	<u>\$ 64,462,682</u>

College of Saint Benedict
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 1,689,652	\$ 7,344,516
Items not requiring (providing) cash		
Depreciation, amortization and accretion	6,831,675	5,273,213
Gains on investments	(4,089,346)	(4,646,878)
Actuarial adjustment on trusts	-	(7,549)
Actuarial adjustment of annuities payable	55,085	(23,696)
Loan cancellations and write-offs	111,606	62,509
Contributions restricted for plant and long-term investment	(2,695,393)	(2,970,783)
Gain on disposal of equipment	(24,563)	(34,491)
Changes in		
Student receivables	310,574	(28,796)
Other receivables	(709,216)	(252,165)
Contributions receivable	716,905	209,857
Inventories	84,417	35,640
Prepaid expenses	739,652	89,036
Accounts payable	556,939	(775,498)
Accrued payroll and benefits	832,875	(230,155)
Other liabilities	(35,206)	16,295
Refundable advance	1,976,663	(242,860)
Funds held for others	205,844	55,724
Net cash provided by operating activities	<u>6,558,163</u>	<u>3,873,919</u>
Investing Activities		
Purchases of property, plant and equipment	(8,301,622)	(19,137,703)
Net change in money market accounts	(60,633)	9,781,006
Purchases of investments	(1,115,037)	(65,233,347)
Sales and maturities of investments	1,041,181	64,194,306
Loan payments from students	877,498	791,180
Net cash used in investing activities	<u>(7,558,613)</u>	<u>(9,604,558)</u>
Financing Activities		
Contributions received restricted for plant and long-term investment	2,695,393	2,970,783
Payment of principal on bonds payable, mortgage and notes payable	(1,620,364)	(1,557,801)
Increase (decrease) in refundable government grants	(1,029,659)	32,418
Payment of annuity obligations	(78,164)	(11,639)
Net cash provided by (used in) financing activities	<u>(32,794)</u>	<u>1,433,761</u>
Net Decrease in Cash and Cash Equivalents	(1,033,244)	(4,296,878)
Cash and Cash Equivalents, Beginning of Year	<u>18,101,641</u>	<u>22,398,519</u>
Cash and Cash Equivalents, End of Year	<u>\$ 17,068,397</u>	<u>\$ 18,101,641</u>
Supplemental Cash Flows Information		
Interest paid, net of amount capitalized	\$ 421,554	\$ 397,685
Capital related items included in accounts payable	64,397	1,273,315

College of Saint Benedict

Notes to Financial Statements

June 30, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

College of Saint Benedict (the College) is a liberal arts higher education institution. The College, an all-female institution, operates in coordination with St. John's University, an all-male institution, sharing academic programs, facilities and staff. The College's primary sources of support include student tuition and fees, private contributions and investment return.

The College is an affiliated organization of the Sisters of the Order of Saint Benedict of St. Joseph, Minnesota (the Order). Certain members of the Order are employees of the College and certain members of the Board of Trustees of the College are also members of the Order.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The College considers all liquid investments, except for those held for long-term investment, with original maturities of three months or less to be cash equivalents. Certain cash held by the College is restricted for the Federal Perkins Loan Program and is considered to be cash and cash equivalents. At June 30, 2020 and 2019, cash equivalents consisted primarily of money market accounts.

At June 30, 2020, the College's cash accounts exceeded federally insured limits by approximately \$5,865,000.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and realized and unrealized gains and losses on investments.

The College also invests in certain real estate, venture capital, private equity and hedge funds, natural resource and distressed debt funds, which are primarily held through limited partnerships. As discussed later in these notes, the College uses net asset value as a practical expedient to estimate the fair value of these funds. Because these investments are not readily marketable and may be subject to withdrawal restrictions, their estimated value is subject to uncertainty and therefore, may materially differ from the value that would have been used had a ready market for such investment existed.

College of Saint Benedict

Notes to Financial Statements

June 30, 2020 and 2019

The College invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

The College maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated annually to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Student Receivables

Student receivables are stated at the amount of consideration from students and others, of which the College has an unconditional right to receive plus any accrued and unpaid fees, less an estimate made for doubtful accounts which is based on review of all outstanding amounts. A student receivable is considered to be delinquent if any portion of the receivable balance is outstanding for more than 90 days after the billing date. A service charge is charged on student receivables that are outstanding for more than 30 days after the billing date. Delinquent receivables are written off when deemed uncollectible.

Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student receivables are written off when deemed uncollectible. Recoveries of student accounts previously written off are recorded when received. Receivables are generally unsecured.

Student Loan Receivables

Student loans receivable consists primarily of loans under the Perkins Federal Loan (Perkins) program. Under the program, the College is required to match a certain level of government advances to provide loans to qualifying students. Generally, Perkins loans carry a fixed rate of interest rates and are payable over a ten-year period. Related government advances of \$4,085,000 and \$5,114,659 are included in the statements of financial position at June 30, 2020 and 2019, respectively.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

	Years
Land and improvements	10
Buildings	15 to 50
Furniture and equipment	4 to 10
Software	3
Library books	20
Utility distribution system	20

The College capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized for the years ended June 30, 2020 and 2019 was as follows:

	2020	2019
Interest capitalized	\$ 1,419,725	\$ 1,443,594
Interest charged to expense	335,704	347,343
Total interest incurred	\$ 1,755,429	\$ 1,790,937

Long-Lived Asset Impairment

The College evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2020 and 2019.

Net Assets

Net assets with donor restrictions are those whose use by the College has been limited by donors to a specific time period of purpose or to be maintained by the College in perpetuity.

Tuition and Fees and Auxiliary Revenue

Tuition revenue is recognized over the term of the semester as the College provides services to students. Revenue is reported at the amount of consideration which the College expects to be entitled in exchange for providing tuition and auxiliary services. The College determines the transaction price based on standard charges for goods and services provided, reduced by discount provided for scholarships and other price concessions provided to students.

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

Contributions

Contributions are provided to the College either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions.

The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the College overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

College of Saint Benedict

Notes to Financial Statements June 30, 2020 and 2019

Contributed Services

Contributed services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

Inventory

Inventories consist of bookstore and food service items. Costs of inventories are determined using the first-in, first-out (FIFO) method. FIFO inventories are stated at the lower of cost or net realizable value.

Deferred Revenue

Revenue from fees for summer courses and programs is deferred and recognized over the periods to which the fees relate. Students are typically billed for courses and programs prior to the start of the course or program.

Government Grants

Support funded by grants is recognized as the College performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Deferred Debt Acquisition Costs

The acquisition costs of bond issuances are deferred and amortized over the term of the related indebtedness. The unamortized balance is included as a reduction to long-term debt on the statement of financial position.

Income Taxes

The College is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income. The College files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statement of expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories.

Subsequent Events

Subsequent events have been evaluated through November 6, 2020, which is the date the financial statements were issued.

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

Note 2: Revenue From Contracts With Students

Tuition revenues consisted primarily of tuition, net of scholarships, and fees derived from courses taught by the College. Tuition revenue is recognized pro-rata over the applicable period of instruction. A contract is entered into with a student and covers a course or semester. Revenue recognition occurs once a student starts attending a course. Auxiliary revenues includes housing, meal plans with unlimited number of meals, and fee revenues that were recognized over the period the services were provided. Auxiliary revenues also includes revenues from sales and services such as books and merchandise, as well as sales from the College’s cafeteria for individuals without meal plans or meal plans including specific meal restrictions, as revenue occurred or services were performed as these services were transferred at a point in time. Other source revenues includes fine arts programming, transportation, information technology and other fee revenues that were recognized as revenue occurred or services were performed as these services were transferred at a point in time.

The College’s net tuition and fees are comprised of the following components at June 30:

	2020	2019
Tuition and fees	\$ 80,749,056	\$ 80,575,868
Scholarships and grants	(44,815,297)	(43,956,939)
	\$ 35,933,759	\$ 36,618,929

Performance Obligations

The College has identified performance obligations 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 are provided to students. The College has also identified performance obligations such as book sales or certain merchandise sales and other ancillary activities and recognized revenue at the point in time goods or services are provided to its customers. The College maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during certain limited, stated refund periods. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the College continued to recognize the tuition that is not refunded pro-rata over the applicable period of instruction. The College does not record revenue on amounts that may be refunded. However, for students that take out financial aid to pay their tuition and for which a return of such money to the Department of Education under Title IV is required as a result of his or her withdrawal, the College reassessed collectability for these students each semester for the estimated revenue that will be returned and recognized the revenue in future periods when payment was received, if any. The College’s education programs have starting and ending dates that do not significantly differ from its fiscal year-end. Therefore, at the end of each fiscal year, all tuition and fees revenues from these programs were recognized.

College of Saint Benedict

Notes to Financial Statements

June 30, 2020 and 2019

Transaction Price

Because all of its performance obligations relate to contracts with a duration of less than one year, the College has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no significant unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

The College determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid in accordance with the College's policies for granting certain merit based aid. At June 30, 2020, 2019 and 2018, the College has receivables from students totaling \$387,446, \$698,020 and \$669,224, respectively.

Contract Assets and Liabilities

The College's receivables represent unconditional rights to considerations from its contracts with students; accordingly, students are not billed until they start attending a course and the revenue recognition process has commenced. Once a student is invoiced, which is usually after the add/drop period, payment is due immediately unless some alternative payment plan is established by the student in limited circumstances. Included in each invoice to the student are all educational related items including tuition, net of scholarships, housing, educational materials, fees, etc. The College does not have any contract assets outside of receivables. The College's contract liabilities are primarily student deposits and balances to be applied to future tuition amounts in the statements of financial position. Student balances and deposits in any period represent the excess of tuition, fees and other student payments received as compared to amounts recognized as revenue on the statements of activities and are reflected as liabilities in the accompanying statements of financial position. At June 30, 2020 and 2019, the College has a liability for deposits and balances to be applied to future tuition amounts of approximately \$3,118,320 and \$1,141,657, respectively, which is included in refundable advances on the statements of financial position. During 2020 and 2019, approximately \$1,141,657 and \$1,360,378 was recognized as revenue on the statements of activities of the July 1, 2019 and 2018 contract liability balance, respectively.

Other Discrete Event

As a result of the global spread of the SARS-CoV-2 virus and the incidence of COVID-19, the State of Minnesota issued Stay Safe Orders and other measures around public gatherings and business operations to slow the spread of the virus. As a result of this guidance, the College moved to a remote-learning environment in March 2020. The College processed credits to students for prorated room, board, and fees in the amount of \$3,481,002, which reduced residence halls, food services and other auxiliary revenue on the statement of activities for the year ended June 30, 2020.

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

Disaggregation of Revenue

The composition of contract revenue with students for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Tuition and fees, net of scholarships and grants	\$ 35,933,759	\$ 36,618,929
Sales and services of auxiliary enterprises		
Residence halls	6,904,573	9,026,600
Food services	5,516,719	7,730,953
Other auxiliaries	2,167,459	2,516,083
Other sources	894,553	1,441,238
	<u>\$ 51,417,063</u>	<u>\$ 57,333,803</u>

The timing of revenue recognition for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Timing of revenue and recognition		
Services transferred over time	\$ 43,108,206	\$ 45,746,613
Sales and services at a point in time	8,308,857	11,587,190
	<u>\$ 51,417,063</u>	<u>\$ 57,333,803</u>

Note 3: Contributions Receivable

Contributions receivable consisted of the following at June 30:

	With Donor Restrictions	
	<u>2020</u>	<u>2019</u>
Due within one year	\$ 1,761,792	\$ 1,653,638
Due in one to five years	7,080,992	2,668,824
Due in more than five years	-	5,636,753
	<u>8,842,784</u>	<u>9,959,215</u>
Unamortized discount	(583,364)	(927,068)
Allowance for uncollectible contributions	(442,139)	(497,961)
	<u>\$ 7,817,281</u>	<u>\$ 8,534,186</u>

Discount rates ranged from 1.31% to 2.89% and 1.73% to 2.89% for 2020 and 2019, respectively.

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

Note 4: Student Loans Receivable

At June 30, 2020 and 2019, student loans consisted of the following:

	<u>2020</u>	<u>2019</u>
Federal government programs	\$ 3,594,688	\$ 4,583,792
Less: allowance for doubtful accounts	<u>(266,000)</u>	<u>(266,000)</u>
Student loans receivable, net	<u>\$ 3,328,688</u>	<u>\$ 4,317,792</u>

Note 5: Investments

The College's investments are as follows:

	<u>2020</u>	<u>2019</u>
Short-term investments		
Intermediate term fund	\$ 3,845,910	\$ 3,699,179
Certificates of deposit (cost basis)	<u>3,819,101</u>	<u>4,842,070</u>
	<u>7,665,011</u>	<u>8,541,249</u>
Funds held by trustees, including unspent bond proceeds		
Cash and cash equivalents	100	50
U.S. Government and agency securities	1,130,732	2,346,342
Commercial paper	<u>1,286,188</u>	<u>9,995</u>
	<u>2,417,020</u>	<u>2,356,387</u>
Long-term investments		
Mutual funds		
Other U.S. equity funds	16,756,831	10,367,655
Domestic fixed income funds	5,635,187	6,242,051
Privately managed funds		
U.S. equity funds	18,615,889	16,202,516
Global equity funds	27,188,032	26,152,488
Fixed income funds	13,758,239	10,372,819
Private partnerships	2,151,336	457,609
Hedge funds	<u>6,823,923</u>	<u>16,079,379</u>
	<u>90,929,437</u>	<u>85,874,517</u>
	<u>\$ 101,011,468</u>	<u>\$ 96,772,153</u>

College of Saint Benedict

Notes to Financial Statements

June 30, 2020 and 2019

The following schedules summarize the long-term investment return and its classification in the statements of activities.

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income, net of expenses	\$ 49,595	\$ 80,924	\$ 130,519
Net realized and unrealized gains	417,395	3,034,229	3,451,624
Total return on investments	<u>466,990</u>	<u>3,115,153</u>	<u>3,582,143</u>
Long-term investment return designated for current operations	<u>(319,564)</u>	<u>(2,876,770)</u>	<u>(3,196,334)</u>
Long-term investment return greater than amounts designated for current operations	<u>\$ 147,426</u>	<u>\$ 238,383</u>	<u>\$ 385,809</u>

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income, net of expenses	\$ 89,155	\$ 419,065	\$ 508,220
Net realized and unrealized gains	449,470	3,095,589	3,545,059
Total return on investments	<u>538,625</u>	<u>3,514,654</u>	<u>4,053,279</u>
Long-term investment return designated for current operations	<u>(310,257)</u>	<u>(2,216,024)</u>	<u>(2,526,281)</u>
Long-term investment return greater than amounts designated for current operations	<u>\$ 228,368</u>	<u>\$ 1,298,630</u>	<u>\$ 1,526,998</u>

Privately Managed Funds

The fair value of privately managed funds has been estimated using the net asset value per share of the investments. Privately managed funds held at June 30 consist of the following:

	Fair Value		Redemption Frequency	Redemption Notice Period
	2020	2019		
Privately managed funds				
Intermediate term funds	\$ 3,845,910	\$ 3,699,179	Weekly	Notice prior to Wednesday
U.S. equity funds	18,615,889	16,202,516	Daily	5 days
Fixed income funds	13,758,239	10,372,819	Daily	1 day
Global equity funds	27,188,032	26,152,488	Monthly/Quarterly	30 days
Private partnerships	2,151,336	457,609	Annually	Hold 3 years, then up to 1/10 annually in April
Hedge fund of funds	6,823,923	16,079,379	Quarterly	45 days

College of Saint Benedict

Notes to Financial Statements

June 30, 2020 and 2019

There were \$270,000 and \$0 of unfunded commitments or remaining life for the private partnership funds noted above as of June 30, 2020 and 2019.

Intermediate term funds: The objective of this fund is to produce a total return in excess of its benchmark, the Merrill Lynch 1-3 Year Treasury Index and to generate a higher current yield than short-term money market investments in a manner that mitigates the chances of a negative total return over any 12-month period.

U.S. equity funds: The objective of this fund is to maintain significantly less volatility than the U.S. equity market while delivering market-like returns over a full market cycle.

Fixed income funds: The objective of this fund is to maintain significantly less volatility while delivering fixed returns in the form of periodic payments.

Global equity funds (a): The Emerging Market Equity Strategy aims to achieve long-term capital growth from investing in companies that derive the majority of their profits from the emerging economies.

Global equity funds (b): The fund's investment objective is to generate long-term capital appreciation by investing in a long-only concentrated portfolio of global equity securities.

Private partnerships: Private investment and long-term holding company with ownership in a diversified portfolio of established profitable and growing businesses.

Hedge fund of funds: The fund is investing predominantly in limited partnerships and similar pooled investment vehicles managed by independent portfolio managers that employ diverse, alternative investment strategies across a variety of asset classes.

Note 6: Beneficial Interest in Trusts

The College is the beneficiary of charitable remainder trusts administered by outside parties from which the College will not receive a distribution until the death of the named beneficiaries. The estimated value of the expected residual benefit (which represents the fair value of the trust assets, less the present value of the estimated future payments to income beneficiaries based on applicable mortality tables) of these trusts was \$502,880 and \$499,270 at June 30, 2020 and 2019, respectively.

The College is also the beneficiary under a perpetual trust administered by an outside party. Under the term of the trust, the College has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trusts. The estimated value of the expected future cash flows is \$750,800 and \$769,890, which represents the fair value of the trust assets at June 30, 2020 and 2019, respectively.

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

Note 7: Property and Equipment

The College's property and equipment are as follows:

	2020	2019
Land and improvements	\$ 11,737,574	\$ 11,670,400
Buildings	145,612,005	131,556,953
Furniture and equipment	28,393,483	28,146,621
Library books	4,523,740	4,726,820
Software	1,598,197	1,598,197
Construction in progress	1,817,154	12,425,253
	<u>193,682,153</u>	<u>190,124,244</u>
Accumulated depreciation	<u>(76,313,842)</u>	<u>(72,980,308)</u>
	<u><u>\$ 117,368,311</u></u>	<u><u>\$ 117,143,936</u></u>

At June 30, 2020, the following construction projects were in progress:

	Costs-to-Date	Estimated Total Costs	Funding Plan
ASC venting	\$ 1,666,017	\$ 2,000,000	R&R*
BAC kiln structure	20,440	21,420	R&R*
HCC roof	11,785	250,000	R&R*
Hyflex computer system	57,961	225,000	R&R*
Landscaping	10,593	12,000	R&R*
Murray hall renovation	44,120	250,000	R&R*
Parking lots	6,238	100,000	R&R*
	<u><u>\$ 1,817,154</u></u>	<u><u>\$ 2,858,420</u></u>	

*Repairs and replacements

Note 8: Annuities Payable

The College has been the recipient of several gift annuities, which require future payments to donors or their named beneficiaries. The College has recorded a liability in the amount of \$454,154 and \$477,233 at June 30, 2020 and 2019, respectively, which represents the present value of the future annuity obligations. The liability has been determined using Internal Revenue Service annuity tables.

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

Note 9: Long-Term Debt

Long-term debt consists of the following:

	2020	2019
Minnesota Higher Education Facilities Authority		
Revenue Bonds Series 7-T	\$ 1,905,000	\$ 2,350,000
Revenue Bonds Series 8-K	32,740,000	33,570,000
Revenue Refunding Bond Series 2017	6,510,000	6,800,000
SOSB Note Payable	124,126	179,490
	41,279,126	42,899,490
Unamortized premium	2,525,752	2,638,695
Deferred debt acquisition costs, net	(327,885)	(347,442)
	\$ 43,476,993	\$ 45,190,743

The College has loans outstanding with the Minnesota Higher Education Facilities Authority (the Authority) in connection with bonds issued by the Authority:

- In January 2013, the Minnesota Higher Education Facilities Authority issued Revenue Bonds Series 7-T on behalf of the College totaling \$5,235,000. The bonds are secured by the full faith and credit of the College and certain reserves. The Series 7-T Bonds refunded the Series 5-W Bonds in full. Interest at 2.6% is payable semiannually on March 1 and September 1. The bonds mature in annual principal installments ranging from \$425,000 to \$495,000 on March 1 through 2024. The Series 7-T Bonds are subject to various restrictive covenants, which include the requirement that the College meet a revenue/expenditure test and maintain a certain level of board-designated (without donor restriction) endowment net assets. The College's ability to incur additional long-term debt may be limited.
- In April 2016, the Minnesota Higher Education Facilities Authority issued Revenue Bond Series 8-K on behalf of the College totaling \$34,360,000. The bonds are secured by the full faith and credit of the College and certain reserves. The Series 8-K Bonds, together with other College funds, are to be used for the purchase and renovation of several campus buildings as well as upgrades and other improvements to the physical plant. Interest ranging from 3% to 5% is payable semi-annually on March 1 and September 1. The bonds mature in annual principal installments ranging from \$790,000 to \$1,355,000 on March 1 through 2031, with payments of \$7,715,000 and \$11,830,000 due on March 1, 2037 and 2043, respectively. The Series 8-K Bonds are subject to various restrictive covenants, which include the requirement that the College meet a revenue/expenditure test and maintain a certain level of unrestricted board designated endowment net assets. The College's ability to incur additional long-term debt may be limited.

College of Saint Benedict

Notes to Financial Statements

June 30, 2020 and 2019

- In December 2017, the Minnesota Higher Education Facilities Authority issued Revenue Refunding Bond, Series 2017 on behalf of the College totaling \$7,080,000. The College used the bond proceeds, together with other College funds to refund on a current refunding basis the remaining outstanding principal plus interest to the March 1, 2018 redemption date of the Authority's Revenue Bonds, Series 6-V and refund on an advance refunding basis the remaining outstanding principal plus interest to the March 1, 2020 redemption date of the Revenue Bonds, Series 7-M and pay certain issuance costs. The bonds are secured by a pledge of the loan repayments, which are a general obligation of the College. Interest rates range from 3% to 4% and is payable semi-annually on March 1 and September 1. The bonds mature in annual principal installments ranging from \$460,000 to \$1,525,000 on March 1 through 2032. The Series 2017 Bonds are subject to various restrictive covenants, which include the requirement that the College meet a revenue/expense test and maintain a certain level of unrestricted board designated endowment net assets. The College's ability to insure additional long-term debt may be limited.
- In March 2012, the College entered into a mortgage note payable agreement with the Sisters of the Order of St. Benedict (SOSB) to purchase the power plan building totaling \$498,300. The agreement requires monthly payments of \$5,225, including interest at 4.75%, through July 2022.

The future maturities of long-term debt is as follows:

2020	\$ 1,668,052
2021	1,720,870
2022	1,735,204
2023	1,800,000
2024	1,370,000
Thereafter	<u>32,985,000</u>
	<u>\$ 41,279,126</u>

Note 10: Net Assets

Net Assets Without Restrictions

Net assets without restrictions are:

	<u>2020</u>	<u>2019</u>
Available for operations	\$ 3,572,243	\$ 3,364,218
Board-designated endowment	8,793,742	8,554,688
Board-designated reserves	15,561,275	19,428,789
Contractual limitations - debt service	4,660,489	4,986,406
Investment in property and equipment	<u>68,935,480</u>	<u>67,054,264</u>
	<u>\$ 101,523,229</u>	<u>\$ 103,388,365</u>

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

Net Assets With Restrictions

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

	2020	2019
Subject to expenditure for specified purpose		
Unexpended gifts	\$ 3,395,711	\$ 2,125,537
Subject to the passage of time		
Contributions receivable	2,120,710	2,772,124
Future interest in life estate	428,949	421,635
	<u>2,549,659</u>	<u>3,193,759</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs	15,926,655	15,765,566
Subject to College endowment spending policy	61,170,202	58,338,339
Funds held in trust	824,731	847,525
	<u>77,921,588</u>	<u>74,951,430</u>
Amounts to be held in perpetuity		
Annuities	1,187,874	1,163,827
Contributions receivable	5,696,571	5,762,062
	<u>6,884,445</u>	<u>6,925,889</u>
	<u>\$ 90,751,403</u>	<u>\$ 87,196,615</u>

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2020	2019
Unexpended gifts	\$ 3,699,065	\$ 7,036,622
Donor-restricted endowment	2,876,770	2,220,315
Annuities	-	67,465
Endowment	(1,000)	(61,408)
	<u>\$ 6,574,835</u>	<u>\$ 9,262,994</u>

College of Saint Benedict

Notes to Financial Statements

June 30, 2020 and 2019

Note 11: Endowment

The College's endowment consists of numerous individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The College's Board of Trustees is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The remaining portion of donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. When reviewing its donor-restricted endowment funds, the College considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The College has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the College and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the College
7. Investment policies of the College

The composition of net assets by type of endowment fund at June 30, 2020 and 2019, was:

	2020		
	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 77,921,588	\$ 77,921,588
Board-designated endowment funds	8,793,742	-	8,793,742
Total pooled endowment funds	<u>\$ 8,793,742</u>	<u>\$ 77,921,588</u>	<u>\$ 86,715,330</u>

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

	2019		
	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 74,951,430	\$ 74,951,430
Board-designated endowment funds	8,554,688	-	8,554,688
Total pooled endowment funds	\$ 8,554,688	\$ 74,951,430	\$ 83,506,118

Changes in endowment net assets for the years ended June 30, 2020 and 2019 were:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets July 1, 2018	\$ 8,279,138	\$ 69,825,769	\$ 78,104,907
Investment return	485,542	3,514,654	4,000,196
Contributions received	100,265	3,769,914	3,870,179
Appropriation of endowment net assets for expenditure	(310,257)	(2,158,907)	(2,469,164)
Endowment net assets June 30, 2019	8,554,688	74,951,430	83,506,118
Investment return	408,160	3,115,153	3,523,313
Contributions received	101,115	2,753,569	2,854,684
Appropriation of endowment net assets for expenditure	(270,221)	(2,898,564)	(3,168,785)
Endowment net assets June 30, 2020	\$ 8,793,742	\$ 77,921,588	\$ 86,715,330

Amounts of donor-restricted endowment funds classified as net assets with donor restrictions at June 30, 2020 and 2019, consisted of:

	2020	2019
Net assets with donor restrictions - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or UPMIFA	\$ 61,994,933	\$ 59,185,864
Net assets with donor restrictions Portion of perpetual endowment funds subject to a time restriction under UPMIFA with purpose restrictions	\$ 15,926,655	\$ 15,765,566

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the College is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. At June 30, 2020 and 2019, underwater endowment funds consisted of the following

	2020	2019
Original gift value	\$ 267,132	\$ 266,082
Fair value	235,406	235,263
	\$ 31,726	\$ 30,819

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets with donor restrictions.

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the College must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the College's policies, endowment assets are invested in a manner that is intended to produce results that exceed spending plus inflation while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The College 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.

The College has a policy of appropriating for expenditure each year the prior year's distribution plus 3.0%. If that rate falls below 4.0% or exceeds 6.0% of the average fair value of the endowment funds measured over a 12 quarter period, the spending will be reset to 5% of the average fair value. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long-term, the College expects the current spending policy to allow its endowment to grow at an average of 4.0% to 6.0% annually. This is consistent with the College's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

College of Saint Benedict

Notes to Financial Statements

June 30, 2020 and 2019

Note 12: Fair Value Measurements and Disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** 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 for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques used during the year ended June 30, 2020.

Investments

U.S. Government and Agency Securities and Commercial Paper: Investments in U.S. Government and agency securities and commercial paper for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Mutual Funds: Where quoted market prices are available in an active market, publicly traded U.S. equity small cap, other U.S. equity, global equity, debt securities and domestic fixed income funds are classified within Level 1 of the valuation hierarchy.

Privately Managed Funds: As a practical expedient, fair value of the intermediate term fund and privately managed funds is determined using the net asset value (NAV) (or its equivalent) supplied by the respective fund managers. Privately managed funds are therefore classified within the Investments Measured at NAV of the valuation hierarchy.

Fair value determinations for privately managed funds measured at NAV are the responsibility of the Business Office. The Business Office utilizes the valuation provided by the fund managers to generate fair value estimates on a monthly or quarterly basis and challenges the reasonableness of assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

College of Saint Benedict

Notes to Financial Statements

June 30, 2020 and 2019

Beneficial Interest in Trusts

The fair value of charitable remainder trusts is estimated using a discounted cash flow model. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

The fair value of perpetual trusts is estimated as the present value of the future distributions expected to be received over the term of the agreement, which approximates the fair value of the underlying investments of the trust, which primarily are marketable securities. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

	2020				
	Fair Value Measurements Using				
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)	
Short-term investments					
Intermediate term fund	\$ 3,845,910	\$ -	\$ -	\$ -	\$ 3,845,910
Funds held by trustees, including unspent bond proceeds					
U.S. Government and agency securities	1,130,732	-	1,130,732	-	-
Commercial paper	1,286,188	-	1,286,188	-	-
Long-term investments					
Mutual funds					
Other U.S. equity funds	16,756,831	16,756,831	-	-	-
Domestic fixed income funds	5,635,187	5,635,187	-	-	-
Privately managed funds					
U.S. equity funds	18,615,889	-	-	-	18,615,889
Global equity funds	27,188,032	-	-	-	27,188,032
Fixed income funds	13,758,239	-	-	-	13,758,239
Private partnerships	2,151,336	-	-	-	2,151,336
Hedge funds	6,823,923	-	-	-	6,823,923
Beneficial interest in trusts	1,253,680	-	-	1,253,680	-

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

	2019 Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)
Short-term investments					
Intermediate term fund	\$ 3,699,179	\$ -	\$ -	\$ -	\$ 3,699,179
Funds held by trustees, including unspent bond proceeds					
U.S. government and agency securities	2,346,342	-	2,346,342	-	-
Commercial paper	9,995	-	9,995	-	-
Long-term investments					
Mutual funds					
Other U.S. equity funds	10,367,655	10,367,655	-	-	-
Domestic fixed income funds	6,242,051	6,242,051	-	-	-
Privately managed funds					
U.S. equity funds	16,202,516	-	-	-	16,202,516
Global equity funds	26,152,488	-	-	-	26,152,488
Private partnerships	457,609	-	-	-	457,609
Hedge funds	16,079,379	-	-	-	16,079,379
Beneficial interest in trusts	1,269,160	-	-	1,269,160	-

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Beneficial Interest in Trusts
Balance, July 1, 2018	\$ 1,282,140
Net unrealized gains	(12,980)
Balance, June 30, 2019	1,269,160
Net unrealized losses	(15,480)
Balance, June 30, 2020	\$ 1,253,680

The College recognizes any transfers between fair value levels as of the end of the year. There were no such transfers for the years ended June 30, 2020 and 2019.

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

Unobservable (Level 3) Inputs

The fair value of the beneficial interest in trusts is estimated at the present value of the estimated expected future benefits to be received and was \$1,253,680 and \$1,269,160 at June 30, 2020 and 2019, respectively. The fair value of the interest in trusts is based on unobservable inputs such as the College's proportionate share of the fair value of the assets of each trust.

Note 13: Asset Retirement Obligation

Accounting principles generally accepted in the United States of America require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The College's conditional asset retirement obligations primarily relate to asbestos contained in buildings that the College owns. Environmental regulations require the College to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished.

A summary of changes in asset retirement obligations for the years ended June 30, 2020 and 2019, is included in the table below.

	<u>2020</u>	<u>2019</u>
Balance, beginning of the year	\$ 1,600,427	\$ 2,129,126
Abatements	-	(189,505)
Accretion expense and other adjustments	<u>32,169</u>	<u>(339,194)</u>
Balance, end of year	<u>\$ 1,632,596</u>	<u>\$ 1,600,427</u>

Note 14: Related Party Transactions

The College is an affiliated organization of the Sisters of the Order of Saint Benedict of St. Joseph, Minnesota (the "Order"). Certain members of the Order are employees of the College and certain members of the Board of Trustees of the College are also members of the Order. At June 30, 2020, the College has an amount overpaid by the Order totaling \$28,255. At June 30, 2019, the College has an amount underpaid by the Order totaling \$16,846.

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

Note 15: Coordinate Effort

The College and Saint John's University operate under a Financial Principals agreement wherein academic expenses are shared between the two institutions. Academic expenses are shared based on an annually agreed-upon percentage. Shared administrative costs under the agreement are split evenly, or occasionally on an alternative agreed-upon basis. Certain other programs are split based upon focus on each the individual institutions. At June 30, 2020, the amount payable to Saint John's University is \$117,708. At June 30, 2019, the amount receivable from Saint John's University \$193,156.

Note 16: Pension and Other Postretirement Benefit Plans

The College has certain defined contribution pension plans covering academic and nonacademic personnel. Contributions for employees are determined on a percentage of annual salary. The cost of the retirement plans is paid currently and approximated \$1,927,191 and \$1,980,709 for the years ended June 30, 2020 and 2019, respectively.

Note 17: Self-Insurance

The College provides medical benefits through a self-insurance plan which is available to all employees of the College for certain medical expenses. Accrued liabilities include a reserve of \$245,227 and \$297,635 for the years ended June 30, 2020 and 2019, respectively, representing an estimate of amounts due and payable on existing claims for which the College is self-insured and which are expected to be settled currently. The College is insured for the first \$215,000 per claim with an aggregate stop loss of \$5,214,415.

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

Note 18: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019 comprise the following:

	2020	2019
Cash and cash equivalents	\$ 17,068,397	\$ 18,101,641
Student receivables	387,446	698,020
Other receivables	1,724,575	1,015,359
Redeemable investments	98,594,448	94,415,766
Funds held by trustees, including unspent bond proceeds	2,417,020	2,356,387
Contributions receivable due within one year, net	<u>1,761,792</u>	<u>1,653,638</u>
Total liquid financial assets	<u>121,953,678</u>	<u>118,240,811</u>
Donor-imposed restrictions		
Restricted funds, less beneficial interest in trusts	3,758,854	2,441,839
Endowments	<u>77,921,588</u>	<u>74,951,430</u>
Total donor-imposed restrictions	<u>81,680,442</u>	<u>77,393,269</u>
Board-designated endowment	8,793,742	8,554,688
Board-designated reserves	<u>15,561,275</u>	<u>19,428,789</u>
Total board-designated	<u>24,355,017</u>	<u>27,983,477</u>
Funds held by trustees, including unspent bond proceeds	<u>2,417,020</u>	<u>2,356,387</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,501,199</u>	<u>\$ 10,507,678</u>

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

The College manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The College has liquidity operating procedures to maintain current financial assets less current liabilities. Short-term operating funds are managed weekly to ensure maximum short-term returns while maintaining operating expense payments. The College budgets to add funds to unrestricted undesignated net assets on an annual basis. Future cash flows are estimated and reserves monitored annually. During the years ended June 30, 2020 and 2019, the level of liquidity and reserves was managed within the operating procedure requirements.

College of Saint Benedict
Notes to Financial Statements
June 30, 2020 and 2019

Note 19: Concentrations

Accounting principles generally accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. Approximately 13% and 6% of all private gifts and grants were received from one donor in 2020 and 2019, respectively. In addition, approximately 60% of gross contributions receivable as of June 30, 2020 and 2019 were due from one donor.

Note 20: U.S. Department of Education Financial Responsibility Ratio Information

The following information is required by the U.S. Department of Education for the year ended June 30, 2020:

	2020
Annuities with donor restrictions	\$ 1,187,874
Term endowments with donor restrictions	-
Life income funds with donor restrictions	-
Total annuities, term endowments and life income funds with donor restrictions	1,187,874
Unsecured related party receivables	-
Secured related party receivables	-
Total related party receivables	-
Property and equipment, including construction in progress, net of accumulated depreciation - pre-implementation	117,143,936
Property and equipment, including construction in progress, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	-
Property and equipment, including construction in progress, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	224,375
Total property and equipment	117,368,311
Long-term debt obtained for long-term purposes - pre-implementation	45,538,185
Long-term debt obtained for long-term purposes - post-implementation	-