EDGEWOOD COLLEGE, INC.
Madison, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2019 and 2018

EDGEWOOD COLLEGE, INC.

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As of and for the Years Ended June 30, 2019 and 2018

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Edgewood College, Inc.
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Edgewood College, Inc. (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.

Auditors' 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 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019 on our consideration of the College'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 the College'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 the College's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
November 7, 2019

EDGEWOOD COLLEGE, INC.

STATEMENTS OF FINANCIAL POSITION
As of June 30, 2019 and 2018

ASSETS

	2019	2018
Cash and cash equivalents	$ 20,823,760	$ 20,797,526
Short-term investments	6,035,338	6,017,640
Restricted cash and cash equivalents	1,421,778	1,264,279
Student accounts receivable (less allowance for doubtful accounts of $150,000 for 2019 and $175,000 for 2018)	1,063,876	1,655,845
Government grants receivable	165,027	120,226
Other receivables	301,173	208,343
Inventories	142,420	147,779
Prepaid expenses	882,168	591,051
Investments	46,501,365	46,652,167
Investment in joint venture	136,449	116,516
Beneficial interest in private foundation	13,488,733	15,227,625
Student notes receivable (less allowance for doubtful notes of $147,750 for 2019 and $125,750 for 2018)	719,219	822,776
Contributions receivable, net	1,562,597	1,386,625
Other assets	-	225,773
Property, plant, equipment and library books, net	56,782,604	58,326,950
TOTAL ASSETS	$ 150,026,507	$ 153,561,121

LIABILITIES AND NET ASSETS

	2019	2018
LIABILITIES		
Accounts payable - operating	$ 770,616	$ 501,530
Accounts payable - construction	132,490	253,381
Accrued expenses	4,073,536	3,194,282
Deposits held in custody for others	681,158	716,837
Deferred revenue	2,164,668	3,081,548
Capital lease obligations	526,365	361,127
Bonds payable (net of unamortized bond costs of $55,178 for 2019 and $62,555 for 2018)	13,014,822	13,807,445
Refundable U.S. government student loans	866,826	866,826
Total Liabilities	22,230,481	22,782,976
NET ASSETS		
Without Donor Restrictions		
Undesignated	63,155,073	64,462,467
Designated for capital projects	4,391,755	4,671,887
Designated for long-term investment (endowment)	30,309,566	30,337,114
Total Without Donor Restrictions	97,856,394	99,471,468
With Donor Restrictions	29,939,632	31,306,677
Total Net Assets	127,796,026	130,778,145
TOTAL LIABILITIES AND NET ASSETS	$ 150,026,507	$ 153,561,121

See accompanying notes to financial statements.

EDGEWOOD COLLEGE, INC.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Tuition and fees	$ 49,304,467	$ -	$ 49,304,467
Less: Federal grants	(248,994)	-	(248,994)
Institutional aid	(13,656,374)	-	(13,656,374)
Net Tuition and Fees	35,399,099	-	35,399,099
Sales and services of auxiliary enterprises	5,752,859	-	5,752,859
Gifts and private grants	260,832	1,698,929	1,959,761
Government grants and contracts	506,429	-	506,429
Investment income	750,510	-	750,510
Investment income beneficial interest - operating	-	675,000	675,000
Long-term investment return, net, designated for current operations	1,225,760	460,434	1,686,194
Other	771,091	59,586	830,677
Total Operating Revenues	44,666,580	2,893,949	47,560,529
Net assets released from restrictions	2,465,371	(2,465,371)	-
Total Operating Revenues	47,131,951	428,578	47,560,529
OPERATING EXPENSES			
Program			
Instruction	20,074,836	-	20,074,836
Academic support	9,501,137	-	9,501,137
Student services	6,133,280	-	6,133,280
Public service	471,537	-	471,537
Auxiliary enterprises	5,174,282	-	5,174,282
Support			
Institutional support	5,836,245	-	5,836,245
Fundraising	1,476,393	-	1,476,393
Total Operating Expenses	48,667,710	-	48,667,710
Change in Net Assets from Operating Activities	(1,535,759)	428,578	(1,107,181)
NON-OPERATING ACTIVITIES			
Long-term investment return, net, less than amount designated for operations	(27,549)	(12,880)	(40,429)
Interest rate swap loss	(511,059)	-	(511,059)
Change in beneficial interest in private foundation	-	(1,738,892)	(1,738,892)
Change in equity in joint venture	19,933	-	19,933
Gifts and private grants for long-term endowment	-	143,941	143,941
Gifts and private grants for long-lived capital items	-	251,568	251,568
Net assets released from restrictions - plant	444,834	(444,834)	-
Reclassification	(5,474)	5,474	-
Change in Net Assets from Non-Operating Activities	(79,315)	(1,795,623)	(1,874,938)
CHANGE IN NET ASSETS	(1,615,074)	(1,367,045)	(2,982,119)
NET ASSETS - Beginning of Year	99,471,468	31,306,677	130,778,145
NET ASSETS - END OF YEAR	$ 97,856,394	$ 29,939,632	$ 127,796,026

See accompanying notes to financial statements.

EDGEWOOD COLLEGE, INC.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Tuition and fees	$ 50,809,309	$ -	$ 50,809,309
Less: Federal grants	(241,721)	-	(241,721)
Institutional aid	(13,063,301)	-	(13,063,301)
Net Tuition and Fees	37,504,287	-	37,504,287
Sales and services of auxiliary enterprises	6,004,777	-	6,004,777
Gifts and private grants	248,978	1,745,895	1,994,873
Government grants and contracts	459,697	-	459,697
Investment income	302,377	-	302,377
Investment income beneficial interest - operating	-	557,061	557,061
Long-term investment return, net, designated for current operations	1,089,950	393,165	1,483,115
Other	614,997	94,503	709,500
Total Operating Revenues	46,225,063	2,790,624	49,015,687
Net assets released from restrictions	2,041,922	(2,041,922)	-
Total Operating Revenues	48,266,985	748,702	49,015,687
OPERATING EXPENSES			
Program			
Instruction	19,779,380	-	19,779,380
Academic support	9,440,609	-	9,440,609
Student services	6,036,619	-	6,036,619
Public service	465,259	-	465,259
Auxiliary enterprises	5,266,706	-	5,266,706
Support			
Institutional support	5,554,170	-	5,554,170
Fundraising	1,489,920	-	1,489,920
Total Operating Expenses	48,032,663	-	48,032,663
Change in Net Assets from Operating Activities	234,322	748,702	983,024
NON-OPERATING ACTIVITIES			
Long-term investment return, net, in excess of amount designated for operations	1,306,465	459,210	1,765,675
Interest rate swap gain	429,548	-	429,548
Change in beneficial interest in private foundation	-	1,282,625	1,282,625
Investment income beneficial interest - capital related	-	67,939	67,939
Change in equity in joint venture	27,362	-	27,362
Gifts and private grants for long-term endowment	-	306,312	306,312
Gifts and private grants for long-lived capital items	-	534,965	534,965
Net assets released from restrictions - plant	537,574	(537,574)	-
Change in Net Assets from Non-Operating Activities	2,300,949	2,113,477	4,414,426
CHANGE IN NET ASSETS	2,535,271	2,862,179	5,397,450
NET ASSETS - Beginning of Year	96,936,197	28,444,498	125,380,695
NET ASSETS - END OF YEAR	$ 99,471,468	$ 31,306,677	$ 130,778,145

See accompanying notes to financial statements.

EDGEWOOD COLLEGE, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,982,119)	$ 5,397,450
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	2,687,820	2,885,612
Amortization of loan origination fees included in interest expense	7,377	7,658
Realized and unrealized losses (gains) on investments	503,647	(1,962,485)
Gain on investment in joint venture	(19,933)	(27,362)
Decrease (increase) in valuation of beneficial interest in private foundation	1,738,892	(1,282,625)
Contributions received restricted for long-term investment and plant	(172,384)	(1,281,868)
Unrealized loss (gain) on interest rate swap agreements	511,059	(429,548)
Changes in assets and liabilities:		
Prepaid expenses	(291,117)	20,585
Receivables	454,338	111,029
Inventories	5,359	25,983
Accounts payable	269,086	(264,647)
Accrued expenses	593,968	(67,311)
Deposits held in custody for others	(35,679)	75,614
Deferred revenue	(916,880)	(215,118)
Contributions receivable	(175,972)	390,232
Net Cash Flows from Operating Activities	2,177,462	3,383,199
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash and cash equivalents	(157,499)	(170,604)
Purchases of property, plant, equipment and library books	(987,649)	(376,862)
Proceeds from investments sold	2,978,358	4,017,464
Purchases of investments	(3,348,901)	(6,780,702)
Notes advanced to students	-	(136,218)
Principal collections on notes to students	103,557	143,691
Net Cash Flows from Investing Activities	(1,412,134)	(3,303,231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received restricted for long-term investment and plant	172,384	1,281,868
Principal payments on bonds	(800,000)	(517,500)
Principal payments on capital leases	(111,478)	(103,464)
Change in U.S. government student loans	-	(26,773)
Net Cash Flows from Financing Activities	(739,094)	634,131
Net Change in Cash and Cash Equivalents	26,234	714,099
CASH AND CASH EQUIVALENTS - Beginning of Year	20,797,526	20,083,427
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 20,823,760	$ 20,797,526
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 399,711	$ 413,099
NONCASH INVESTING AND FINANCING ACTIVITIES		
Assets acquired with construction payables	$ 132,490	$ 253,381
Capital lease (net) for new assets and refinancing	$ 276,716	$ -

See accompanying notes to financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Edgewood College, Inc. (the "College") is an educational institution sponsored by the Sinsinawa Dominican Congregation of the Most Holy Rosary offering graduate and undergraduate degrees.

The accounting policies of the College reflect practices common to colleges and universities and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

Net Asset Classifications: For the purposes of financial reporting, the College classifies resources into two net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the College are classified in the accompanying financial statements in the categories that follow:

> ***Net Assets with Donor Restrictions*** - Net assets subject to donor-imposed time or purpose restrictions that will be met by action of the College and/or the passage of time and donor restricted endowment funds required to be held in perpetuity.
>
> ***Net Assets without Donor Restrictions*** - Net assets not subject to donor-imposed restrictions.

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Income earned on donor restricted funds is initially classified as net assets with donor restrictions and is reclassified as net assets without donor restrictions when expenses are approved for their intended purpose.

Contributions, including unconditional promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Contributions to be received after one year are discounted at the interest rate in effect in the year the pledge was received. Amortization of the discount is recorded as additional contribution revenue. An allowance, if any, is made for doubtful contributions receivable based upon management's judgment and analysis of the past collection history and other relevant factors. Contributions determined to be not collectible are recorded as bad debt expense. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases between the applicable classes of net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as increases in net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as net assets with donor restrictions; the restrictions are considered to be released at the time such long-lived assets are placed in service. Gifts for long-lived assets and the related release when placed into service are included in the non-operating activities section of the Statements of Activities.

In the absence of donor stipulations or law to the contrary, gains or losses on the investments of a donor-restricted endowment fund increase or decrease net assets with donor restrictions.

Gains or losses on investments of endowment funds created by a board designation of unrestricted funds increase or decrease net assets without donor restrictions.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

Government Grants and Contracts Revenues - Revenue from government grants and contracts is recognized as it is earned through expenditures in accordance with the related agreement.

Tuition and Fees and Auxiliary Revenues - Tuition revenue is recognized in the period the classes are provided. Financial assistance in the form of scholarships and grants that cover a portion of tuition is reflected as institutional aid and is shown as a reduction of tuition and fees revenues. Revenue from auxiliary enterprises is recognized when goods or services are provided.

Cash and Cash Equivalents - The College considers highly liquid investments including money market accounts and certificates of deposit with a maturity of less than two years when purchased, except for those held for long-term endowment or plant investment, to be cash equivalents. The College is required to maintain funds relating to the Perkins Loan Program in a separate account. At June 30, 2019 and 2018 the Perkins Loan program account balances were $122,226 and $49,570, respectively.

Short-term Investments - Short-term investments consist of investments held in short term bond mutual funds carried at fair value that may be used for the daily operation of the College.

Restricted Cash and Cash Equivalents - The College co-owns bank accounts with Edgewood High School of the Sacred Heart and Edgewood Campus School which are held as reserve accounts for future capital repairs or improvements as established by condominium association and building tenancy-in-common agreements.

Student Accounts Receivable - Student accounts receivable are carried at the unpaid balance of the original amount billed to students less an estimate made for doubtful accounts which is based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts are written off when deemed uncollectible. Recoveries of student accounts previously written off are recorded when received.

A late payment fee is charged to students that do not pay by the initial payment due date each term or enroll in a payment plan. Students can enroll in a payment plan that allows them to pay over the course of one term. A finance charge is charged on the unpaid balance at the end of each month and is recognized as it is charged. A student account receivable is considered to be delinquent when a scheduled payment is more than 30 days past the payment due date.

Inventories - Inventories, consisting of items for the bookstore, are valued at lower of cost or market determined by the first-in, first-out method.

Investments - Investments are carried at fair value, primarily based on quoted market prices or quoted net asset values, except for certificates of deposit which are carried at cost and approximate market value. Realized and unrealized gains and losses are reflected within long-term investment return (net) in the statement of activities.

Investment in Joint Venture - The College is a member of the Center for Healthcare Education and Simulation, Inc. (the “Center”), a non-stock, non-profit organization. The Center has three members including Edgewood College, UnityPoint Health - Meriter and SSM Health St. Mary’s Hospital - Madison which have identical rights and obligations with respect to voting, dissolution, redemption, transfer and otherwise. The Center is governed by a Board of Directors consisting of two directors representing each member. The Center is established to provide educational experiences for students enrolled in nursing or other medical professional programs, new and experienced nurses, and other medical professionals. The College’s investment in the joint venture is accounted for using the equity method and is reported as an asset in the Statements of Financial Position and as change in equity in joint venture in the Statements of Activities.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

Beneficial Interest in Private Foundation - The College is a stated beneficiary of a private foundation from which the College receives a specified percentage of the annual distributions made by the foundation. The College's beneficial interest in the private foundation is reported as an asset in the Statements of Financial Position and as change in beneficial interest in private foundation in the Statements of Activities.

Property, Plant, Equipment and Library Books - Physical plant, equipment and library books are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation of property, equipment and library books is provided on the straight-line method over the estimated useful lives of the respective assets. The College uses the following depreciable lives:

- Buildings - 50 years
- Building and land improvements - 20 years
- Library books - 12 years
- Vehicles – 5 years
- Software - 5 years
- Equipment - 3 to 7 years

The College capitalizes building and land improvements greater than $20,000 and software and equipment additions of $5,000 or more. Collections of works of art, historical treasures and similar assets are not capitalized. Normal repairs and maintenance expenses are charged to operations as incurred.

Impairment of Long-Lived Assets - The College reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the years ending June 30, 2019 and 2018 there have been no such losses.

Asset Retirement Obligations - The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. Over time, the liability is accreted to its present value each year. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the Statements of Activities. The College reviews its estimates annually and adjusts the recorded liability as needed.

All of the College's asset retirement obligations relate to estimated costs to remove asbestos from campus facilities. The estimate of the losses that are probable for asbestos removal was calculated using the expected cash flow approach based on an inventory of the College's long-lived assets combined with an estimate of the current market prices to remove the asbestos. The College utilized a credit-adjusted risk-free rate to discount the asset retirement obligation.

At June 30, 2019 and 2018, the asset retirement obligations are estimated to be approximately $130,000. This obligation is included in accrued expenses within the Statements of Financial Position.

Bond Costs - Series 2015 Bond issuance costs are being amortized over the term of the related debt using the effective interest method and the unamortized balance is reported as a reduction of Bonds Payable within the Statements of Financial Position (see Note 8).

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

Deferred Tuition Revenue and Prepaid Expenses - Certain revenues and expenses for summer courses and programs are deferred as of June 30, and are recognized as of the beginning of the next fiscal year as this is the period in which most of the summer school classes are in session. Students are generally billed prior to the start of the course or program. Summer school deferred revenue as of June 30, 2019 and 2018 approximated $1,640,000 and $2,455,000, respectively. Prepaid expenses related to summer school as of June 30, 2019 and 2018 approximated $163,000 and $245,000, respectively.

Grants to Specified Students - Amounts received from Federal and State agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the College. The amount of such grants from the State of Wisconsin totaled $1,647,574 and $1,755,568, and the amount from Federal Pell grants totaled $1,840,609 and $1,992,014 during the years ended June 30, 2019 and 2018, respectively.

Income Tax Status - The Internal Revenue Service has determined that the College is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax. However, any unrelated business income may be subject to taxation.

The College follows the accounting standards for contingencies in evaluating uncertain tax positions. The guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the College for uncertain tax positions as of June 30, 2019 and 2018. The College’s tax returns are subject to review and examination by Federal and State authorities. The tax returns for the current year as well as fiscal years 2016 and 2015 and thereafter are open to examination by Federal and State authorities, respectively.

Measure of Operations - The College’s change in net assets from operating activities include all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures. The measure of operations includes support for operating activities from both donor restricted net assets and net assets without donor restrictions designated for long-term investment (the donor restricted and board designated endowments) according to the College’s spending policy, which is detailed in Note 14. The measure of operations excludes investment return in excess of (less than) amounts made available for current support. The measure of operations also excludes changes in fair value of the interest rate swap agreement, beneficial interest in private foundation and equity in joint venture. Included in the line item long-term investment return, net, designated for current operations is investment return appropriated from board designated endowment to operations of $1,225,760 and $1,089,950 for June 30, 2019 and 2018, respectively.

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

Advertising Costs - The College follows the policy of charging the cost of advertising to expense as incurred. Advertising expense for the years ended June 30, 2019 and 2018 approximated $640,000 and $550,000, respectively.

Refundable U.S. Government Student Loans - Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be re-loaned after collection. These funds are ultimately refundable to the government and are included as liabilities in the Statements of Financial Position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Expenses incurred before cash is received are recorded as receivables.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

Federal Perkins Loan Program - The Extension Act amended section 461 of the Higher Education Act to end the College's authority to make new Perkins Loans after June 30, 2018. The College is not required to assign the outstanding Perkins Loans to the Department of Education or liquidate their Perkins Loan Revolving Funds due to the wind-down of the Perkins Loan Program, however, the College may choose to liquidate at any time in the future. As of June 30, 2019, the College continues to service the Perkins Loan Program.

New Accounting Pronouncements - In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18")*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. ASU 2016-18 is effective for non-public entities for fiscal years beginning after December 15, 2018 (fiscal year 2019-20). ASU 2016-18 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU 2016-18 on its financial statements.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The College adopted ASU No. 2016-14 in 2019, and has applied the changes retrospectively to all periods presented except for the disclosure around liquidity and availability of resources. This disclosure has been presented only for the year ending June 30, 2019, as allowed by ASU 2016-14. The adoption of ASU No. 2016-14 did not affect total net assets or change in net assets. The new standard changes the following aspects of the financial statements:

- the unrestricted net asset class has been renamed net assets without donor restrictions and the temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions
- the financial statements include a disclosure about liquidity and availability of resources (Note 17)
- the financial statements include an analysis of expenses by nature and function (Note 19)

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 is effective for annual periods beginning after December 15, 2022 (fiscal year 2023-24). Early adoption is permitted for annual and interim periods beginning after December 15, 2018 (2020). Management is currently evaluating the impact of ASU 2016-13 on the College's financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Amendments to 2014-09 defer the effective date, clarify the implementation guidance on principal versus agent considerations, and clarify the identification of performance obligations and the licensing implementation guidance. ASU 2014-09 (as amended) is effective for fiscal years beginning after December 15, 2017 (fiscal year 2018-19), for entities with conduit debt and for fiscal years beginning after December 15, 2018 (fiscal year 2019-20) for all other entities. The amendments will be applied retrospectively to each prior period presented as of the date of initial application. Management is currently evaluating the impact of ASU 2014-09 (as amended) on the College's financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

New Accounting Pronouncements (cont.) - In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for contributions received during fiscal years beginning after December 15, 2018 (fiscal year 2019-20) and contributions made during fiscal year beginning after December 15, 2019 (2020-21). Management is currently evaluating the impact of ASU 2018-08 on the College's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. The College will be required to apply the standard for fiscal years and reporting periods beginning after December 15, 2020 (fiscal year 2021-22). Early adoption is permitted. Management is currently evaluating the impact of ASU 2016-02 on the College's financial statements.

Reclassifications - The method of allocating depreciation expense and operations and maintenance of plant expense to the various functional categories was changed for the year ending June 30, 2019. The previous allocation method was applied based on employee salaries of the functional areas and the new method is based on square footage of space used. Also for the year ending June 30, 2019 room and board benefits received by resident assistants have been reclassified within the auxiliary function rather than institutional aid. The accompanying Statement of Activities for the year ending June 30, 2018 includes reclassifications for these items applied consistent with the new method used for the year ending June 30, 2019. For the June 30, 2019 and 2018 Statements of Financial position the amount of capital project investment funds is included as board designated net assets (see Note 13). These reclassifications have no effect on the previously reported amounts of Changes in Net Assets or Total Net Assets.

NOTE 2 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, money market funds, mutual funds, marketable securities, other investments, contributions receivable, and accounts and notes receivable. The College places substantially all of its cash and liquid investments with a variety of financial institutions and limits the amount of credit exposure at any one financial institution; however, cash balances may periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. Student notes and receivables and other receivables are due from a variety of sources concentrated primarily in the Midwestern United States. In addition, the College's students receive a substantial amount of support from State and Federal student financial assistance programs which is subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities.

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair Value Hierarchy - Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which is based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 3 – FAIR VALUE MEASUREMENTS (cont.)

The following table presents financial instruments that are measured at fair value on a recurring basis by the fair value hierarchy as of June 30, 2019:

	Total	Level 1	Level 2	Level 3
ASSETS				
Short-term Investments				
Mutual funds	$ 6,035,338	$ 6,035,338	$ -	$ -
Investments				
Money market	$ 1,533,068	$ -	$ 1,533,068	$ -
Mutual funds	39,814,422	39,814,422	-	-
Sub-total	41,347,490	$ 39,814,422	$ 1,533,068	$ -
Certificates of deposit	22,000			
U.S. Treasury bills	2,939,166			
Alternative investments measured at NAV - Hedge fund	2,192,709			
Total	$ 46,501,365			
Beneficial Interest in Private Foundation	$ 13,488,733	$ -	$ -	$ 13,488,733
LIABILITIES				
Accrued Expenses				
Interest rate exchange agreements	$ 285,286	$ -	$ 285,286	$ -

The following table presents financial instruments that are measured at fair value on a recurring basis by the fair value hierarchy as of June 30, 2018:

	Total	Level 1	Level 2	Level 3
ASSETS				
Short-term Investments				
Mutual funds	$ 6,017,640	$ 6,017,640	$ -	$ -
Investments				
Money market	$ 1,051,395	$ -	$ 1,051,395	$ -
Mutual funds	39,870,167	39,870,167	-	-
Sub-total	40,921,562	$ 39,870,167	$ 1,051,395	$ -
Certificates of Deposit	1,171,000			
U.S. Treasury bills	2,460,208			
Alternative investments measured at NAV - Hedge Fund	2,099,397			
Total	$ 46,652,167			
Beneficial Interest in Private Foundation	$ 15,227,625	$ -	$ -	$ 15,227,625
Other Assets				
Interest rate exchange agreements	$ 225,773	$ -	$ 225,773	$ -

NOTE 3 – FAIR VALUE MEASUREMENTS (cont.)

U.S. Treasury bills are carried at accreted cost and certificates of deposit are carried at cost which approximates fair value and are included within investments in the Statements of Financial Position.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Money Market Funds - The fair value of money market funds is classified as Level 2 as it is based upon observable inputs that do not have quoted prices in active markets.

Mutual Funds - Mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Beneficial Interest in Private Foundation - The beneficial interest in the private foundation is classified as Level 3 as the fair value is based upon the anticipated discounted cash flow from the foundation, or as a practical expedient, at the valuation of the College's portion of the foundation's assets.

Interest Rate Exchange Agreements - Interest rate exchange agreements are classified as Level 2 as the fair value is based on observable inputs to a valuation model (interest rates, credit spreads, etc.) which take into account the present value of the estimated future cash flows and credit valuation adjustments. See Note 9.

Alternative Investments Measured at NAV - The fair value of certain funds has been estimated using the Net Asset Value ("NAV") as reported by the management of the fund. Accounting guidance allows for the use of the NAV as a "practical expedient" estimating the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the College's interest in the fund.

While the College 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 estimate of fair value at the reporting date.

The following table presents a reconciliation of the Statement of Financial Position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended June 30, 2019:

	Balance June 30, 2018	Net Realized and Unrealized Gain (Loss)	Purchases (Sales)	Net Transfers In (Out) of Level 3	Balance June 30, 2019
Beneficial interest in private foundation	$ 15,227,625	$ (1,738,892)	$ -	$ -	$ 13,488,733

The amount of total loss for the period included in change in net assets attributable to the change in unrealized loss relating to assets measured at fair value still held at June 30, 2019.	$ (1,738,892)

Net realized and unrealized loss is included within change in beneficial interest in private foundation on the Statements of Activities.

NOTE 3 – Fair Value Measurements (cont.)

The following table presents a reconciliation of the Statement of Financial Position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended June 30, 2018:

	Balance June 30, 2017	Net Realized and Unrealized Gain (Loss)	Purchases (Sales)	Net Transfers In (Out) of Level 3	Balance June 30, 2018
Beneficial interest in private foundation	$ 13,945,000	$ 1,282,625	$ -	$ -	$ 15,227,625

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gain relating to assets measured at fair value still held at June 30, 2018.	$ 1,282,625

Net realized and unrealized gain is included within change in beneficial interest in private foundation on the Statements of Activities.

The estimated fair value of the Low Volatility Hedge Fund is based on the valuation provided by the external investment manager as of June 30. The College believes the carrying amount of this investment is a reasonable estimate of fair value. Because this investment is not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investment existed. The following table lists the alternative investments by major category at June 30, 2019:

	Low Volatility Hedge Fund – Blackstone Partners Offshore Fund Ltd.
Fair Value June 30, 2019	$ 2,192,709
Significant Investment Strategy	Low volatility hedge fund of funds
Remaining Life	N.A.
Dollar amount of unfunded commitments	None
Timing to Draw Down Commitments	N.A.
Redemption Terms	Semi-annual redemption with 95 day notice
Redemption Restrictions	None
Redemption Provisions in Place at Year End	None

NOTE 4 – Investments

The College's investment objectives include seeking long-term total return consistent with prudent levels of risk by maintaining a well-diversified investment portfolio that follows the Investment and Spending Policy Statement adopted by the Board of Trustees. Equity investments are diversified by market capitalization, style, industry and country. Fixed income investments are diversified by market sector, maturity, credit quality and issuer. The College utilizes an investment consultant to provide independent review, analysis and recommendations regarding oversight of the investment portfolio and to recommend asset allocation and investment funds. The College's Finance, Audit and Investment Committee, within the framework set by the Board of Trustees, has responsibility for the establishment and oversight of investment policies and procedures which are implemented by College management.

NOTE 4 – INVESTMENTS (cont.)

The following summarizes the College's investments at June 30:

	2019	2018
Short-term Investments		
Mutual Funds – Short-term bonds	$ 6,035,338	$ 6,017,640
Investments		
Endowment Fund		
Money market funds	$ 102,479	$ 10,716
Mutual funds		
Domestic Equity	16,897,305	16,938,716
International Equity	9,693,705	9,944,110
Global Tactical Asset Allocation	2,516,661	2,449,495
Real Assets	2,005,016	2,059,365
Fixed Income	8,498,060	8,262,261
Alternative investments measured at NAV		
Low Volatility Hedge Fund	2,192,709	2,099,397
Capital Projects Fund		
Money market funds	1,430,589	1,040,679
Certificates of deposit	22,000	1,171,000
U.S. Treasury bills	2,939,166	2,460,208
Other – Mutual funds	203,675	216,220
Total Investments	$ 46,501,365	$ 46,652,167

NOTE 5 – CREDIT QUALITY OF STUDENT NOTES RECEIVABLE

The College issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Student loans receivable are carried at the amount of unpaid principal less an estimate for doubtful accounts. 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. At June 30, 2019 and 2018, student notes represented .5% of total assets.

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

	2019	2018
Federal government programs	$ 857,543	$ 939,093
Institutional programs	9,426	9,433
Totals	866,969	948,526
Less: allowance for doubtful accounts		
Beginning of year	(125,750)	(116,750)
Increase	(22,000)	(9,000)
End of year	(147,750)	(125,750)
Student Notes Receivable, Net	$ 719,219	$ 822,776

NOTE 5 – CREDIT QUALITY OF STUDENT NOTES RECEIVABLE (cont.)

Funds advanced by the Federal government of $866,826 as of June 30, 2019 and 2018, are ultimately refundable to the government and are classified as liabilities in the Statements of Financial Position.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student notes receivable and is recognized as it is charged. Student loans receivable through the loan programs are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late charges are charged and recognized. The Federal Perkins Loan Program receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education.

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

	Amounts Past Due			
June 30	1-60 days	60-90 days	90+ days	Total
2019	$ 159	$ 1,566	$ 123,110	$ 124,835
2018	265	881	109,555	110,701

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30 are composed of and are to be used for the following:

	2019	2018
Capital funds	$ 376,961	$ 575,901
Scholarships and programs	1,340,861	902,501
Total contributions receivable	1,717,822	1,478,402
Less: Allowance for doubtful accounts	(16,000)	-
Less: Discount	(139,225)	(91,777)
Net Contributions Receivable	$ 1,562,597	$ 1,386,625
Less than one year	$ 392,429	
One to five years	1,325,393	
More than five years	-	
Total Contributions Receivable	$ 1,717,822	

Contributions have been discounted at the interest rate in effect in the year the pledge was made. This rate was 4.14% for 2019 and 3.73% for 2018. Approximately 84% and 67% of contributions receivable on June 30, 2019 and 2018, respectively, was from five donors.

NOTE 7 – PROPERTY, PLANT, EQUIPMENT AND LIBRARY BOOKS

A summary of property, plant, equipment and library books as of June 30 is as follows:

	2019	2018
Land	$ 745,510	$ 725,510
Buildings and improvements	85,784,034	84,872,738
Equipment	8,097,280	8,524,024
Library books	432,380	509,769
Vehicles	134,734	140,234
Construction in process	47,829	311,764
Total	95,241,767	95,084,039
Less: Accumulated depreciation	(38,459,163)	(36,757,089)
Net Property, Plant, Equipment and Library Books	$ 56,782,604	$ 58,326,950

NOTE 8 – LONG-TERM OBLIGATIONS

BONDS PAYABLE

Bonds payable at June 30 consist of the following:

	2019	2018
Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2015 were issued in the amount of $16,870,000. The Series 2015 Bonds have a variable interest rate (2.76% at June 30, 2019) and semiannual maturities varying from $230,000 to $500,000 through April 2035. The bonds are secured by various covenants and conditions along with a security interest in all real and personal property of the College.	$ 13,070,000	$ 13,870,000
Bond issuance costs of $83,982 net of amortization of $28,804 and $21,427 at June 30, 2019 and 2018, respectively	(55,178)	(62,555)
Total Bonds Payable, Net	$ 13,014,822	$ 13,807,445

To minimize the effect of changes in the interest rate the College has entered into an interest rate swap agreement on the Series 2015 Bonds. The fixed interest rate under this swap agreement is 1.70% and the credit fee is .95%. Under the agreement, the College either pays or receives interest depending on the relationship between the variable rate and the fixed rate. See Note 9 regarding derivative instruments.

The College is required to comply with certain financial covenants. For the Series 2015 Bonds the College must maintain a debt service coverage ratio of greater than 1.15 to 1, a minimum liquidity ratio of 1.2 to 1 and a ratio of liabilities to net assets of less than .55 to 1.0. The College was in compliance with all of the above financial covenants as of June 30, 2019 and 2018.

NOTE 8 – LONG-TERM OBLIGATIONS (cont.)

Future principal payments on the 2015 bonds are due as follows:

Years Ending June 30,	
2020	$ 815,000
2021	825,000
2022	840,000
2023	850,000
2024	865,000
2025 to 2029	4,530,000
2030 to 2034	3,870,000
2035	475,000
Total	$ 13,070,000

Bond interest expense incurred during the years ended June 30, 2019 and 2018 was $366,000 and $298,000 respectively. See Note 9 for amounts paid or received related to the interest rate swap agreements.

OBLIGATIONS UNDER CAPITAL LEASES

The College leases various assets under capital lease agreements. Total capitalized assets acquired under leases are $579,720 at June 30, 2019 and $485,000 at June 30, 2018. Total accumulated depreciation on assets acquired under leases is $57,972 and $242,000 at June 30, 2019 and 2018, respectively. Future minimum lease payments under capital leases together with the present value of the net minimum lease payments are as follows:

Years Ending June 30,	
2020	$ 148,680
2021	148,680
2022	148,680
2023	148,680
2024	12,390
Total Minimum Lease Payments	607,110
Less: Amount representing interest	(80,745)
Present Value of Minimum Lease Payments	$ 526,365

NOTE 9 – DERIVATIVE INSTRUMENTS

The College uses an interest rate swap agreement as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt (see Note 8). The interest rate swap agreement is used to manage identified and approved exposure and is not used for speculative purposes. The interest rate swap agreement is recognized as either an asset or liability on the Statements of Financial Position and is measured at fair value. Interest rate swap agreements are often held for the life of the strategy, but may reflect significant interim unrealized gains or losses depending on the change in value since the inception of the contract. All unrealized and realized gains and losses from the interest rate swap agreement are reflected within Non-Operating Activities in the Statements of Activities.

NOTE 9 – DERIVATIVE INSTRUMENTS (cont.)

An interest rate swap agreement between the College and a third party (counterparty) provides for periodic exchange of payments between the parties based on changes in a defined index and a fixed rate and include counterparty credit risk. Counterparty credit risk is the risk that contractual obligations of the counterparty will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Counterparty credit risk is managed by requiring high credit standards for the College's counterparty. The counterparty to this contract is a financial institution that carries investment-grade credit ratings. The interest rate swap agreement contains collateral provisions applicable to both parties to mitigate credit risk. The College does not anticipate non-performance by its counterparty.

For the year ended June 30, 2019 the College received $4,366 more than it paid and for the year ended June 30, 2018 the College paid $81,797 more than it received under the interest rate swap agreement. The difference between amounts received and amounts paid under the agreements is included within interest expense in the Statements of Activities.

The following is a summary of the outstanding positions under these interest rate swap agreements as of June 30:

Year	Instrument Type	Notional Amount	Maturity Date	Rate Paid	Rate Received
2019	Floating to fixed rate swap	$ 13,070,000	May 1, 2025	1.70%	74% of LIBOR interest rate
2018	Floating to fixed rate swap	$ 13,870,000	May 1, 2025	1.70%	74% of LIBOR interest rate

The College also pays a .95% credit fee related to the Series 2015 Bonds.

Derivative instruments reported in the Statements of Financial Position at fair value as of June 30 are as follows:

Derivative Designated as Hedging Instrument	Derivative		
	Statement of Financial Position Location	Fair Value	
		2019	2018
Interest rate swap agreement	Other Assets	$ -	$ 225,773
Interest rate swap agreement	Accrued expenses	285,286	-

The effect of the derivative instrument is reported in the Statements of Activities as follows:

Derivative Designated as Hedging Instruments	Location of Gain on Derivative Recognized in the Statements of Activities	Amount of Gain (Loss) on Derivative Recognized in the Statements of Activities	
		2019	2018
Interest rate swap agreement	Interest rate swap (loss) gain	$ (511,059)	$ 429,548

NOTE 10 – LINE OF CREDIT

The College has a $1,000,000 unsecured line of credit with BMO Harris Bank NA as of June 30, 2019 and 2018. Interest is at the LIBOR rate plus 1.8%. The line of credit agreement matures on May 29, 2020. No borrowings were made under this line of credit during the years ended June 30, 2019 or 2018.

NOTE 11 – OPERATING LEASES

The College leases vehicles, usually over a three-year period. Rent expense for the years ended June 30, 2019 and 2018 was $47,871 and $47,051, respectively. Future lease commitments are due as follows:

Years Ending June 30,	
2020	$ 40,452
2021	20,801
2022	13,445
Total	$ 74,698

The College entered into a lease with Edgewood High School of the Sacred Heart (the High School) on July 3, 2018 related to the College’s use of space in the High School performing arts center for performances, rehearsals, classroom instruction and other educational purposes. The initial term of the lease is for twenty years ending July 31, 2039 with an extension option for an additional ten years. The base rent for the initial twenty-year term is $1,700,000 with $425,000 partial prepayment of rent payable upon commencement of construction and $425,000 prepaid rent payable on occupancy. The College will pay the remaining balance of $850,000 in twenty annual installments of $42,500 due on December 31 of each year during the initial term. The prepaid rent amortizes over the initial term on a straight-line basis. For the year ending June 30, 2019 the College has made the initial lease prepayment of $425,000 which is included on the Statement of Financial Position within Prepaid expenses. The second $425,000 lease prepayment was made July 26, 2019 following occupancy. Future lease annual payments are due as follows:

Years Ending June 30,	
2020	$ 42,500
2021	42,500
2022	42,500
2023	42,500
2024	42,500
2025 to 2029	212,500
2030 to 2034	212,500
2035 to 2039	212,500
Total	$ 850,000

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include the following as of June 30:

	2019	2018
Subject to expenditure for a specified use -		
Scholarships	$ 1,069,461	$ 1,110,775
Educational programs	1,683,652	1,666,299
Capital	499,127	499,127
Student Loans	34,309	34,309
Total subject to expenditure for specified use	3,286,549	3,310,510
Subject to the passage of time -		
Contributions receivable that are unavailable for use until received	1,486,313	1,256,281
Beneficial interest in private foundation unavailable until received	13,488,733	15,227,625
Endowments -		
Subject to appropriations for subsequent year expenditure:		
Scholarships	284,970	275,350
General use	5,000	3,500
Subject to endowment spending policy and appropriation		
Scholarships	6,667,702	6,589,917
Educational programs	2,072,492	2,037,026
Capital	2,336,939	2,304,810
General use	234,650	171,314
Total endowments	11,601,753	11,381,917
Endowment contributions receivable unavailable until received	76,284	130,344
Total Net Assets with Donor Restrictions	$ 29,939,632	$ 31,306,677

NOTE 13 – BOARD DESIGNATED NET ASSETS

Over the years the Board of Trustees has transferred undesignated funds into board designated endowment funds. These funds are managed and invested within the College's endowment fund (see Note 14). The quasi-endowment funds totaled $30,309,566 and $30,337,114 at June 30, 2019 and June 30, 2018, respectively.

Additionally, over the years the Board has transferred undesignated funds into capital projects investment accounts for construction and improvement projects. The board designated capital project fund totaled $4,391,755 and $4,671,887 at June 30, 2019 and 2018, respectively.

NOTE 14 – ENDOWMENT

The College's endowment consists of 106 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by Generally Accepted Accounting Principles ("GAAP"), net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The College is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the College considers a fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The College has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment and spending policies of the College

Endowment net asset composition by type of fund consists of the following as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment net assets	$ 30,309,566	$ -	$ 30,309,566
Donor restricted endowment net assets			
Original donor restricted amounts not required to be maintained in perpetuity	-	1,033,409	1,033,409
Original donor restricted amounts required to be maintained in perpetuity	-	7,320,689	7,320,689
Accumulated investment gains	-	3,247,655	3,247,655
Total Endowment Net Assets	$ 30,309,566	$ 11,601,753	$ 41,911,319

NOTE 14 – ENDOWMENT (cont.)

Endowment net asset composition by type of fund consists of the following as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment net assets	$ 30,396,020	$ -	$ 30,396,020
Donor restricted endowment net assets			
Original donor restricted amounts not required to be maintained in perpetuity	-	1,086,869	1,086,869
Original donor restricted amounts required to be maintained in perpetuity	-	7,146,879	7,146,879
Accumulated investment gains	-	3,148,169	3,148,169
Total Endowment Net Assets	$ 30,396,020	$ 11,381,917	$ 41,777,937

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2018	$ 30,396,020	$ 11,381,917	$ 41,777,937
Investment return (net)	1,198,212	447,554	1,645,766
Contributions	-	173,810	173,810
Appropriation of endowment assets for expenditure	(1,284,666)	(401,528)	(1,686,194)
Net Assets, June 30, 2019	$ 30,309,566	$ 11,601,753	$ 41,911,319

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2017	$ 27,089,556	$ 10,677,490	$ 37,767,046
Investment return (net)	2,398,014	850,775	3,248,789
Contributions	-	245,217	245,217
Appropriation of endowment assets for expenditure	(1,091,550)	(391,565)	(1,483,115)
Other changes:			
Transfer into board designated fund	2,000,000	-	2,000,000
Net Assets, June 30, 2018	$ 30,396,020	$ 11,381,917	$ 41,777,937

NOTE 14 – ENDOWMENT (cont.)

Underwater Endowment Funds - 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 SPMIFA requires the College to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2019 or 2018.

Return Objectives and Risk Parameters - The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that equal or exceed the spending rate plus inflation (Consumer Price Index-CPI) over a three to five-year market cycle. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on capital appreciation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The College has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value over the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow at a rate approximating the rate of inflation. The College has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

NOTE 15 – RETIREMENT PLAN

The College provides retirement benefits for all employees after they have met the requirements for participation in the Edgewood College Retirement Plan (the "Plan"). Teachers Insurance and Annuity Association ("TIAA") serves as custodian of the Plan. Plan participants direct the College as to the investment of amounts credited to their individual accounts under the Plan.

The College contributed amounts equal to 10 percent of the eligible salary of an employee, up to a maximum of $7,000 through December 31, 2017 and amounts equal to 6 percent of eligible salary up to a maximum of $7,000 after January 1, 2018. The total contributions of the College to the Plan for the years ended June 30, 2019 and 2018 were $1,199,009 and $1,429,442, respectively.

NOTE 16 – RELATED PARTIES

For the years ended June 30, 2019 and 2018 the College had total contributions from board members of $152,580 and $136,715, respectively.

As of June 30, 2019 and 2018, the College had approximately $3,500 and $9,000, respectively, of contributions receivable from board members.

NOTE 17 – LIQUIDITY AND AVAILABILITY

The College's financial assets available within one year of the statement of financial position date of June 30, 2019 for general expenditures are as follows:

	2019
Cash and cash equivalents	$ 20,823,760
Short-term investments	6,035,338
Student accounts receivable	1,063,876
Other receivables	301,173
Board designated endowment investment appropriated for current use	1,225,000
General endowment investment appropriated for current use	5,000
Less: restricted amounts	(3,503,455)
Total	$ 25,950,692

The College's endowment funds consist of donor restricted endowments, board designated endowments and a general endowment. Income from donor-restricted endowments is restricted for specific purposes and therefore is not available for general expenditure. As described in Note 14, the board designated endowment and the general endowment have a spending rate of 4.5%. $1,225,000 of appropriations from the board designated endowment and $5,000 from the general endowment will be available within the next 12 months.

The College's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The College invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the College has a committed line of credit in the amount of $1,000,000, which it could draw upon. Additionally, the College has a board designated endowment of $30,309,566. Although the College does not intend to spend from the board designated endowment other than amounts appropriated for general expenditure as part of its annual budget and approval process, amounts from its board designated endowment could be made available if necessary.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

FINANCIAL AWARDS FROM GRANTORS

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such awards could result in claims against the College for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

NOTE 19 – EXPENSES BY NATURE AND FUNCTION

The College's expenses by natural classification and function are shown in the tables below. Expense categories that are attributable to more than one function include depreciation and operations and maintenance of plant which are allocated based on square footage of space used. Following are expenses by nature and function for the year ending June 30, 2019.

	Instruction	Academic Support	Student Services	Public Service	Auxiliary Enterprises	Institutional Support	Fundraising	Operations & Maintenance of Plant	Total
Salaries	$ 11,752,828	$ 5,379,869	$ 2,758,287	$ 135,708	$ 395,347	$ 2,660,624	$ 796,282	$ 1,577,754	$ 24,456,699
Employee benefits	3,385,289	1,686,323	805,600	40,412	115,266	827,496	275,003	494,626	7,630,015
Supplies, services and other	1,547,838	1,238,158	1,723,883	287,887	1,700,656	1,241,239	334,130	1,606,409	9,680,200
Utilities	-	-	-	-	-	-	-	898,378	898,378
Information technology	576,350	417,213	200,317	-	7,439	650,356	19,275	35,844	1,906,794
Depreciation	1,058,757	270,843	224,134	7,530	769,887	281,797	20,287	54,585	2,687,820
Interest	-	-	-	-	371,759	36,045	-	-	407,804
Operations & maintenance of plant	1,753,774	508,731	421,059	-	1,813,928	138,688	31,416	(4,667,596)	-
Total	$ 20,074,836	$ 9,501,137	$ 6,133,280	$ 471,537	$ 5,174,282	$ 5,836,245	$ 1,476,393	$ -	$ 48,667,710

NOTE 19 – EXPENSES BY NATURE AND FUNCTION (cont.)

Following are expenses by nature and function for the year ending June 30, 2018.

	Instruction	Academic Support	Student Services	Public Service	Auxiliary Enterprises	Institutional Support	Fundraising	Operations & Maintenance of Plant	Total
Salaries	$ 11,190,237	$ 5,232,497	$ 2,689,737	$ 138,339	$ 384,782	$ 2,339,211	$ 782,934	$ 1,554,341	$ 24,312,078
Employee benefits	3,436,957	1,698,729	843,074	42,051	111,073	842,577	281,300	520,529	7,776,290
Supplies, services and other	1,473,238	1,295,392	1,624,223	276,785	1,597,870	1,197,365	295,381	1,959,476	9,719,730
Utilities	-	-	-	-	-	-	-	888,502	888,502
Information technology	652,069	375,915	185,974	-	8,311	691,943	74,728	40,039	2,028,979
Depreciation	1,136,670	290,773	240,628	8,084	826,541	302,534	21,779	58,603	2,885,612
Interest	3,465	-	-	-	386,671	31,336	-	-	421,472
Operations & maintenance of plant	1,886,744	547,303	452,983	-	1,951,458	149,204	33,798	(5,021,490)	-
Total	$ 19,779,380	$ 9,440,609	$ 6,036,619	$ 465,259	$ 5,266,706	$ 5,554,170	$ 1,489,920	$ -	$ 48,032,663

NOTE 20 – SUBSEQUENT EVENTS

The College entered into a construction and licensing agreement on November 5, 2019 with the Madison Area Youth Soccer Association (MAYSA) for the construction of a turf athletic field on property leased and managed by MAYSA to be used by the College for lacrosse, soccer and other athletic events and activities. The College will be responsible for funding the construction costs estimated at $1.2 million. The initial agreement is for ten years and includes early termination and extension options.

The College has evaluated subsequent events through November 7, 2019, which is the date that the financial statements were approved and available to be issued.