

Financial Statements Together with  
Report of Independent Certified Public  
Accountants

**St. Francis College**

June 30, 2019 and 2018

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of  
**St. Francis College:**

We have audited the accompanying financial statements of St. Francis College (the "College"), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 College'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 College'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 St. Francis College, as of June 30, 2019 and 2018, 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.



New York, New York  
February 10, 2020

**St. Francis College**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 375,148	\$ 710,369
Receivables:		
Student accounts, net	2,320,061	2,108,347
Contributions, net	474,809	3,034,661
Student notes, net	492,061	539,321
Grants and other receivables	458,549	1,240,391
Prepaid expenses and other assets	795,227	631,964
Investments	70,395,007	74,008,715
Funds held by trustee	609,804	616,277
Cash restricted for loan programs	81,767	40,993
Property, equipment and collections, net	53,486,991	54,155,408
Total assets	\$ 129,489,424	\$ 137,086,446
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 6,205,348	\$ 7,060,786
Deferred revenue and student deposits	671,728	775,020
Line of credit facility	5,000,000	-
Deferred contract revenue	556,701	1,158,723
Long-term debt, net	32,984,837	33,750,815
Refundable loan program	508,798	505,083
Total liabilities	45,927,412	43,250,427
Commitments and contingencies		
<b>NET ASSETS</b>		
Without restrictions	52,194,475	64,826,542
With restrictions	31,367,537	29,009,477
Total net assets	83,562,012	93,836,019
Total liabilities and net assets	\$ 129,489,424	\$ 137,086,446

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

**St. Francis College**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2019, with summarized totals for 2018**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>Revenues and support</b>				
Student related revenue	\$ 32,308,765	\$ -	\$ 32,308,765	\$ 35,307,719
Government appropriations	683,244	-	683,244	587,148
Gifts and grants	2,474,493	1,624,274	4,098,767	7,688,331
Investment return	4,599,104	2,268,632	6,867,736	5,559,070
Other	2,321,080	-	2,321,080	2,196,136
Net assets released from restrictions	1,534,846	(1,534,846)	-	-
<b>Total revenues and support</b>	<b>43,921,532</b>	<b>2,358,060</b>	<b>46,279,592</b>	<b>51,338,404</b>
<b>Expenses</b>				
Instruction	15,108,996	-	15,108,996	15,477,760
Academic support	4,642,088	-	4,642,088	4,151,365
Student services	11,184,377	-	11,184,377	10,905,717
Institutional support	13,504,635	-	13,504,635	13,656,469
Operation and maintenance of plant	5,864,465	-	5,864,465	5,939,949
Interest expense	1,539,203	-	1,539,203	1,477,217
Depreciation expense	4,709,835	-	4,709,835	4,354,123
<b>Total expenses</b>	<b>56,553,599</b>	<b>-</b>	<b>56,553,599</b>	<b>55,962,600</b>
<b>Change in net assets</b>	<b>(12,632,067)</b>	<b>2,358,060</b>	<b>(10,274,007)</b>	<b>(4,624,196)</b>
<b>Net assets, beginning of year</b>	<b>64,826,542</b>	<b>29,009,477</b>	<b>93,836,019</b>	<b>98,460,215</b>
<b>Net assets, end of year</b>	<b>\$ 52,194,475</b>	<b>\$ 31,367,537</b>	<b>\$ 83,562,012</b>	<b>\$ 93,836,019</b>

The accompanying notes are an integral part of this financial statement.

**St. Francis College**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and support</b>			
Student related revenue	\$ 35,307,719	\$ -	\$ 35,307,719
Government appropriations	587,148	-	587,148
Gifts and grants	5,069,804	2,618,527	7,688,331
Investment return	3,637,771	1,921,299	5,559,070
Other	2,196,136	-	2,196,136
Net assets released from restrictions	2,006,156	(2,006,156)	-
Total revenues and support	<u>48,804,734</u>	<u>2,533,670</u>	<u>51,338,404</u>
<b>Expenses</b>			
Instruction	15,477,760	-	15,477,760
Academic support	4,151,365	-	4,151,365
Student services	10,905,717	-	10,905,717
Institutional support	13,656,469	-	13,656,469
Operation and maintenance of plant	5,939,949	-	5,939,949
Interest expense	1,477,217	-	1,477,217
Depreciation expense	4,354,123	-	4,354,123
Total expenses	<u>55,962,600</u>	<u>-</u>	<u>55,962,600</u>
Change in net assets	<u>(7,157,866)</u>	<u>2,533,670</u>	<u>(4,624,196)</u>
<b>Net assets, beginning of year</b>	<u>71,984,408</u>	<u>26,475,807</u>	<u>98,460,215</u>
<b>Net assets, end of year</b>	<u>\$ 64,826,542</u>	<u>\$ 29,009,477</u>	<u>\$ 93,836,019</u>

The accompanying notes are an integral part of this financial statement.

**St. Francis College**

**STATEMENT OF CASH FLOWS**

**For the years ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ (10,274,007)	\$ (4,624,196)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	4,709,835	4,324,124
Uncollectible student accounts and loans receivable	420,642	255,414
Allowance and discount for multi-year pledges	624,858	(637,042)
Amortization of bond discount and issuance costs	44,022	44,022
Donor restricted contributions to endowment	(327,079)	(684,240)
Realized and unrealized gain on investments	(6,867,736)	(5,559,070)
Changes in assets and liabilities:		
Student accounts receivable	(621,690)	(420,992)
Contributions receivable	1,934,994	(94,861)
Grants and other receivables	781,842	40,016
Prepaid expenses and other assets	(163,263)	(128,094)
Accounts payable and accrued expenses	(1,100,711)	1,798,190
Deferred revenue and student deposits	(103,292)	41,828
Deferred contract revenue	(602,022)	(602,022)
Net cash used in operating activities	(11,543,607)	(6,246,923)
<b>Cash flows from investing activities</b>		
Proceeds from maturities and sale of investments	21,523,450	13,477,707
Purchases of investments	(11,042,006)	(6,100,000)
Collections of loans to students	36,594	51,023
Advances of loans to students	-	(50,628)
Purchase of property, plant, and equipment	(4,041,418)	(2,568,221)
Net cash provided by investing activities	6,476,620	4,809,881
<b>Cash flows from financing activities</b>		
Donor restricted contributions to endowment	327,079	684,240
Repayments of long-term debt	(810,000)	(775,000)
Restricted cash	(40,774)	(1,374)
Funds held by bond trustee	6,473	(39,490)
Refundable loan program	3,715	(5,425)
Line of credit facility	5,000,000	-
Capital lease	245,273	-
Net cash provided by (used in) financing activities	4,731,766	(137,049)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(335,221)	(1,574,091)
<b>Cash and cash equivalents, beginning of year</b>	710,369	2,284,460
<b>Cash and cash equivalents, end of year</b>	\$ 375,148	\$ 710,369
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 1,542,703	\$ 1,479,671

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



**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**1. ORGANIZATION**

St. Francis College (the "College"), located in Brooklyn Heights, New York, is a private, nonprofit, independent, co-educational college chartered by the Legislature of the State of New York and the Board of Regents of the University of the State of New York and accredited by the Middle States Commission on Higher Education.

The College offers undergraduate degree programs in the arts, sciences, and professions. The College welcomes students from various backgrounds and provides a liberal arts education at an affordable price. By integrating liberal arts and pre-professional programs, the College promotes the development of the whole person.

Both the Franciscan heritage and the Catholic tradition establish a cornerstone of academic excellence, social responsibility, and mutual respect throughout the entire College community. The College derives its revenues principally from student tuition and fees, government appropriations, grants, contracts and gifts and investment returns. The College expends these resources to meet its instructional and educational mission.

The College has been classified as a Section 501(c)(3) organization and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and similar provisions under New York state tax laws.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and,
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

The College adopted ASU 2016-14 as of and for the year ended June 30, 2019.

Accordingly, the College's resources are classified and reported based upon the existence or absence of donor-imposed restrictions, as follows:

*Without Donor Restrictions* - net assets that are not subject to donor-imposed restrictions and, therefore, are available to meet the College's objectives. Net assets without donor restrictions may also be designated by the College's Board of Trustees (Notes 14 and 20).

*With Donor Restrictions* - net assets that are subject to donor-imposed restrictions that either expire with the passage of time, can be fulfilled and removed by the actions of the College pursuant to those restrictions. In addition, net assets with donor restrictions also include net assets whereby the respective donors have stipulated that the corpus contributed be invested and/or maintained in perpetuity. Income earned from these investments is available for expenditures according to restrictions, if any, imposed by donors. (Notes 15 and 20).

A presentation of net assets as previously reported as of June 30, 2018 and 2017, and as required under ASU 2016-14 follows:

	<b>June 30, 2018</b>			
	<b>Presentation under ASU 2016-14</b>			
	<b>As Previously Presented</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Net assets:				
Unrestricted	\$ 64,826,542	\$ 64,826,542	\$ -	\$ 64,826,542
Temporarily restricted	15,013,028	-	15,013,028	15,013,028
Permanently restricted	<u>13,996,449</u>	<u>-</u>	<u>13,996,449</u>	<u>13,996,449</u>
Total net assets	<u>\$ 93,836,019</u>	<u>\$ 64,826,542</u>	<u>\$ 29,009,477</u>	<u>\$ 93,836,019</u>

	<b>June 30, 2017</b>			
	<b>Presentation under ASU 2016-14</b>			
	<b>As Previously Presented</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Net assets:				
Unrestricted	\$ 71,984,408	\$ 71,984,408	\$ -	\$ 71,984,408
Temporarily restricted	13,163,598	-	13,163,598	13,163,598
Permanently restricted	<u>13,312,209</u>	<u>-</u>	<u>13,312,209</u>	<u>13,312,209</u>
Total net assets	<u>\$ 98,460,215</u>	<u>\$ 71,984,408</u>	<u>\$ 26,475,807</u>	<u>\$ 98,460,215</u>

Revenues and gains and losses on investments and other assets are reported as changes in net assets without donor restrictions unless limited by explicit donor-imposed stipulations. Expenses are reported as decreases in net assets without restrictions. Expirations of net assets with donor restrictions; that is, the donor-imposed stipulated purpose has been accomplished, and/or the stipulated time period has elapsed, are reported as net assets released from restrictions. Provisions for uncollectible multi-year pledges, if any, are charged directly to the respective restricted net assets to which they relate. As a result of changes in donor stipulations, certain net assets may be reclassified from time to time.

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

Income and net gains on investments of endowment and similar funds are reported as increases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income, or if such returns are pending Board appropriation.

***Fair Value Measurements***

Fair value is the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by U.S. GAAP for fair value measurement, the College uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

The College uses, where appropriate, the Net Asset Value (“NAV”) per share, or its equivalent to determine the fair value as of the measurement date of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. As required by the practical expedient, the College separately discloses the information required for assets measured at NAV and also shows the carrying amount of investments at NAV as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

***Revenue***

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC 606”), the College recognizes revenue when control of the promised goods or services are transferred to the College’s students or outside parties in an amount that reflects the consideration the College expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The College has identified student related revenue, government appropriations, and other revenues as revenue categories subject to the adoption of ASC 606. The College recognizes contracts with customers, as goods or services transferred or provided in accordance with ASC 606.

The results of applying ASC 606 using the modified retrospective approach did not have a material impact on the statement of financial position, statements of activities, cash flows, business processes, controls or systems of the College.

The College derives its revenue principally from student related revenue through tuition and fees, government appropriations, gifts and grants and investment returns. The carrying value of student receivables has been reduced by an estimated allowance for uncollectible accounts, based on historical collection experience, and therefore, approximates net realizable value. Receivables are written off in the period in which they are deemed to be uncollectible. Amounts received in advance are reported as deferred revenues.

***Contributions, Grants and Annuity Life Income Agreements***

The College recognizes revenue from contributions, grants and contracts in accordance with Accounting Standards Update (ASU) 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Accordingly, the College evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the College applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, the College evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the College is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

The College records contributions of cash and other assets when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either with donor restrictions or without donor restrictions, based upon the presence or absence of donor-imposed restrictions. The College reports gifts of cash or other assets as restricted support if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a 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 accompanying financial statements as net assets released from restrictions. The College reports pledges expected to be collected within one year at net realizable value. Pledges to be paid to the College over a period of years are recorded at their estimated present value using a risk-adjusted rate.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of money market funds and liquid financial instruments, including U.S. government and government agency obligations, bank certificates of deposit, commercial paper, corporate notes, and short-term and intermediate-term investment funds, with original maturities of three months or less, except for those managed by the College's investment managers as part of their long-term investment strategies.

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and reported in the accompanying statements of financial position based upon quoted market prices. In the absence of readily ascertainable market values, the fair values of these financial instruments are based on estimates and assumptions determined by the respective fund managers, which the College believes are reasonable and appropriate.

***Risks and Uncertainties***

Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments could occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements. Management believes that it has mitigated market risk by diversifying its portfolio.

***Property, Equipment, and Collections***

Property, equipment and art collections are stated at cost if purchased or at fair value if donated. All gifts of land, buildings, and equipment are recorded without restrictions unless explicit donor stipulations specify how the donated assets must be used, in which case the gifts are recorded as with restrictions.

Maintenance, repairs and minor improvements are charged as expense as incurred. Major improvements, which substantially extend the useful lives of assets, are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is recorded in the statement of activities.

Depreciation is computed on the straight-line basis over the estimated useful lives of the buildings (20 to 50 years), building improvements (10 to 30 years), and equipment (5 to 10 years). Certain assets of the College meet the criteria of collections and accordingly are not depreciated.

The College's capitalization policy requires that all donated or purchased property with a cost or fair value of \$5,000 or more be recorded as a capital asset.

***Refundable Loan Program***

Funds provided by the U.S. Government under the Federal Perkins Student Loan program were loaned to qualified students and were re-loaned after collection. These funds are ultimately refundable to the government and are presented in the accompanying statements of financial position as a liability.

On September 30, 2015, the Federal Perkins Loan Program expired, however, the Federal Perkins Loan Extension Act of 2015, enacted on December 18, 2015, effectively extended the Perkins Loan Program through September 30, 2017. No additional legislation was introduced to extend the Program any further, the Perkins Loan Program expired as of September 30, 2017. No new federal student loans will be issued through the Perkins student loan program.

***Income Taxes***

The College adopted the provisions of ASC 740 Accounting for Uncertainties in Income Taxes. ASC 740-10 clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority.

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The College is exempt from federal and New York income taxation by virtue of being an organization described in Section 501(c)(3) of the IRC and similar provisions of the New York State tax code. Nevertheless, the College may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Management believes that there are no material uncertain tax positions within its financial statements.

***Conditional Asset Retirement Obligations***

Accounting standards governing Asset Retirement Obligations required the College to recognize the cost associated with the eventual remediation and abatement of asbestos located within certain of the College's existing buildings. Based on the results of a site-specific survey previously conducted, such liability approximated \$41,800 and \$16,700 at June 30, 2019 and 2018, respectively, and has been included within accounts payable and accrued expenses on the accompanying statements of financial position.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

***Recently Issued Accounting Pronouncements***

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the College for fiscal year 2020. Early adoption is permitted. The College is in the process of evaluating the impact this standard will have on the financial statements.

***Reclassifications***

Certain information in the fiscal 2018 financial statements have been reclassified to conform to the fiscal 2019 presentation. There were no changes in total assets, liabilities, or changes in net assets as reflected in the fiscal 2018 financial statements.

**3. REVENUE RECOGNITION**

The College has various revenue streams that revolve mainly around student enrollment and instruction. Revenue is generated mainly through tuition, housing, meals and various fees associated with enrollment in the College. Generally, enrollment and instructional services are billed when a course or term begins, and paid within thirty days of the bill date.

Revenue is also generated through late fees and payment plan fees for tuition payments, as well as from various parking facilities and vending machines across campuses. Generally, this other fees revenue is recognized when the fee is charged to the student, which coincides with the completion of the specific performance obligation to the student.

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

In the following table, revenue is disaggregated by type of service provided:

	<b>For the year ended June 30, 2019</b>		
	<b>Tuition and Fees</b>	<b>Housing</b>	<b>Total</b>
Revenues	\$ 59,331,961	\$ 2,364,188	\$ 61,696,149
Less: College scholarships	(28,465,427)	(489,204)	(28,954,631)
Less: Federal financial assistance	(432,753)	-	(432,753)
Net	\$ 30,433,781	\$ 1,874,984	\$ 32,308,765
	<b>For the year ended June 30, 2018</b>		
	<b>Tuition and Fees</b>	<b>Housing</b>	<b>Total</b>
Revenues	\$ 56,751,894	\$ 1,941,372	\$ 58,693,266
Less: College scholarships	(22,612,689)	(465,666)	(23,078,355)
Less: Federal financial assistance	(307,192)	-	(307,192)
Net	\$ 33,832,013	\$ 1,475,706	\$ 35,307,719

Deferred revenue at June 30, 2019 and 2018 totaled \$671,728 and \$775,020, respectively, and primarily represents the College's performance obligation to transfer future enrollment and instructional services to students. The changes in deferred revenues were caused by normal timing differences between the satisfaction of performance obligations and customer payments.

The College has elected, as a practical expedient, not to disclose additional information about unsatisfied performance obligations for contracts with customers that have an expected duration of one year or less.

Certain tuition and fees have been pledged as collateral for the College's Series 2010 Revenue Bonds (Note 11).

**4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

The College's working capital and cash flows have seasonal variations during the year attributable to tuition billing and a concentration of contributions received at calendar and fiscal year-end. To manage liquidity, the College can use a portion of the quasi-endowment fund for general expenditures with the approval from the College's Board of Trustees, subject to investment liquidity provisions.

St. Francis College

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

The following reflects the College's financial assets as of June 30, 2019, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board of Trustees approves this action.

Cash and cash equivalents	\$ 375,148
Student accounts receivable, net	2,320,061
Contributions receivable, net	474,809
Student loans receivable, net	492,061
Grants and other receivables	458,549
Investments	<u>70,395,007</u>
Financial assets, at year-end	74,515,635
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Donor restricted endowment	(25,868,930)
Donor restricted grants and scholarships	(5,498,607)
Contributions receivable due in greater than one year	(179,642)
Refundable loan program	(508,798)
Annuity and life income agreements	(67,339)
Funds held by trustee	(609,804)
Board designations:	
Quasi-endowment fund, primarily for long-term investing	(16,161,620)
Endowment spending distribution:	
Fiscal year 2020 endowment appropriation	3,732,522
Fiscal year 2020 quasi-endowment special appropriation	<u>8,500,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 37,853,417</u>

**5. STUDENT ACCOUNTS RECEIVABLE, NET**

Student accounts receivable are reported net of an allowance for doubtful accounts of \$1,693,381 and \$1,283,405 at June 30, 2019 and 2018, respectively.



St. Francis College

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

6. INVESTMENTS

A summary of investments at June 30, 2019 and 2018, follows:

	<u>2019</u>	<u>2018</u>
Pooled Investments	\$ 70,327,667	\$ 73,938,182
Investments relating to annuity and life income agreements	67,340	70,533
	<u>\$ 70,395,007</u>	<u>\$ 74,008,715</u>

A summary of investment securities, at June 30, 2019 and 2018, follows:

	<u>2019</u>	<u>2018</u>
Cash held for investment	\$ -	\$ 2,200,000
Money market funds	734,955	134,004
Equity mutual funds	14,446,834	21,774,671
Fixed income mutual funds	14,265,089	8,838,826
Private real estate fund	946,595	2,213,228
Hedge funds and private equity funds	40,001,534	38,847,986
	<u>\$ 70,395,007</u>	<u>\$ 74,008,715</u>

The College's interest in alternative investments (principally limited partnership interests in public equity, hedge funds, real estate funds, private debt, and other similar funds) are reported at net assets value ("NAV") per share. NAV is determined by the underlying investment managers and is based on appraisals or other estimates that require varying degrees of judgement. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer and subsequent developments concerning the companies to which the securities relate. The College has performed due diligence on these investments and uses NAV as a practical expedient. Accordingly, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

The following table presents the fair value hierarchy of the College's investments, measured at fair value, as of June 30, 2019.

	<b>Fair Value</b>		
	<u>Level 1</u>	<u>Net Asset Value</u>	<u>Total</u>
Equity mutual funds	\$ 14,446,834	\$ -	\$ 14,446,834
Fixed income mutual funds	14,265,089	-	14,265,089
Private real estate fund	-	946,595	946,595
Hedge funds and private equity funds	-	40,001,534	40,001,534
	<u>\$ 28,711,923</u>	<u>\$ 40,948,129</u>	69,660,052
Money market funds			<u>734,955</u>
			<u>\$ 70,395,007</u>

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

The following table details certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, for the fiscal year ended June 30, 2019:

<u>Strategy</u>	<u>NAV</u>	<u>Number of Funds</u>	<u>Remaining Life</u>	<u>Amount of Unfunded Commitments</u>	<u>Timing to Draw-Down Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Absolute Return Hedge Fund	\$ 6,942,968	2	N.A.	N.A.	N.A.	Monthly with 60 days notice, quarterly with 45 days notice, and annually with 60 days notice.	Subject to a 5% redemption fee
Private Equity Fund	33,058,566	13	1 to 6 years	\$4,095,587	Remaining life of fund	Redemption available with consent from fund investment manager.	None
Private Real Estate Fund	946,595	1	1 to 3 years	\$1,177,903	Remaining life of fund	Redemption available with consent from fund investment manager.	None
	<u>\$40,948,129</u>	<u>16</u>					

The following table presents the fair value hierarchy of the College's investments, measured at fair value, as of June 30, 2018.

	<b>Fair Value</b>		
	<u>Level 1</u>	<u>Net Asset Value</u>	<u>Total</u>
Equity mutual funds	\$ 21,774,671	\$ -	\$ 21,774,671
Fixed income mutual funds	8,838,826	-	8,838,826
Private real estate fund	-	2,213,228	2,213,228
Hedge funds	-	38,847,986	38,847,986
	<u>\$30,613,497</u>	<u>\$ 41,061,214</u>	<u>71,674,711</u>
Cash held for investments			2,200,000
Money market funds			<u>134,004</u>
			<u>\$ 74,008,715</u>

The following table details certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, for the fiscal year ended June 30, 2018:

<u>Strategy</u>	<u>NAV</u>	<u>Number of Funds</u>	<u>Remaining Life</u>	<u>Amount of Unfunded Commitments</u>	<u>Timing to Draw-Down Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Absolute Return Hedge Fund	\$ 16,387,158	4	N.A.	N.A.	N.A.	Monthly with 60 days notice, quarterly with 45 days notice, and annually with 60 days notice.	Subject to a 5% redemption fee
Private Equity Fund	23,108,473	11	1 to 6 years	\$ 11,868,474	Remaining life of fund	Redemption available with consent from fund investment manager.	None
Private Real Estate Fund	1,565,583	2	1 to 3 years	\$ 1,256,320	Remaining life of fund	Redemption available with consent from fund investment manager.	None
	<u>\$41,061,214</u>	<u>17</u>					

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**7. CONTRIBUTIONS RECEIVABLE, NET**

Contributions receivable, net, consisted of the following at June 30, 2019 and 2018, respectively:

	<b>2019</b>	<b>2018</b>
Amount expected to be collected:		
In one year or less	\$ 1,259,232	\$ 2,769,008
Between one year and seven years	179,642	604,860
	1,438,874	3,373,868
Less: discount to present value at 2.29% to 2.59%	(9,626)	(21,123)
Less: allowance for uncollectible amounts	(954,439)	(318,084)
	\$ 474,809	\$ 3,034,661

**8. STUDENT LOANS RECEIVABLE, NET**

The College made uncollateralized loans to students based on financial need. Student loans were funded through the Federal Government Perkins revolving loan program. At June 30, 2019 and 2018, student loans represented 0.38% and 0.39% of total assets, respectively.

At June 30, 2019 and 2018, student loans consisted of the following:

	<b>2019</b>	<b>2018</b>
Federal government programs	\$ 530,695	\$ 567,289
Less allowance for doubtful accounts:		
Beginning of year	(27,968)	(27,571)
Increase in allowance	(10,666)	(397)
	(38,634)	(27,968)
Student loans receivable, net	\$ 492,061	\$ 539,321

The availability of funds for loans under the program is dependent upon repayments of outstanding loans by students. Funds advanced to students of \$0 and \$50,628 for the years ended June 30, 2019 and 2018, respectively, are ultimately refundable to the government and are classified as liabilities in the statements 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.

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

At June 30, 2019 and 2018, the following amounts were past due under the Perkins student loan program:

<u>June 30,</u>	<u>240 Days or Less Past Due</u>	<u>240 Days to 2 Years Past Due</u>	<u>2 Years to 5 Years Past Due</u>	<u>5 Years or More Past Due</u>	<u>Total</u>
2019	\$ 40,881	\$ 49,944	\$ 119,440	\$ 108,512	\$ 318,777
2018	\$ 64,247	\$ 72,522	\$ 76,344	\$ 80,352	\$ 293,465

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms.

**9. PROPERTY, EQUIPMENT AND COLLECTIONS, NET**

Property, equipment and collections, net, consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Buildings	\$ 102,489,242	\$ 99,967,488
Furniture and equipment	425,420	411,342
Computer equipment	13,842,108	12,335,291
	<u>116,756,770</u>	<u>112,714,121</u>
Less accumulated depreciation	<u>(63,718,005)</u>	<u>(59,008,170)</u>
	53,038,765	53,705,951
Land	105,640	105,640
Artwork collection	200,205	200,205
Construction in progress	142,381	143,612
	<u>\$ 53,486,991</u>	<u>\$ 54,155,408</u>

Certain of the College's buildings have been pledged as collateral (Note 11).

**10. FUNDS HELD BY TRUSTEE**

In December 2014, the College, through the Dormitory Authority of the State of New York (the "DASNY"), issued \$12,585,000 of Series 2014 tax-exempt bonds for the purpose of refunding the College's existing tax-exempt Series 2004 bonds. Funds held by trustee under this issuance totaled \$37,575 and \$37,899 for the years ended June 30, 2019 and 2018, respectively, inclusive of \$27,463 in a debt service fund at June 30, 2019 and 2018, respectively.

In August 2010, DASNY issued \$25,000,000 of Series 2010 Revenue Bonds for the benefit of the College to finance various construction and renovation projects throughout the College's campus. Proceeds from

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

the August 2010 Revenue Bond issuance were initially deposited into a construction fund with a trustee. The proceeds were invested in qualified investments whose yield may not exceed the yield on the bonds. Funds held by trustee under this issuance totaled \$572,229 and \$578,378, which were fully comprised of a debt service fund at June 30, 2019 and 2018, respectively.

At June 30, 2019 and 2018, the College's funds held by trustee were held in cash and cash equivalents.

**11. BONDS PAYABLE**

In December 2014, the College, through DASNY, issued \$12,585,000 of Series 2014 tax-exempt bonds for the purpose of refunding the College's existing tax-exempt Series 2004 bonds. These Series 2014 bonds were sold directly to a bank that provided a ten-year commitment to hold the bonds at a fixed rate of 2.72%.

In December 2024, at the end of the ten-year commitment period, the bonds will be subject to mandatory tender and the rate will need to be reset or the bonds refunded.

The payment of the principal and interest on the bonds is guaranteed by the College. The bonds are not secured by any mortgage lien.

This agreement includes financial covenants with which the College is in compliance, in part, by utilizing \$8,500,000 and \$5,150,000, respectively, of quasi-endowment funds approved by the Board of Trustees to support operations during the fiscal year ended June 30, 2019 and 2018.

Interest payment dates are April 1 and October 1, which commenced April 1, 2015. For fiscal years 2019 and 2018, interest expense totaled \$314,904 and \$326,408, respectively. No interest was capitalized. Principal payments are made annually commencing on October 1, 2016.

Debt service payments for the DASNY Series 2014 bonds for each of the next five years and thereafter were as follows at June 30, 2019:

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 485,000	\$ 301,474	\$ 786,474
2021	505,000	286,672	791,672
2022	530,000	272,430	802,430
2023	555,000	258,656	813,656
2024	575,000	258,556	833,556
Thereafter	<u>8,615,000</u>	<u>359,885</u>	<u>8,974,885</u>
 Total DASNY Series 2014 bond payable	 11,265,000	 <u>\$ 1,737,673</u>	 <u>\$ 13,002,673</u>
 Add: Unamortized bond premium	 -		
Less: Unamortized bond issuance costs	<u>(260,217)</u>		
 Total DASNY Series 2014 bond payable	 <u>\$ 11,004,783</u>		

In August 2010, the College issued \$25,000,000 of tax exempt bonds through DASNY. The St. Francis College Revenue Bonds, Series 2010, are special obligations of DASNY, payable solely from and secured by a pledge of (i) certain payments to be made under a Loan Agreement between the College and the DASNY, and (ii) all funds and accounts (except the Arbitrage Rebate Fund) authorized under DASNY's St.

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

Francis College Revenue Bond Resolution, and established under the Series 2010 Resolution authorizing the Series 2010 Bonds, adopted June 23, 2010. The Loan Agreement is a general obligation of the College and requires the College to pay, in addition to the fees and expenses of DASNY and the Trustee, amounts sufficient to pay, when due, the principal, sinking fund installments, if any, and redemption price of and interest on the Series 2010 Bonds. The obligations of the College under the Loan Agreement are secured by a pledge of an amount equal to maximum annual debt service from tuition and fees charged to students for academic instruction, the right to receive the same and the proceeds thereof. Maximum annual debt service is defined as the maximum amount of annual debt service in any fiscal year up to the final maturity date of the bonds. A building on the College's property has been mortgaged to DASNY as part of the Loan Agreement.

The Serial Bonds mature through 2025 and incur interest at rates ranging from 2.00% to 4.63% per annum. The Term Bonds mature from 2026 to 2040 and incur interest at a rate of 5.00% per annum.

This agreement includes financial covenants with which the College is in compliance, in part, by utilizing \$8,500,000 and \$5,150,000, respectively, of quasi-endowment funds approved by the Board of Trustees to support operations during the fiscal year ended June 30, 2019 and 2018.

Interest payment dates are April 1 and October 1, and commenced April 1, 2011. For fiscal years 2019 and 2018, interest expense totaled \$1,115,314 and \$1,129,014, respectively. No interest was capitalized in fiscal years 2019 and 2018. Principal payments are made annually and commenced on October 1, 2011.

Annual sinking fund redemptions commenced on October 1, 2011. The Bonds are subject to optional redemption at any time on or after October 1, 2020. Mandatory redemption dates are as follows:

(1) for bonds maturing on October 1, 2032: October 1, 2026 - 2032 and (2) for bonds maturing on October 1, 2040: October 1, 2033 - 2040.

The Series 2010 Bonds maturing after October 1, 2020 are also subject to purchase in lieu of optional redemption prior to maturity at the election of the College on or after October 1, 2020, in any order, in whole or in part at any time, at a price of 100% of the principal amount thereof, plus accrued interest to the date set for purchase.

In addition, the Series 2010 Bonds are subject to redemption prior to maturity, in whole or in part, at 100% of the principal amount thereof plus accrued interest to the date of redemption, at the option of DASNY on any interest payment date, (i) from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Series 2010 Project, and (ii) from unexpended proceeds of the Series 2010 Bonds upon the abandonment of all or a portion of the Series 2010 Project due to a legal or regulatory impediment.

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

Debt service payments for DASNY Series 2010 bonds for each of the next five years and thereafter were as follows at June 30, 2019:

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 365,000	\$ 1,101,014	\$ 1,466,014
2021	380,000	1,085,876	1,465,876
2022	395,000	1,069,744	1,464,744
2023	410,000	1,052,531	1,462,531
2024	430,000	1,034,154	1,464,154
Thereafter	<u>20,575,000</u>	<u>12,783,597</u>	<u>33,358,597</u>
Total DASNY Series 2010 bond payable	22,555,000	<u>\$ 18,126,916</u>	<u>\$ 40,681,916</u>
Less: Unamortized bond discount, net	(189,864)		
Less: Unamortized bond issuance costs	<u>(385,082)</u>		
Total DASNY Series 2010 bond payable	<u>\$ 21,980,054</u>		

**12. LINE OF CREDIT FACILITY**

The College had a \$10 million unsecured line of credit that expired in March 2018. The line was subsequently reduced to \$8 million, with an extension in term through September 2019. The terms of the line are LIBOR plus 175 basis points or prime rate with a floor of 175 basis points. There was no demand deposit requirement under this agreement. At June 30, 2019 the amount outstanding under this facility was \$5,000,000.

The College exited the working capital line of credit after September 2019 with T.D. Bank and replaced it with an interim facility for a short-term line of credit with Brown Brothers Harriman, lent on margin against the quasi-endowment of the College.

During fiscal years 2019 and 2018, interest expense on this facility amounted to \$87,860 and \$24,249, respectively. No such interest was capitalized as part of project costs during the construction period.

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**13. NET ASSETS RELEASED FROM RESTRICTIONS**

Donor-imposed restrictions that were met during the years ended June 30, 2019 and 2018, were as follows:

	<b>2019</b>	<b>2018</b>
Academic support	\$ -	\$ 57,441
Instructional	42,644	43,251
Student services	1,805	35,671
Student aid	1,349,013	1,649,199
Pledge payments received	141,384	220,595
Total net assets released from restrictions	<b>\$ 1,534,846</b>	<b>\$ 2,006,157</b>

**14. NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions were held for the following purposes at June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Available for operations	\$ 10,431,949	\$ 10,164,475
Quasi-endowment	16,161,620	24,451,455
Investment in plant	21,069,478	20,925,432
Campaign	394,261	295,598
Renewals and replacements	891,467	5,747,681
Plant projects	3,141,000	3,141,000
Insitutional loans	104,700	100,901
Total net assets without restrictions	<b>\$ 52,194,475</b>	<b>\$ 64,826,542</b>

**15. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were held for the following purposes at June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Time restricted - for general college purposes	\$ 663,589	\$ 838,577
Purpose restricted:		
Scholarships	14,614,166	11,764,417
Campaign	1,258,195	2,025,175
Student services	508,059	384,859
Endowed scholarships	14,323,528	13,996,449
Total net assets with donor restrictions	<b>\$ 31,367,537</b>	<b>\$ 29,009,477</b>



**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**16. GOVERNMENT APPROPRIATIONS**

The College recognized revenues from government appropriations totaling \$683,244 and \$587,148 for the years ended June 30, 2019 and 2018, respectively.

**17. PENSION PLAN**

Substantially all employees of the College are covered under a defined contribution pension plan administered by the Teachers Insurance and Annuity Association (“TIAA”) and College Retirement Equities Fund (“CREF”). The College’s contribution to the pension plan is based on specified percentages of each employee’s annual salary. Pension expense for the years ended June 30, 2019 and 2018 was \$1,594,569 and \$1,682,109, respectively.

**18. EARLY RETIREMENT PROGRAM**

During fiscal years 2019 and 2018, the College offered a voluntary retirement package to employees who met certain age and years-of-service criteria. The associated liability under this program totaled \$179,559 and \$1,310,574 at June 30, 2019 and 2018, respectively, and was included within accounts payable and accrued expenses in the accompanying statements of financial position. The College paid this liability in full in August 31, 2019.

**19. EXPENSE ALLOCATIONS**

The College allocates operation and maintenance of plant, depreciation and amortization, and interest expense based on proportional expenditures using estimates of building square footage and the functional use of each facility financed by debt. The College’s primary program services are instructional support. Expenses reported as academic support, student services, and institutional support are incurred in support of this primary program activity. For the years ended June 30, 2019 and 2018, fundraising expenses incurred only by the College’s development office totaled \$511,342 and \$935,791 respectively, and are included within Institutional Support in the accompanying statements of activities.

Expenses by their natural classification and function are presented as follows for the fiscal year ended June 30, 2019 and 2018:

	2019				Total	2018 Total
	Instruction	Academic Support	Student Services	Institutional Support		
Salaries and wages	\$ 11,002,885	\$ 2,669,047	\$ 5,623,442	\$ 5,347,780	\$ 24,643,154	\$ 22,606,293
Benefits	3,455,005	722,388	1,529,611	1,403,456	7,110,460	7,727,231
Materials and supplies	185,283	195,889	207,498	235,889	824,559	843,933
Occupancy	303,973	849,648	2,241,038	2,165,569	5,560,228	803,368
Professional services	11,950	82,021	741,938	2,097,698	2,933,607	1,573,468
Conferences, meetings and travel	107,254	44,407	839,045	203,185	1,193,891	758,408
Other	42,646	78,688	1,805	2,051,058	2,174,197	9,878,610
	<u>15,108,996</u>	<u>4,642,088</u>	<u>11,184,377</u>	<u>13,504,635</u>	<u>44,440,096</u>	<u>44,191,311</u>
Operation and maintenance of plant	3,046,564	577,548	1,421,493	818,860	5,864,465	5,939,949
Depreciation	2,446,739	463,837	1,141,622	657,637	4,709,835	4,354,123
Interest	1,110,517	428,686	-	-	1,539,203	1,477,217
	<u>\$ 21,712,816</u>	<u>\$ 6,112,159</u>	<u>\$ 13,747,492</u>	<u>\$ 14,981,132</u>	<u>\$ 56,553,599</u>	<u>\$ 55,962,600</u>

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**20. ENDOWMENT NET ASSETS**

The College's endowment includes both donor-restricted endowed funds, principally established for student scholarships and, funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In September 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit corporations formed in the State of New York are required to adopt NYPMIFA.

The Board of Trustees of the College through its approved investment policy guidelines has interpreted NYPMIFA 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 stipulation to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions in perpetuity (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated by the Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA. From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. Under NYPMIFA, the College may spend below the historical dollar value of its endowment funds unless specific donors have stipulated to the contrary. Deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2019 and 2018, the College had underwater endowment funds \$11,371 and \$69,191, respectively.

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

1. The purpose of the organization and the donor-restricted endowment fund.
2. General economic condition.
3. The possible effect of inflation and deflation.
4. The expected total return from income and the appreciation of investments.
5. Other resources of the College.
6. The investment policy of the College.

Where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects on the College are also considered.

The Board approved spending policy of the College is that the long-term target for the annual amount distributed from the investments shall be 5.0% or less of the investment balance, calculated using a 3-year moving average of fair values, adjusted for contributions and distributions, which management determined to be substantially equivalent to a 5-year average. Amounts appropriated for expenditures in 2019 and 2018 were principally used to fund student scholarships.

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

The following presents the College's endowment net assets as of June 30, 2019 and 2018:

	<b>Net Assets</b>	<b>Net Assets With Donor Restrictions</b>			<b>Total Funds as of June 30, 2019</b>
	<b>Without Donor Restrictions</b>	<b>Accumulated Gains (Losses)</b>	<b>Original Gift</b>	<b>Total</b>	
Donor-restricted endowment funds	\$ -	\$ 11,545,402	\$ 14,323,528	\$ 25,868,930	\$ 25,868,930
Board-designated endowment funds	16,161,620	-	-	-	16,161,620
<b>Total endowment funds</b>	<b>\$ 16,161,620</b>	<b>\$ 11,545,402</b>	<b>\$ 14,323,528</b>	<b>\$ 25,868,930</b>	<b>\$ 42,030,550</b>

The following table summarizes the changes in endowment net assets for the year ended June 30, 2019:

	<b>Net Assets</b>	<b>Net Assets With Donor Restrictions</b>		
	<b>Without Donor Restrictions</b>	<b>Accumulated Gains (Losses)</b>	<b>Original Gift</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	\$ 24,451,455	\$ 9,651,169	\$ 13,996,449	\$ 48,099,073
Investment return:				
Investment income	62,798	160,944	-	223,742
Net appreciation - realized and unrealized	3,925,566	2,107,689	-	6,033,255
Contributions	-	-	327,079	327,079
Appropriated for expenditure:				
Scholarships	(93,719)	(374,400)	-	(468,119)
Support for operations	(3,684,480)	-	-	(3,684,480)
Quasi-endowment funds used for operations	(8,500,000)	-	-	(8,500,000)
<b>Endowment net assets, end of year</b>	<b>\$ 16,161,620</b>	<b>\$ 11,545,402</b>	<b>\$ 14,323,528</b>	<b>\$ 42,030,551</b>

During the year ended June 30, 2019, the College's Board of Trustees approved the use of quasi-endowment funds totaling \$8,500,000 to support operations.

The following table summarizes endowment net asset composition as of June 30, 2018:

	<b>Net Assets</b>	<b>Net Assets With Donor Restrictions</b>			<b>Total Funds as of June 30, 2019</b>
	<b>Without Donor Restrictions</b>	<b>Accumulated Gains (Losses)</b>	<b>Original Gift</b>	<b>Total</b>	
Donor-restricted endowment funds	\$ -	\$ 9,651,169	\$ 13,996,449	\$ 23,647,618	\$ 23,647,618
Board-designated endowment funds	24,451,455	-	-	-	24,451,455
<b>Total endowment funds</b>	<b>\$ 24,451,455</b>	<b>\$ 9,651,169</b>	<b>\$ 13,996,449</b>	<b>\$ 23,647,618</b>	<b>\$ 48,099,073</b>

**St. Francis College**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

The following table summarizes the changes in endowment net assets for the year ended June 30, 2018:

	<b>Net Assets</b>	<b>Net Assets With Donor Restrictions</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>Accumulated Gains (Losses)</b>	<b>Original Gift</b>	
<b>Endowment net assets, beginning of year</b>	\$ 30,396,489	\$ 8,181,752	\$ 13,312,209	\$ 51,890,450
Investment return:				
Investment income	203,185	83,827	-	287,012
Net appreciation - realized and unrealized	3,434,586	1,837,472	-	5,272,058
Contributions	-	-	684,240	684,240
Appropriated for expenditure:				
Scholarships	(846,590)	(451,882)	-	(1,298,472)
Support for operations	(3,586,215)	-	-	(3,586,215)
Quasi-endowment funds used for operations	(5,150,000)	-	-	(5,150,000)
<b>Endowment net assets, end of year</b>	<u>\$ 24,451,455</u>	<u>\$ 9,651,169</u>	<u>\$ 13,996,449</u>	<u>\$ 48,099,073</u>

**21. COMMITMENTS AND CONTINGENCIES**

The College is a party to various legal actions arising in the ordinary course of operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the College's accompanying financial statements.

Governmental grants and contracts are subject to audit and potential disallowance. It is management's opinion that any potential disallowances will not have a material effect on the accompanying financial statements.

During fiscal years 2019 and 2016, the College entered into multi-year employment contracts with certain key employees, which extend through fiscal 2021. Total commitments remaining under these agreements totaled \$1,988,390 and \$340,000 at June 30, 2019 and 2018, respectively.

**22. SUBSEQUENT EVENTS**

The College evaluated its June 30, 2019 financial statements for subsequent events through February 10, 2020, the date the financial statements were available to be issued. Other than the matters referred to below and in Note 12, management of the College is not aware of any subsequent events which would require recognition or disclosure to the accompanying financial statements. The College's Board of Trustees approved the use of quasi-endowment funds totaling \$8.5 million to support operations for the year ended June 30, 2020.