



St. Mary's University

Financial Report  
May 31, 2020



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## Report of Independent Auditors

Management and The Board of Trustees  
St. Mary's University

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of St. Mary's University, which comprise the consolidated statements of financial position as of May 31, 2020 and 2019, and the related consolidated statements of activities, and cash flows for the years then ended and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

#### *Opinion*

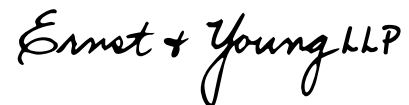
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of St. Mary's University as of May 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### *Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The financial responsibility supplemental schedule required by the U.S. Department of Education is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 16, 2020, on our consideration of St. Mary's University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of St Mary's University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Mary's University's internal control over financial reporting and compliance.



October 16, 2020

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

May 31, 2020 and 2019 *(in thousands)*

	2020	2019
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 33,618	\$ 24,061
Restricted cash	–	46
Receivables		
Student accounts, net	3,049	3,821
Other accounts, net	3,272	2,324
Contributions, net	4,971	6,911
Student loans, net	3,044	3,944
Prepaid expenses	249	696
Notes receivable	–	9,495
Investments	174,845	178,382
Funds held in trust by others	4,822	4,892
Land, buildings and equipment, net	113,003	117,423
Other assets	574	574
<b>Total Assets</b>	<b>\$ 341,447</b>	<b>\$ 352,569</b>
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 1,996	\$ 2,275
Accrued salaries and benefits	3,210	3,053
Student deposits	291	364
Other deposits	1,026	1,055
Deferred revenue	3,081	2,818
Indebtedness	32,250	45,720
U.S. Government advances for student loans	4,138	5,502
<b>Total Liabilities</b>	<b>45,992</b>	<b>60,787</b>
<b>NET ASSETS:</b>		
Without donor restrictions	134,939	133,562
With donor restrictions	160,516	158,220
<b>Total Net Assets</b>	<b>295,455</b>	<b>291,782</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 341,447</b>	<b>\$ 352,569</b>

*See accompanying notes.*

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended May 31, 2020 (in thousands)

	Without donor restrictions	With donor restrictions	Total
<b>OPERATING ACTIVITIES:</b>			
<b>OPERATING REVENUES:</b>			
Tuition and fees	\$ 105,928	\$ –	\$ 105,928
Less scholarships and student aid	(45,905)	–	(45,905)
Net tuition and fees	60,023	–	60,023
Contributions	1,138	5,707	6,845
Government grants and contracts	11,918	–	11,918
Investment return designated for current operations	4,295	6,519	10,814
Other income	3,265	207	3,472
Auxiliary enterprises	10,640	–	10,640
Net assets released from restrictions	10,143	(10,143)	–
<b>Total operating revenues</b>	<b>101,422</b>	<b>2,290</b>	<b>103,712</b>
<b>EXPENSES:</b>			
Education and general expenses:			
Academic programs:			
Instruction	38,689	–	38,689
Academic support	10,751	–	10,751
Research	903	–	903
Public service	2,279	–	2,279
Total academic programs	52,622	–	52,622
Management and general:			
Student services	17,504	–	17,504
Institutional support	19,974	–	19,974
Total management and general	37,478	–	37,478
Total education and general expenses	90,100	–	90,100
Auxiliary enterprises	11,172	–	11,172
<b>Total expenses</b>	<b>101,272</b>	<b>–</b>	<b>101,272</b>
Change in net assets from operating activities	150	2,290	2,440
<b>NONOPERATING ACTIVITIES:</b>			
Investment income, net of expenses of \$929	1,677	1,442	3,119
Net assets released from restrictions	34	(34)	–
Net capital gain on investments	3,811	5,117	8,928
Investment return designated for current operations	(4,295)	(6,519)	(10,814)
<b>Change in net assets</b>	<b>1,377</b>	<b>2,296</b>	<b>3,673</b>
Net assets at beginning of year	133,562	158,220	291,782
<b>Net assets at end of year</b>	<b>\$ 134,939</b>	<b>\$ 160,516</b>	<b>\$ 295,455</b>

See accompanying notes.

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended May 31, 2019 (in thousands)

	Without donor restrictions	With donor restrictions	Total
<b>OPERATING ACTIVITIES:</b>			
<b>OPERATING REVENUES:</b>			
Tuition and fees	\$ 105,236	\$ –	\$ 105,236
Less scholarships and student aid	(46,269)	–	(46,269)
Net tuition and fees	58,967	–	58,967
Contributions	1,049	7,216	8,265
Government grants and contracts	10,188	–	10,188
Investment return designated for current operations	5,922	6,303	12,225
Other income	3,259	77	3,336
Auxiliary enterprises	13,198	–	13,198
Net assets released from restrictions	8,586	(8,586)	–
<b>Total operating revenues</b>	<b>101,169</b>	<b>5,010</b>	<b>106,179</b>
<b>EXPENSES:</b>			
Education and general expenses:			
Academic programs:			
Instruction	41,217	–	41,217
Academic support	11,961	–	11,961
Research	865	–	865
Public service	2,128	–	2,128
Total academic programs	56,171	–	56,171
Management and general:			
Student services	16,230	–	16,230
Institutional support	19,183	–	19,183
Total management and general	35,413	–	35,413
Total education and general expenses	91,584	–	91,584
Auxiliary enterprises	12,982	–	12,982
<b>Total expenses</b>	<b>104,566</b>	<b>–</b>	<b>104,566</b>
Change in net assets from operating activities	(3,397)	5,010	1,613
<b>NONOPERATING ACTIVITIES:</b>			
Investment income, net of expenses of \$1,102	1,931	1,327	3,258
Net assets released from restrictions	415	(415)	–
Net capital gain on investments	1,469	2,720	4,189
Investment return designated for current operations	(5,922)	(6,303)	(12,225)
Change in net assets	(5,504)	2,339	(3,165)
Net assets at beginning of year	139,066	155,881	294,947
Net assets at end of year	\$ 133,562	\$ 158,220	\$ 291,782

See accompanying notes.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended May 31, 2020 and 2019 (in thousands)

	2020	2019
<b>OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 3,673	\$ (3,165)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense and amounts written off	1,482	771
Loan assignments and cancellations	32	36
Increase in accrued interest on notes receivable	–	(62)
Amortization of bond discount and issuance costs	24	24
Net realized and unrealized gain on investments	(6,827)	(4,189)
Net gain on New Market Tax Credit extinguishment	(1,822)	–
Loss on disposal of land, buildings and equipment	1	231
Depreciation	6,873	7,302
Contributions and income restricted for long-term investment	(4,986)	(6,571)
Cash provided by (used by) operating assets and liabilities:		
Student and other accounts receivable	(1,689)	(1,311)
Contributions receivable	1,940	1,409
Prepaid expenses and other assets	98	14
Accounts payable and accrued liabilities, salaries and benefits	(122)	(921)
Deposits and deferred revenue	127	(1,172)
Agency transactions – cash received	49,443	50,443
Agency transactions – cash disbursed	(49,407)	(50,421)
<b>Net cash used in operating activities</b>	<b>(1,160)</b>	<b>(7,582)</b>
<b>INVESTING ACTIVITIES:</b>		
Collection of student loans	898	978
Extinguishment of New Market Tax Credit Receivable	9,091	–
Proceeds from sales of investments	82,453	59,493
Purchases of investments	(72,018)	(46,745)
Additions to buildings and equipment	(2,454)	(3,072)
<b>Net cash provided by investing activities</b>	<b>17,970</b>	<b>10,654</b>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from contributions and income restricted for long-term investment	4,986	6,571
Extinguishment of New Market Tax Credit Payable	(9,211)	–
Payments on indebtedness	(1,710)	(4,040)
Net (decrease) increase of U.S. Government advances for student loans	(1,364)	27
<b>Net cash (used in) provided by financing activities</b>	<b>(7,299)</b>	<b>2,558</b>
Net increase in cash, cash equivalents, and restricted cash	9,511	5,630
Cash, cash equivalents, and restricted cash at beginning of year	24,107	18,477
<b>Cash, cash equivalents, and restricted cash at end of year</b>	<b>\$ 33,618</b>	<b>\$ 24,107</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Non-cash settlement of New Market Tax Credit Payable	\$ 2,549	\$ –
Cash paid for interest	\$ 1,006	\$ 1,327

See accompanying notes.

## Notes to Consolidated Financial Statements *(in thousands)*

### 1. Summary of Significant Accounting Policies

#### General

St. Mary's University (the University) is an independent, not-for-profit Marianist Catholic institution in San Antonio, Texas, founded in 1852 by the Society of Mary. The University is organized into four schools and offers classes that lead to Bachelors, Masters, Ph.D. and Juris Doctor degrees. Revenues are derived primarily from tuition, fees and auxiliary services.

The University controls St. Mary's Holdings Inc. (SMHI), which is consolidated in the accompanying financial statements. SMHI was formed in June 2012 to improve, construct and own property leased to the University for educational, athletic and administrative functions. SMHI was funded using the federal New Market Tax Credit (NMTC) program resulting in restricted cash, notes receivable and indebtedness. The NMTC was extinguished in June 2019, resulting in collection of notes receivable and settlement of outstanding indebtedness. A gain of \$1,822 was recognized on the NMTC extinguishment and is included in the Net capital gain on investments of \$3,811. St. Mary's Holdings Inc. was dissolved in November 2019.

#### Basis of Presentation

The accompanying consolidated financial statements of the University have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The University maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, the University classifies net assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

##### Without Donor Restrictions Net Assets

Use is not subject to donor-imposed stipulations; may be designated for specific purposes by action of the Board of Trustees.

##### With Donor Restrictions Net Assets

Use is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time nor can be fulfilled or otherwise removed by the University.

The University follows the policy of reporting restricted contributions and restricted endowment income on the consolidated statements of activities as increases in net assets with donor restrictions in the period received. Cash donations to acquire long-lived assets are recorded as donor-restricted until the asset is acquired and expenses are generally reported as decreases in net assets without donor restrictions. Expirations of donor-imposed stipulations are reclassified to the without donor restrictions category and reported as net assets released from restrictions. Contributions with donor restrictions that are received and expended in the same period are reported as revenues in net assets with donor restrictions and included in net assets released from restrictions.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and generally have original maturities of three months or less.

#### Restricted Cash

Restricted cash is reserved for administrative and compliance expenses related to the NMTC transaction.



## 1. Summary of Significant Accounting Policies (continued)

### Allowances for Doubtful Accounts

Allowances for doubtful student accounts receivable and student loans (\$1,450 and \$1,777, respectively, at May 31, 2020, and \$1,210 and \$2,232, respectively, at May 31, 2019) are determined annually based upon historical experience, aging of receivables, loans in default and an analysis of collections.

### Contributions

Contributions, including unconditional promises made to the University, are recognized as revenues in the period received. Conditional promises are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Unconditional promises that are expected to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's estimate, including such factors as prior collection history, type of contribution, current economic conditions and nature of fundraising activity.

Contributed services are reflected in the consolidated financial statements at the fair value of the services received. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not provided by donation. The fair value of contributed services was approximately \$809 and \$759 for the years ended May 31, 2020 and 2019, respectively.

### Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their fair value. 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. Investments in securities traded on a national exchange are valued at the last reported bid price. Over-the-counter securities and government obligations are valued at the bid price or the average bid and asked price on the last business day of the year from published sources where available and, if not available, from other sources considered reliable. The University's marketable securities do not represent significant concentrations of market risk as the portfolio is diversified across strategies, managers and geography. The fair value of real estate investments is based on the most current quarterly financial information for the real estate trusts. The fair value of mineral rights is estimated based on the income stream those assets generate. Investments received by gift or bequest are carried at fair value at the date of the gift. If fair value is not determinable at the date of the gift, the asset received by gift or bequest is recorded at a nominal value.

The University's investments in certain institutional commingled funds or alternative investments are not publicly traded. These funds comprise 27% and 24% of total investment securities, at May 31, 2020 and 2019, respectively. These investments contain underlying funds, which may include marketable securities, limited partnerships, limited liability companies, or non-U.S. corporations and are valued at redemption values that represent the net asset value of the units held at year-end. These investments entail liquidity risks to the extent that they may be difficult to sell or may not be converted to cash quickly at favorable prices. All of the funds are diversified across strategies, managers and geography.

Purchases and sales of securities are recorded as of the trade date. Realized gains and losses on sales of securities are determined on the basis of average cost. Interest income is recognized on the accrual basis, and dividend income is recognized on the ex-dividend date. Investment securities are exposed to various risks, such as interest rate, liquidity, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported on the consolidated statements of financial position.

## 1. Summary of Significant Accounting Policies (continued)

In accordance with the Texas Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA), dividends, interest, gains, losses and other investment income are reported on the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. In the absence of donor stipulations or law to the contrary, gains and losses on the investments of a donor-restricted endowment fund increase and reduce net assets with donor restrictions. If losses reduce the fair value of a donor-restricted endowment fund below the level required by the donor stipulations of law, these losses are reported as reductions in the net assets without donor restrictions as of year-end. Any gains that restore the fair value of the donor-restricted endowment fund are reported as increases in net assets without donor restrictions in the subsequent year when gains were incurred.

### Fair Value Measurements

Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described below.

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access. The types of investments included as Level 1 include listed equities, U.S. Government and agency obligations, and frequently traded corporate bonds.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted market prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 types of investments include funds held in trust by others (see Note 5), real estate trusts, mineral rights, venture capital funds and privately held hedge funds.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodologies described herein may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The methodologies used to determine fair value have been consistent for the years ended May 31, 2020 and 2019.

### Land, Buildings and Equipment

Land, buildings and equipment are stated at cost or, if donated, at fair value at the date of gift. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Net interest incurred during the construction phase of major plant additions is capitalized.

### Tax Status

The University is exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code (the Code). This exemption does not apply to unrelated business income, as defined by Section 512(a)(1) of the Code, which is subject to federal income tax. The University had no material tax liability resulting from such unrelated business income in 2020 or 2019. U.S. GAAP requires management to evaluate uncertain tax positions taken by the University. The consolidated financial statement effects of a tax position are recognized when the position is more likely than not based on the technical merits, to be sustained upon examination by the Internal Revenue Service or U.S. Department of Treasury.

## 1. Summary of Significant Accounting Policies (continued)

Management has analyzed the tax positions taken by the University, and has concluded that as of May 31, 2020, there are no uncertain positions taken or expected to be taken. The University has recognized no interest or penalties related to uncertain tax positions. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### Revenue Recognition

Tuition and fees are recognized on an accrual basis in the period earned. Auxiliary income is recognized when goods or services are provided. Tuition and fees collected that are applicable to future academic terms are recorded as deferred revenue, fees and deposits.

### Scholarships and Student Aid

Scholarships and student aid represent the difference between the stated charge for goods and services provided by the University and the amount billed to students and/or third parties making payments on behalf of students for tuition and fees. Scholarships for room, board and books are included in auxiliary expense. Amounts are funded by endowment earnings, contributions, federal and state grants, and unrestricted revenues of the University. Unrestricted revenues of the University funded scholarships and student aid of approximately \$36,328 and \$37,343 for the years ended May 31, 2020 and 2019, respectively.

### Functional Allocations of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, using a methodology consistent with prior years.

### Fundraising

Fundraising is expensed as incurred and included in Institutional support. Expenses were \$3,134 and \$3,587 for the fiscal years ended May 31, 2020 and 2019, respectively.

### Federal Student Financial Aid Programs

Prior to the cancellation of the Federal Perkins Student Loan program effective September 30, 2018, funds provided by the U.S. Government under the Federal Perkins Student Loan program were loaned to qualified students and re-loaned as collections were made. These funds are ultimately refundable to the U. S. Government and are, therefore, recorded as a long-term liability. Such funds required the University to provide a matching amount which varied according to regulations during operation of the program.

### Agency Transactions

Activities of Federal Direct Lending, Pell Grants (Pell), the Veterans Affairs (VA) Yellow Ribbon Program and the Texas Be-On-Time Loan Program are considered to be agency transactions. These transactions are not reflected in the consolidated statements of activities, but are reflected on the accompanying consolidated statements of cash flows.

The University also maintains accounts for local not-for-profit organizations, student organizations, fundraising events and the Society of Mary (see Note 13). These transactions are excluded from the consolidated statements of activities as they are not University activities but are reflected on the accompanying consolidated statements of cash flows.

### Retirement Plans

The University has a defined contribution retirement plan administered by providers of retirement services, which covers substantially all of its employees upon completing one year of service and working at least 1,000 hours. Contributions are made at 7% of participants' base salaries for those who contribute 5% of their base salaries. Employees who do not contribute 5% of their salaries are not eligible for the 7% contribution. The University's contributions for the years ended May 31, 2020 and 2019, approximated \$2,440 and \$2,476, respectively. The University has a deferred compensation plan administered by providers of retirement services for certain members of the University's management. Contributions are made by the employees, and no amounts are contributed by the University.

## 1. Summary of Significant Accounting Policies (continued)

### COVID-19

In March 2020, the World Health Organization designated COVID-19 as a global pandemic. Various policies were implemented by federal, state and local governments in response to the pandemic including stay at home orders, business closures, and social distancing. During the COVID-19 pandemic, the University remained open for business and immediately implemented steps to promote safety for students, faculty and support staff. The University closed residence halls, transitioned classroom education to online and distance learning, and implemented work from home capabilities for a large majority of faculty and support staff. Certain essential positions and departments continued to physically support the campus on a daily basis with appropriate social distancing.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted on March 27, 2020, to provide support to individuals and organizations in the form of loans, grants, tax relief, and direct assistance due to the pandemic. The University received a Higher Education Emergency Relief Fund (HEERF) award, which was established by the CARES Act, totaling \$3,181. The HEERF funds were awarded to fund emergency financial aid grants to students and to defray additional costs incurred from the pandemic. For the year ended May 31, 2020, the University recognized \$1,924 in HEERF grant revenue.

As of May 31, 2020, the University continues to educate its students primarily through online and distance learning, and plans have been put in place to offer a combination of in-person and distance learning for the students in the fall term. The pandemic has resulted in economic uncertainty, volatility in financial markets, and has had a financial impact on the University as a result of additional expenses incurred, and lost revenue. The University implemented cost saving measures and with the additional federal grant revenue, the University had positive financial results for the fiscal year. The University was in compliance with all debt covenants as of May 31, 2020. The duration, ultimate impact of COVID-19, and the scope of any impact on the University's operations and financial condition is uncertain and cannot be fully determined at this time.

### Subsequent Events

On June 29, 2020, the University issued new revenue refunding bonds (Series 2020 Bonds) to refinance the Series 2008 revenue bonds. The Series 2020 Bonds have interest rates on annual maturities through 2032 which range from 1.878% to 2.55%.

Subsequent events were evaluated through October 16, 2020, which is also the date the accompanying consolidated financial statements were available to be issued.

### New Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Clarification of Certain Cash Receipts and Cash Payments*, which eliminates the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues. The amendments in this update should be applied retrospectively to all periods presented, unless deemed impracticable, in which case prospective application is permitted. On June 1, 2019, the University adopted ASU 2016-15. The adoption of ASU 2016-15 did not have a material impact to the University's consolidated statement of cash flows.

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018. On June 1, 2019, the University adopted ASU 2016-18 using the retrospective transition method for each period presented. As a result of adopting this standard, certain prior year amounts were reclassified to conform to the current presentation.

## 1. Summary of Significant Accounting Policies (continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, and in June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which defers the effective date of ASU 2014-09, making it effective for annual reporting periods beginning after December 15, 2019. The University plans to apply this standard using the modified retrospective approach, which if any impact, would result in a cumulative-effect adjustment as of the date of adoption. Management does not anticipate that the adoption of this guidance will have a material effect on the results of operations, financial position or disclosures.

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842): Amendments to the FASB Accounting Standards Codification*, which requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term and a lease liability for the payments to be made to lessor on its statement of position for all operating leases greater than 12 months. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities* which defers the effective date of ASU 2016-02, making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. ASU 2016-02 requires adoption of its amendments on a modified retrospective basis. The University is evaluating the impact that the adoption of ASU 2016-02 will have on the University's consolidated financial position, operating activities or cash flows.

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, that modifies the definition of the term *collections* and requires that a collection-holding entity disclose its policy for the use of proceeds when collection items are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for *direct care*, it should disclose its definition of the term *direct care*. ASU 2019-03 is effective for entities for fiscal years beginning after December 15, 2019. Early application is permitted. Management is currently evaluating the potential impact of these changes on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires nonprofits to change the financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind, including tangible property provided to the organization; items donated to the organization to be auctioned through charitable events; and items used in program activities, as well as intangible items like copyrights, patents, and royalties; specialized volunteer services. Gifts-in-kind are to be presented as a separate line item, instead of remaining grouped among contributions of cash or other financial assets, on the statement of activities. ASU 2020-07 is effective for entities for fiscal years beginning after June 15, 2021. Early application is permitted. Management is currently evaluating the potential impact of these changes on the consolidated financial statements.

## 2. Liquidity and Availability

The University's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	Year Ended May 31, 2020	Year Ended May 31, 2019
Total assets at year end	\$ 341,447	\$ 352,569
Less		
Pledges receivable due in more than one year	(3,131)	(6,471)
Donor-restricted endowment funds	(144,685)	(142,531)
Board-designated endowment funds	(55,460)	(53,932)
Notes receivable	–	(9,495)
Land, buildings and equipment, net	(113,003)	(117,423)
Other assets	(574)	(574)
Financial assets available at year-end for current use	<u>\$ 24,594</u>	<u>\$ 22,143</u>

As part of the University's liquidity management, financial assets are structured to be available as general expenditures, liabilities and other obligations come due. In addition to amounts appropriated for general expenditure as part of the annual budget approval and appropriation process, additional board-designated amounts of \$0 and \$1,369 were appropriated to fund scholarships and financial aid as of May 31, 2020 and 2019, respectively. Both the board-designated endowment funds and donor-restricted endowments contain investments with lock-up provisions that reduce the total investments that could be made available (see Note 10 for disclosures about investments).

## 3. Contributions Receivable

Contributions receivable consist of unconditional promises to give, which the University received and are outstanding at May 31, 2020 and 2019. Receivables with maturities of more than one year are reflected at present value of estimated future cash flows using a discount rate appropriate to the term of the receivable. The fair value of the gross contributions at May 31, 2020 and 2019, approximates the carrying value. Most of the contributions are donor-restricted primarily for future building acquisitions or scholarships.

Maturities of contributions receivable at May 31 are as follows:

	2020	2019
Less than one year	\$ 2,537	\$ 2,056
One to four years	3,661	4,376
More than five years	764	2,095
Total contributions	<u>6,962</u>	<u>8,527</u>
Less allowance for uncollectible pledges	(1,545)	(750)
Discount	(446)	(866)
Net contributions receivable	<u>\$ 4,971</u>	<u>\$ 6,911</u>

## 4. Notes Receivable

On June 27, 2012, the University made a loan of \$9,091 to Chase NMTC St. Mary's University Investment Fund, LLC (the Borrower) to fund capital improvements and construction. From June 2012 through June 2019 (the NMTC Compliance Period), the outstanding principal of the loan accrued interest at 1.945% per annum and the Borrower made annual interest only payments of 1.3395% per annum on the outstanding balance. In June 2019, the NMTC was extinguished, resulting in the collection of the notes receivable. The carrying value of notes receivable includes accrued unpaid interest of \$404 as of May 31, 2019. Interest income totaled \$183 for the year ended May 31, 2019.

## 5. Investments and Funds Held in Trust by Others

Investments and funds held in trust have the following positions based on the ASC 820 fair value hierarchy levels described in Note 1.

	Assets at Fair Value as of May 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments				
U.S. corporate bonds and notes	13,484	–	–	13,484
U.S. equities	60,309	–	–	60,309
International equities	28,175	–	–	28,175
Emerging markets mutual funds	6,711	–	–	6,711
U.S. intermediate government/credit bond funds	–	11,271	–	11,271
International intermediate bond funds	–	1,826	–	1,826
U.S. mineral rights	–	–	2,884	2,884
<b>Subtotal</b>	<b>\$ 108,679</b>	<b>\$ 13,097</b>	<b>\$ 2,884</b>	<b>\$ 124,660</b>
Investments measured at net asset value:				
U.S. equities fund				\$ 8,173
U.S. real estate trust funds				8,810
Credit long-short hedge fund				6,470
Multi-strategy hedge funds				21,197
Multi-strategy private equities funds				5,385
International hedge fund				150
<b>Total Investments</b>				<b>\$ 174,845</b>
Funds held in trust by others	–	–	\$ 4,822	4,822
<b>Total assets at fair value</b>				<b>\$ 179,667</b>

	Assets at Fair Value as of May 31, 2019			
	Level 1	Level 2	Level 3	Total
Investments				
U.S. corporate bonds and notes	16,895	–	–	16,895
U.S. equities	64,727	–	–	64,727
International equities	31,967	–	–	31,967
Emerging markets mutual funds	6,959	–	–	6,959
U.S. intermediate government/credit bond funds	–	5,937	–	5,937
International intermediate bond funds	–	3,301	–	3,301
U.S. mineral rights	–	–	3,025	3,025
<b>Subtotal</b>	<b>\$ 120,548</b>	<b>\$ 9,238</b>	<b>\$ 3,025</b>	<b>\$ 132,811</b>
Investments measured at net asset value:				
U.S. equities fund				\$ 7,331
U.S. real estate trust funds				9,866
Credit long-short hedge fund				6,012
Multi-strategy hedge funds				17,223
Multi-strategy private equities funds				4,817
International hedge fund				322
<b>Total Investments</b>				<b>\$ 178,382</b>
Funds held in trust by others	–	–	\$ 4,892	4,892
<b>Total assets at fair value</b>				<b>\$ 183,274</b>

## 5. Investments and Funds Held in Trust by Others (continued)

The following table includes additional disclosures for the fair value measurements of investments in certain entities that calculate fair value using net asset value per share.

	Assets at Fair Value as of May 31, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equities funds <sup>(a)</sup>	\$ 8,173	\$ –	Monthly	6-15 days
U.S. real estate trusts <sup>(b)</sup>	8,810	–	Subject to approval	45 days before the quarter ends
Credit long-short hedge fund <sup>(c)</sup>	6,470	–	Quarterly	45 days before the quarter ends
Multi-strategy hedge funds <sup>(d)</sup>	21,197	–	Quarterly	60-65 days before the quarter ends
Multi-strategy private equities funds <sup>(e)</sup>	5,385	3,383	Subject to approval	
International hedge funds <sup>(f)</sup>	150	–	Subject to approval	Redemption request is pending
<b>Total</b>	<b>\$ 50,185</b>	<b>\$ 3,383</b>		

	Assets at Fair Value as of May 31, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equities funds <sup>(a)</sup>	\$ 7,331	\$ –	Monthly	6-15 days
U.S. real estate trusts <sup>(b)</sup>	9,866	–	Subject to approval	45 days before the quarter ends
Credit long-short hedge fund <sup>(c)</sup>	6,012	–	Quarterly	45 days before the quarter ends
Multi-strategy hedge funds <sup>(d)</sup>	17,223	–	Quarterly	60-65 days before the quarter ends
Multi-strategy private equities funds <sup>(e)</sup>	4,817	5,269	Subject to approval	
International hedge funds <sup>(f)</sup>	322	–	Subject to approval	Redemption request is pending
<b>Total</b>	<b>\$ 45,571</b>	<b>\$ 5,269</b>		

- (a) U.S. equities funds include investments that are traded securities in the United States; however, the value of the fund itself can only be derived based on those holdings.
- (b) U.S. real estate trusts include investments in a trust and a limited partnership that invest in real estate. Management of the trust and partnership manage their respective investment portfolios.
- (c) Credit long-short hedge funds primarily include investments in U.S. high yield debt, consisting of securities rated lower than Baa3/BBB- by Moody's or Standard & Poor's, respectively. The fund may take long/short positions in securities or obligations or any other claims at any position in the capital structure of a high yield issuer, including bank debt, bonds, preferred stock and equities.
- (d) Multi-strategy hedge funds consist of concentrated group of hedge funds across various strategies including long short/equity, event-driven, relative value and global asset allocation in the traditional LP structure. Management of the fund manage their respective investment portfolios.
- (e) Multi-strategy private equities include investments that pursue multiple strategies that invest approximately 26% buy-out, 26% venture, 33% special situations, 12% real estate and 3% international. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated.
- (f) International hedge funds include investments in international securities outside the United States. Management of the trust and partnership manages their respective investment portfolios. A redemption request to liquidate total holdings is pending on fund manager approval.



## 5. Investments and Funds Held in Trust by Others (continued)

The fair value measurement Level 3 reconciliation is as follows:

	U.S. mineral rights	Funds held by others	Total
Balance at June 1, 2018	\$ 1,364	\$ 4,999	\$ 6,363
Net gain (loss) realized and unrealized	1,661	(107)	1,554
Balance at May 31, 2019	\$ 3,025	\$ 4,892	\$ 7,917
Net loss realized and unrealized	(141)	(70)	(211)
Balance at May 31, 2020	\$ 2,884	\$ 4,822	\$ 7,706

At May 31, investments included the Myra Stafford Pryor Free Enterprises Trust, a perpetual trust fund held by the University for a "Chair in Free Enterprise" and scholarships. Income distributed in 2020 includes an income distribution of \$95 for 2019 expenses.

	2020	2019
Fair value	\$ 1,447	\$ 1,598
Income distributed	190	-

At May 31, funds held in trust by others consisted of the Emil C.E. Jurica Endowment Trust, an irrevocable trust formed for the sole benefit of the University. Assets are held and managed by the Emil C.E. Jurica Endowment Trust trustees, and income is to be used for the Bill Greehey School of Business. The fair value of the funds held in trust by others is based on the University's portion of the fair value of the underlying investments held by the trust.

	2020	2019
Fair value	\$ 4,822	\$ 4,892
Income distributed	146	146

Total annuities, term endowments, and life income funds with donor restrictions total \$7,240 at May 31, 2020.

## 6. Land, Buildings and Equipment

Land, buildings and equipment consisted of the following as of May 31:

	Estimated Useful Lives	2020	2019
Land		\$ 601	\$ 601
Buildings	45 years	135,387	135,387
Building improvements, parking lots, and drives	20 years	42,750	41,464
Equipment	5 to 25 years	23,783	23,219
Library books	5 years	33,983	33,411
Construction-in-progress		25	-
Land, buildings and equipment		\$ 236,529	\$ 234,082
Less accumulated depreciation		(123,526)	(116,659)
Land, buildings and equipment, net		\$ 113,003	\$ 117,423

## 7. Indebtedness

Indebtedness at May 31 consisted of the following:

	Interest Rate	Final Maturity	2020 Principal Payments	Unpaid Principal	
				2020	2019
\$8,500 Restructured Revenue Bonds of 2007 For residence hall construction; issued through the City of Olmos Park, San Antonio, Texas, Higher Education Facilities Corporation; payable semiannually	1.878% to 2.35%	May 2030	\$ 325	\$ 4,110	\$ 4,435
\$10,000 Revenue Bonds of 2008 For residence hall construction; issued through the City of Olmos Park, San Antonio, Texas, Higher Education Facilities Corporation; payable semiannually	3.92%	May 2032	385	6,140	6,525
\$9,091 Note Payable 2012 For capital improvements and construction using New Market Tax Credit program; interest only payable annually through June 2019; extinguished June 28, 2019	1.036%	June 2019	–	–	9,091
\$2,669 Note Payable 2012 For capital improvements and construction using New Market Tax Credit program; interest only payable annually through June 2019; extinguished June 28, 2019	1.036%	June 2019	–	–	2,669
\$25,000 Note Payable 2016 For residence hall construction; issued through the City of San Antonio, Texas, Higher Education Facilities Corporation. Interest payable monthly (.9922% as of May 31, 2020) and principal payable annually; 10-year extension option, subject to lender approval, on September 30, 2026	LIBOR	Sept 2026	1,000	22,000	23,000
Total			\$ 1,710	\$ 32,250	\$ 45,720

## 7. Indebtedness (continued)

On May 29, 2020, the University restructured the 2007 Revenue Bonds, resulting in a final maturity date of May 2030 from May 2032 and an interest rate decrease. The rates ranging from 3.43% to 4.35% decreased to 1.878% to 2.35%.

Combined aggregate amount of principal maturities and interest for indebtedness are as follows:

	Principal	Interest	Total
2021	\$ 1,745	\$ 956	\$ 2,701
2022	1,775	909	2,684
2023	1,810	856	2,666
2024	1,840	803	2,643
2025	1,875	749	2,624
Thereafter	23,205	1,443	24,648
<b>Total</b>	<b>\$ 32,250</b>	<b>\$ 5,716</b>	<b>\$ 37,966</b>

## 8. Net Assets Released From Restrictions

Sources of net assets released from donor-restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by donors were as follows during the years ended May 31:

	2020	2019
Academic programs	\$ 3,716	\$ 3,948
Community service	347	152
Operational support	2,315	122
Scholarships	3,765	4,364
<b>Total operating activities</b>	<b>\$ 10,143</b>	<b>\$ 8,586</b>
<b>Nonoperating activities, building improvement</b>	<b>\$ 34</b>	<b>\$ 415</b>

## 9. Restrictions and Limitations on Net Asset Balances

Net assets with donor restrictions consist of gifts, other unexpended revenues and gains restricted for the following as of May 31:

	2020	2019
Academic programs	\$ 67,634	\$ 69,924
Community service	1,946	2,563
Operational support and construction	7,143	8,377
Scholarships	83,793	77,356
<b>Total</b>	<b>\$ 160,516</b>	<b>\$ 158,220</b>

## 10. Endowment Net Asset Classifications

The University's endowment consists of 413 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the University has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions: (a) the original value of gifts donated to the University 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.

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: duration and preservation of the fund; purposes of the University and the donor-restricted endowment fund; general economic conditions; possible effect of inflation and deflation; expected total return from income and the appreciation of the investments; and investment policies of the University.

The University has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets.

Endowment investments are diversified to achieve a reasonable defense against loss of corpus or future purchasing power while stabilizing the amount available for current spending. Taking these factors into consideration, the University's spending policy is to distribute up to 4.75% of the three-year moving average of the total endowment market value, along with utilization of any prior year carryforward balances subject to University policies.

The endowment net asset composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, May 31, 2019	\$ 53,932	\$ 142,531	\$ 196,463
Investment return			
Investment income	452	1,599	2,051
Net appreciation	2,854	3,888	6,742
<b>Total investment gain</b>	<b>3,306</b>	<b>5,487</b>	<b>8,793</b>
Contributions	–	4,477	4,477
Transfers	–	24	24
Appropriated for expenditure	(1,778)	(7,982)	(9,760)
Carried forward for expenditure	–	148	148
<b>Endowment net assets, May 31, 2020</b>	<b>\$ 55,460</b>	<b>\$ 144,685</b>	<b>\$ 200,145</b>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature, which are reported in with donor restricted net assets, were \$36 and \$15 as of May 31, 2020 and 2019, respectively. Endowment deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

## 11. Net Assets

The University's net assets as of May 31, includes the following:

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Nature of Specific Net Assets						
Undesignated	\$ 174	\$ –	\$ 174	\$ 1,245	\$ –	\$ 1,245
Donor-restricted	–	15,831	15,831	–	15,689	15,689
Donor-restricted endowment funds	–	144,685	144,685	–	142,531	142,531
Board-designated endowment funds	55,460	–	55,460	53,932	–	53,932
Net physical and other assets	79,305	–	79,305	78,385	–	78,385
<b>Total</b>	<b>\$ 134,939</b>	<b>\$ 160,516</b>	<b>\$ 295,455</b>	<b>\$ 133,562</b>	<b>\$ 158,220</b>	<b>\$ 291,782</b>

## 12. Functional and Natural Expenses

The accompanying consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy. Depreciation expense is allocated on tangible assets over its estimated useful life. Interest expense on external debt is allocated to the functional categories, which have benefited from the proceeds of the external debt.

For the year ended May 31, 2020, functional and natural expense consists of the following:

	Academic and student services	Auxiliaries	Program Total	Institutional support	Total
Salaries and Benefits	\$ 53,537	\$ 2,330	\$ 55,867	\$ 11,719	\$ 67,586
Professional Services	1,988	3,961	5,949	1,045	6,994
Occupancy	1,614	2,027	3,641	614	4,255
Depreciation	4,273	1,585	5,858	1,015	6,873
Interest on indebtedness	17	900	917	–	917
Operating expenses	8,697	369	9,066	5,581	14,647
<b>Total expenses</b>	<b>\$ 70,126</b>	<b>\$ 11,172</b>	<b>\$ 81,298</b>	<b>\$ 19,974</b>	<b>\$ 101,272</b>

For the year ended May 31, 2019, functional and natural expense consists of the following:

	Academic and student services	Auxiliaries	Program Total	Institutional support	Total
Salaries and Benefits	\$ 54,286	\$ 2,344	\$ 56,630	\$ 11,956	\$ 68,586
Professional Services	1,037	5,016	6,053	1,191	7,244
Occupancy	1,660	2,084	3,744	711	4,455
Depreciation	4,684	1,617	6,301	1,001	7,302
Interest on indebtedness	171	1,170	1,341	18	1,359
Operating expenses	10,563	751	11,314	4,306	15,620
<b>Total expenses</b>	<b>\$ 72,401</b>	<b>\$ 12,982</b>	<b>\$ 85,383</b>	<b>\$ 19,183</b>	<b>\$ 104,566</b>

### 13. Related-Party Transactions

The Society of Mary is represented on the University Board of Trustees and the Corporation. The Members of the Corporation (Provincial Superior and three other Provincial Council members of the Society of Mary, Province of the United States, President of the University, and the Chairperson of the Board of Trustees), upon recommendation of the Board of Trustees, approve the Bylaws of the University, the nomination of the individuals to serve on the Board of Trustees, the sale and transfer of properties, and the distribution of assets in the event of dissolution.

The Society of Mary made a pledge to the University of \$1,500 in May 2018, payable over three years, to fund an endowed Chair in Catholic and Marianist Education Leadership. Contributions receivable include \$500 and \$1,000 at May 31, 2020 and 2019, respectively, for the amount remaining to be paid. Including payments for amounts pledged, the Marianist Province of the United States (Marianists), the Marianists Trust, and Marianist Communities, combined, contributed amounts to the University of \$970 and \$969 for the years ended May 31, 2020 and 2019, respectively. These contributions are reported as donor-restricted private gifts.

The University entered into an agreement to lease certain real property to the Marianists during fiscal year 2004. The lease is for a term of 50 years with two 10-year renewal options. The University recorded a contribution payable of approximately \$124 at May 31, 2004, to reflect the fair value, discounted at 5.5% of the lease. The contribution payable is included in accounts payable and accrued liabilities in the accompanying consolidated statements of financial position. The Marianists own and operate certain properties within the University's campus boundaries. The University pays certain bills on behalf of the Marianists and then is reimbursed on a periodic basis. At May 31, 2020 and 2019, \$0 and \$10, respectively, are receivable.

The University receives endowment gifts from the University Alumni Association (the Association), a separate nonprofit organization that is not consolidated into the accompanying consolidated financial statements of the University. In October 2014, the Association made a pledge of \$1,000 to fund an endowed Chair in Catholic Leadership. Contributions receivable include \$800 at May 31, 2019, for amounts remaining to be paid. In April 2020, the \$800 outstanding pledge was forgiven and \$623 was repurposed from the Alumni Association endowment fund to support student scholarships. Including payments for amounts pledged, gifts from the Association of \$74 and \$73 for the years ended May 31, 2020 and 2019, respectively, are recorded as donor-restricted private gifts.

### 14. Department of Education Financial Responsibility

The United States Department of Education (DOE) issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Federal Title IV regulations. The following disclosures include additional information to be used by the DOE in the calculations.

Net assets with donor restrictions, as reported on the Consolidated Statements of Financial Position, are disaggregated below:

Net assets not restricted in perpetuity	\$	71,904
Net assets restricted in perpetuity		88,612
<hr/>		
Total net assets with donor restrictions	\$	160,516

For the purpose of calculating the total revenue without donor restrictions and gains without donor restrictions, the investment returns reported under both operating and non-operating activities on the Consolidated Statement of Activities are aggregated.

#### 14. Department of Education Financial Responsibility (continued)

##### OPERATING

Operating revenue without donor restrictions	\$	101,422
Investment return designated for current operations		(4,295)
<hr/>		
Net Operating revenue without donor restrictions	\$	97,127
<hr/>		

##### NON-OPERATING

Investment income, net of expenses	\$	1,677
Net Assets released from restrictions		34
Net capital gain on investments		3,811
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Unrestricted Non-Operating Income	\$	5,522
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# Supplementary Information



## FINANCIAL RESPONSIBILITY SUPPLEMENTARY SCHEDULE REQUIRED BY THE U.S. DEPARTMENT OF EDUCATION

For the year ended May 31, 2020 *(in thousands)*

### Primary Reserve Ratio

Expendable Net Assets:		
Financial statement/ Footnote Disclosure	Line item description	Amount
Consolidated Statements of Financial Position	Net assets without donor restrictions	\$ 134,939
Consolidated Statements of Financial Position	Net assets with donor restrictions	160,516
Footnote 14	Net assets with donor restrictions: restricted in perpetuity	(88,612)
Footnote 5	Annuities, term endowments and life income funds with donor restrictions	(7,240)
Footnote 6	Net land, buildings and equipment	(113,003)
Footnote 7	All debt obtained for long-term purposes, not to exceed total net land, buildings, and equipment	32,250
Footnote 13	Unsecured related-party receivables	(500)
	Expendable net assets	\$ 118,350

Total expenses without donor restrictions and losses without donor restrictions		
Financial statement/ Footnote Disclosure	Line item description	Amount
Consolidated Statement of Activities	Total operating expenses	\$ 101,272
	Total expenses without donor restrictions and losses without donor restrictions	\$ 101,272

### Equity Ratio

Modified Net Assets		
Financial statement/ Footnote Disclosure	Line item description	Amount
Consolidated Statements of Financial Position	Net assets without donor restrictions	\$ 134,939
Consolidated Statements of Financial Position	Net assets with donor restrictions	160,516
Footnote 13	Unsecured related-party receivables	(500)
	Modified net assets	\$ 294,955

Modified assets:		
Financial statement/ Footnote Disclosure	Line item description	Amount
Consolidated Statements of Financial Position	Total assets	\$ 341,447
Footnote 13	Unsecured related-party receivables	(500)
	Modified assets	\$ 340,947

## FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (continued)

For the year ended May 31, 2020 *(in thousands)*

### Net Income Ratio

Change in net assets without donor restrictions		
Financial statement/ Footnote Disclosure	Line item description	Amount
Consolidated Statement of Activities	Change in net assets without donor restrictions	\$ 1,377
	Change in net assets without donor restrictions	\$ 1,377
Total revenue without donor restrictions and gains without donor restrictions:		
Financial statement/ Footnote Disclosure	Line item description	Amount
Footnote 14	Total operating revenue	\$ 97,127
Footnote 14	Non-Operating – income/(loss)	5,522
	Total revenue without donor restrictions and gains without donor restrictions	\$ 102,649