

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

Saint Joseph's University and Subsidiary

May 31, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Saint Joseph's University

We have audited the accompanying consolidated financial statements of Saint Joseph's University and its subsidiary (the "University"), which comprise the consolidated statements of financial positions as of May 31, 2021 and 2020, and the related consolidated statement 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 University'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 University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial position of Saint Joseph's University and its subsidiary as of May 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Philadelphia, Pennsylvania

October 5, 2021

Saint Joseph's University and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of May 31,

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 100,415,660	\$ 87,436,027
Accounts receivable:		
Students, net	10,840,615	10,084,524
Pledges, net	10,178,137	8,179,633
Other - third party, grants, etc.	2,201,095	2,045,213
Prepaid expenses and other	4,306,962	3,948,055
Right-of-Use Assets	4,024,514	-
Investments	380,170,866	295,102,637
Deposits held by trustee	127,682	150,852
Student note receivables, net	-	185,432
Property, plant and equipment, net	389,663,356	395,419,067
Total assets	\$ 901,928,887	\$ 802,551,440
LIABILITIES		
Accounts payable and accrued expenses	\$ 23,039,800	\$ 21,980,066
Deferred revenue	12,926,907	15,112,142
Student and other deposits	516,744	793,904
Lease liability	3,933,089	-
Long-term debt	205,791,055	212,535,030
Total liabilities	246,207,595	250,421,142
NET ASSETS		
Without donor restrictions	428,400,762	383,454,001
With donor restrictions	227,320,530	168,676,297
Total net assets	655,721,292	552,130,298
Total liabilities and net assets	\$ 901,928,887	\$ 802,551,440

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

Saint Joseph's University and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended May 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES						
Tuition and fees, net	\$ 139,367,686	\$ -	\$ 139,367,686	\$ 152,062,639	\$ -	\$ 152,062,639
Auxiliary enterprises, net	23,309,709	-	23,309,709	26,231,210	-	26,231,210
Private gifts and grants	2,539,183	8,159,831	10,699,014	3,236,640	5,655,701	8,892,341
Government grants	8,925,328	-	8,925,328	5,296,243	-	5,296,243
Endowment payout under spending formula	5,936,354	5,352,741	11,289,095	5,172,469	4,800,854	9,973,323
Investment income	46,030	24,408	70,438	1,099,221	20,221	1,119,442
Other income	6,020,068	2,000	6,022,068	8,019,581	99,877	8,119,458
Net assets released:						
Endowment payout under spending formula	5,352,741	(5,352,741)	-	4,800,854	(4,800,854)	-
Release of temporarily restricted funds	2,182,796	(2,182,796)	-	3,577,106	(3,577,106)	-
Total operating revenues	193,679,895	6,003,443	199,683,338	209,495,963	2,198,693	211,694,656
OPERATING EXPENSES						
Instruction	60,191,027	-	60,191,027	74,027,550	-	74,027,550
Public service	367,647	-	367,647	677,115	-	677,115
Academic support	12,461,856	-	12,461,856	13,380,332	-	13,380,332
Student services	37,699,958	-	37,699,958	35,485,753	-	35,485,753
Institutional support	45,686,157	-	45,686,157	45,155,838	-	45,155,838
Research	3,246,092	-	3,246,092	2,736,752	-	2,736,752
Auxiliary enterprises	29,064,823	-	29,064,823	30,450,156	-	30,450,156
Total operating expenses	188,717,560	-	188,717,560	201,913,496	-	201,913,496
Total change in net assets from operating activities	4,962,335	6,003,443	10,965,778	7,582,467	2,198,693	9,781,160
NON-OPERATING REVENUES						
Investment return in excess (deficit) of amounts designated for current operations	40,831,512	40,173,382	81,004,894	(4,720,326)	(4,462,482)	(9,182,808)
Endowment and other gifts	-	13,676,048	13,676,048	-	9,038,745	9,038,745
Interest rate swap	-	-	-	837,187	-	837,187
Loss on retirement of assets	(2,055,726)	-	(2,055,726)	(268,437)	-	(268,437)
Employee voluntary separation program	-	-	-	(8,433,883)	-	(8,433,883)
Net assets released from restrictions	1,208,640	(1,208,640)	-	(7,998,875)	7,998,875	-
Total change in net assets from non-operating activities	39,984,426	52,640,790	92,625,216	(20,584,334)	12,575,138	(8,009,196)
CHANGE IN NET ASSETS	44,946,761	58,644,233	103,590,994	(13,001,867)	14,773,831	1,771,964
Net assets, beginning of year	383,454,001	168,676,297	552,130,298	396,455,868	153,902,466	550,358,334
Net assets, end of year	<u>\$ 428,400,762</u>	<u>\$ 227,320,530</u>	<u>\$ 655,721,292</u>	<u>\$ 383,454,001</u>	<u>\$ 168,676,297</u>	<u>\$ 552,130,298</u>

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

Saint Joseph's University and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended May 31,

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 103,590,994	\$ 1,771,964
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	16,577,284	17,330,105
Allowance for doubtful accounts	(255,438)	256
Contributions restricted for long-term investment and capital	(13,676,048)	(9,038,745)
Net realized and unrealized (gains) losses on investments	(77,252,011)	9,182,808
Loss on retirement of assets	2,103,727	268,437
Cumulative effect of asset retirement obligation	140,013	133,344
Interest rate swap	-	(837,187)
Change in operating assets and liabilities:		
Increase in accounts receivable - student	(318,014)	(2,171,517)
(Increase) decrease in accounts receivable - other	(155,882)	7,127,689
(Increase) decrease in pledges receivable	(1,998,504)	3,015,923
Increase in prepaid expenses	(358,907)	(163,654)
Increase (decrease) in accrued expenses and other payables	943,619	(2,559,096)
Decrease in deferred revenue	(2,185,235)	(687,395)
Decrease in student deposits	(277,160)	(594,987)
	26,878,438	22,777,945
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of investments	(327,527,245)	(16,257,262)
Proceeds from sales of investments	319,711,027	32,612,502
Purchases of property, plant and equipment	(14,368,035)	(13,855,787)
Proceeds from sale of property, plant and equipment	-	524,166
Deposits held by trustee	23,170	(150,852)
Student loans collected	-	8,555
	(22,161,083)	2,881,322
Net cash (used in) provided by investing activities		
Cash flows from financing activities		
Proceeds from issuance of bonds	117,685,806	95,036,943
Payment for refunding bonds	(117,566,820)	(93,211,446)
Repayment of bonds	(5,235,000)	(5,725,996)
Payment on bond closing costs	(142,159)	(494,697)
Contributions restricted for long-term investment and capital	13,676,048	9,038,745
Finance lease payments	(155,597)	(118,792)
Government refund for student loans	-	(54,955)
	8,262,278	4,469,802
Net cash provided by financing activities		
NET INCREASE IN CASH	12,979,633	30,129,069
CASH AND CASH EQUIVALENTS - beginning of year	87,436,027	57,306,958
CASH AND CASH EQUIVALENTS - end of year	\$ 100,415,660	\$ 87,436,027
SUPPLEMENTAL DATA:		
Interest paid	\$ 6,501,048	\$ 7,618,645
Capital assets acquired through accounts payable	\$ 385,992	\$ 1,094,511

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

Saint Joseph's University and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2021 and 2020

NOTE A - DESCRIPTION OF BUSINESS

Founded in 1851 in the Jesuit tradition of academic excellence, Saint Joseph's University (the "University" or "SJU") is a top-ranked Catholic University that provides a rigorous, student-centered education located on a 125-acre campus in western Philadelphia and eastern Montgomery County, Pennsylvania. The University offers a wide array of academic programs designed so that each graduate enters the world with a competitive resume and global perspective. This is achieved through intense academic study led by thought-leading faculty scholars, a comprehensive campus experience and robust study abroad, service-learning, internship and co-op programs. Upon graduation, nearly all students are employed, pursuing advanced degrees or volunteering in prestigious service programs. A member of the Atlantic 10 Conference, SJU offers 20 Division I intercollegiate men's and women's sports. The University's alumni - over 70,000 strong - provide a powerful network that spans the globe. The consolidated financial statements include the balances and activities of a controlled subsidiary (Note Q).

The University has three principal academic colleges - the College of Arts and Sciences, the Erivan K. Haub School of Business, and School of Health Studies and Education. The College of Arts and Sciences offers traditionally organized four-year programs leading to the degrees of Bachelor of Arts or Bachelor of Science, graduate programs leading to Master of Arts and Master of Science degrees and an Ed.D. in Educational Leadership. In addition, the school offers more flexibly scheduled programs leading to bachelor degrees and shorter programs leading to associate degrees or certificates, as well as other opportunities for personal or career development (formerly known as The College of Professional and Liberal Studies). The Erivan K. Haub School of Business offers programs leading to degrees of Bachelor of Science, Master of Science or Master of Business Administration. The School of Health Studies and Education opened in the fall of 2019. The new school brings together and builds upon dozens of established undergraduate, graduate, doctoral and certificate programs in two rapidly changing and growing industries.

In total, the University offers over 55 undergraduate day majors, 72 minors, and over 25 degree completion and certificate programs including online options. Graduate programs include over 40 areas of study, with many programs offering both campus-based and online-delivery options. Special programs include study abroad, honors program, cooperative education program, summer scholars, service-learning and faith-justice studies.

The University has entered into a planned educational affiliation with the Barnes Foundation ("Barnes"). The affiliation will further the common educational mission of both institutions, allow the use of the Gallery building by the University for its fine arts program, enhance the Barnes' existing horticulture education program with University educational resources, and broaden the educational experience for Barnes and University students. The University has created a new minor concentration of study in horticulture and has assumed responsibility of the Barnes' horticulture program.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The University's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for not-for-profit organizations. Under these principles, contributions or unconditional promises to give are recognized as revenues in the period that an unconditional promise to give is received at fair value, less an allowance for uncollectible pledges. Net assets, revenues, gains, expenses and losses are classified as without and with donor restrictions based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions are not subject to donor-imposed restrictions and generally result from revenues derived from providing services, receiving unrestricted contributions, receiving dividends and interest from investing in income-producing assets, and unrestricted gains and losses less expenses incurred in providing services, raising contributions and performing administrative functions. Net assets without donor restrictions may be and have been designated for specific purposes by action of the Board of Trustees.

Net Assets With Donor Restrictions - Net assets with donor restrictions result from either two scenarios: 1) contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the University pursuant to those stipulations or by law; or 2) the corpus of contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the University.

Cash and Cash Equivalents

The University considers all highly liquid investments with an original maturity date of 90 days or less to be cash equivalents.

Investments

The University invests in a variety of investment vehicles. In accordance with guidance on accounting for certain investments held by not-for-profit organizations, investments are recorded at fair value. Please see the detailed description of the relevant policies related to these investments in Note D to the consolidated financial statements.

Interest income, unrealized gains and losses on investments and realized gains and losses from the sale of investments are accounted for in the consolidated statements of activities in the net asset classification that holds the investments, except for income and gains and losses derived from investments of endowment and funds functioning as endowment, which are accounted for in the net asset classification designated by the donor or by law.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

Property, Plant and Equipment

Land, buildings, furniture and fixtures, equipment and library books are stated at cost, or fair value at the date of donation in the case of gifts. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets; 40 to 75 years for buildings (buildings constructed or acquired subsequent to fiscal year 1990 have estimated useful lives of 50 years), 10 to 30 years for building improvements and five to 15 years for furniture, fixtures and equipment. The costs of repairs and minor improvements are charged to expense in the consolidated statements of activities. Upon sale or retirement, the asset cost and related accumulated depreciation is removed from the consolidated statements of financial position and the resulting gain or loss is recorded in the consolidated statements of activities.

Asset Retirement Obligation

The University determined it has legal obligations to perform certain asset retirement activities associated with constructed facilities. The total accretion expense was \$139,638 and \$135,327 in 2021 and 2020, respectively. The total depreciation expense was \$15,246 and \$16,221 in 2021 and 2020, respectively. The total asset retirement cost and obligation was \$474,536 and \$3,492,385, respectively, for 2021 and \$479,416 and \$3,373,477, respectively, for 2020 and are included in property, plant and equipment and accounts payable and accrued expenses, respectively, in the consolidated statements of financial position.

Capitalized Software Costs

Software costs included in property, plant and equipment related to purchased software are capitalized and depreciated on a straight-line basis over a five-year period.

Bond Issuance Costs

Bond issuance costs are amortized over the life of the related debt. Unamortized bond issuance costs were \$329,529 and \$706,830, as of May 31, 2021 and 2020, respectively.

Early Retirement Benefits

The University has provided early retirement benefits to certain full-time faculty and staff members. The University accrues for the present value of all future benefit payments for individuals who have accepted the University's early retirement offer. The liability is recorded in accounts payable and accrued expenses in the consolidated statements of financial position (see Note I).

Tuition and Fee Revenue

Student tuition and fees, revenue is recognized in the period the services are provided. Institutional scholarships awarded to students reduce the amount of revenue recognized. Revenue for tuition and fees for the summer terms are recognized as performance obligations are met. Because the summer academic terms span two reporting periods, a portion of the revenue for the summer terms are included in deferred revenue at May 31, 2021 and 2020.

The following table details the gross and net amounts of tuition and fees for years ended May 31:

	<u>2021</u>	<u>2020</u>
Tuition and fees	\$ 236,284,434	\$ 251,411,819
Less scholarships and discounts	<u>(96,916,748)</u>	<u>(99,349,180)</u>
Tuition and fees, net	<u>\$ 139,367,686</u>	<u>\$ 152,062,639</u>

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

Auxiliary Enterprises

Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary enterprises are directly related to, although not necessarily equal to, the cost of the goods or services provided.

Auxiliary enterprises revenue includes activities for student housing and dining facilities, parking services, and other miscellaneous activities. Institutional scholarships specifically defraying the cost of room and board reduces the amount of revenue recognized.

Revenues for auxiliary enterprises are recognized as performance obligations are met over the academic term. Because the summer academic terms span two reporting periods, a portion of the revenue for the summer terms are included in deferred revenue at May 31, 2021 and 2020.

The following table details the gross and net amounts of auxiliary enterprises revenue for the years ended May 31:

	2021	2020
Auxiliary enterprises	\$ 24,092,341	\$ 26,905,954
Less scholarships and discounts	(782,632)	(674,744)
Auxiliary enterprises, net	\$ 23,309,709	\$ 26,231,210

Deferred Revenue

Deferred revenue represents payments received prior to the start of the academic term. The following table depicts the activities for deferred revenue related to tuition for the years ended May 31:

	2021	2020
Balance - beginning of year	\$ 15,112,142	\$ 15,799,537
Refunds issued	(467,235)	(1,678,384)
Revenue recognized and included in balance - beginning of year	(14,195,060)	(14,072,210)
Cash received in advance of performance	12,477,060	15,063,199
Balance - end of year	\$ 12,926,907	\$ 15,112,142

The balance of deferred revenue at May 31, 2021 and 2020, less any refunds issued will be recognized as revenue over the academic term beginning on September 1, 2021 and 2020, respectively, as services are rendered.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

Gifts and Grants

Noncash gifts are recorded at fair value on the date of donation. Gifts of cash and other non-capital assets are reported as revenue without donor restrictions if the gifts were received with no donor restrictions or if the specified donor restrictions have been satisfied within the current fiscal year. Gifts are recorded as operating revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets beyond the current fiscal year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions.

Other sources of revenue not otherwise categorized are recognized in the fiscal year in which they were earned.

The University conducts sponsored program activity with agencies and departments of the federal government and other sub granting organizations. Such grant and contract revenue is recognized as related qualifying expenses are incurred. Amounts awarded to the University that related qualifying expenditures have not been incurred for are approximately \$10,400,000 and \$3,600,000 as of May 31, 2021 and 2020, respectively.

Fundraising Costs

Fundraising costs, which consist of conducting campaigns, special events and other activities involved with soliciting contributions for the years ended May 31, 2021 and 2020, were \$5,318,115 and \$6,117,341, respectively. These costs are recorded as institutional support expenses in the consolidated statements of activities.

Concentration of Credit Risk

Financial instruments that potentially subject the University to concentration of credit risk consist primarily of cash and cash equivalents and certificates of deposits.

The University has cash deposits at financial institutions in excess of the Federal Deposit Insurance Corporation limit; however, management does not believe that there is any significant risk of loss on any uninsured amounts. The University's management has assessed the credit risk with money market funds held at May 31, 2021 and 2020 and has determined that an allowance for the potential loss due to credit risk is not necessary.

Non-operating Activities

Non-operating activities include gains and losses on investments net of the endowment spending rule, contributions restricted for property, plant and equipment, charge for employee voluntary separation program, the change in the estimated fair value of termination of the outstanding interest rate swap agreement, gain or loss on sale or retirement of assets, and the release from restriction of contributions restricted for long-term purposes that have fulfilled their purpose given by the donor.

Saint Joseph's University and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
May 31, 2021 and 2020

Income Taxes

501(c) entity - Public Charity

Saint Joseph's University follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

Saint Joseph's University is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Saint Joseph's University has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Saint Joseph's University determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements

Use of Estimates

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

Risks and Uncertainties

The COVID-19 pandemic, whose effects first became known in early 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the University's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the University's consolidated financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

Reclassifications

Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation.

Recent Accounting Pronouncements

During 2021, The University adopted ASU 2016-02, *Leases* (See Note O). Under this guidance, an entity is required to recognize right-of-use assets ("ROU" assets) and lease liabilities on its consolidated statements of financial position and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the consolidated financial statements to assess the amount, timing and uncertainty of cash flows from leases. The University has adopted the standard electing an optional transition method that allows entities to prospectively apply the requirements in the period of adoption. In accordance with Topic 842, The University also elected the package of practical expedients, which permits the University to not reassess (1) whether any expired or existing contracts are or contain leases, (2) the lease classification

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

for any expired or existing leases, and (3) any initial direct costs for any existing leases as of the effective date. The resulting calculated ROU assets and lease liabilities at adoption were not material to the consolidated financial statements.

NOTE C - UNCONDITIONAL PROMISES AND PLEDGES

The University recognizes unconditional promises and pledges as receivables and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions.

Contributions received, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises are recorded at the estimated present value of the future cash flows, net of an allowance for doubtful accounts. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. Conditional promises are recorded when donor conditions are substantially met. The University had conditional promises of \$10,000,000 and \$20,000,000 at May 31, 2021 and 2020, which will be recorded when donor conditions are substantially met.

Unconditional promises of gifts are included in the consolidated financial statements as pledges receivable and revenues of the appropriate net asset category. Pledges receivable over more than one year discounted to fair value of the future cash flows using a discount rate of 3.25%. There was no allowance for doubtful accounts related to pledges receivable at May 31, 2021 and 2020 as the University considers any allowance on pledges receivable to be immaterial.

The following table displays the details of net pledges receivable at May 31:

	2021	2020
In one year or less	\$ 3,702,759	\$ 2,837,887
Between one year and five years	6,934,813	5,665,359
Beyond five years	387,000	400,000
Less present value discount	(846,435)	(723,613)
Pledges, net	\$ 10,178,137	\$ 8,179,633

The following table summarizes the change in pledges receivable, net, during the years ended May 31:

	2021	2020
Balance - beginning of year	\$ 8,179,633	\$ 11,195,556
New pledges	6,404,484	5,721,156
Collections on pledges	(4,283,158)	(9,361,523)
(Decrease) increase in discount to present value	(122,822)	624,444
Balance - end of year	\$ 10,178,137	\$ 8,179,633

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE D - INVESTMENTS

The cost and fair value of the University's investments as of May 31, 2021 and 2020 are as follows:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Short-term/money market Investments	\$ 991,857	\$ 991,857	\$ -	\$ -
Equity	179,045,788	194,794,242	130,035,426	124,010,867
Fixed income	97,888,452	96,743,756	90,741,579	89,942,646
Hedged capital	44,488,428	53,976,449	49,900,323	42,624,462
Private equity	19,803,753	21,966,162	7,551,963	14,364,970
Private realty and resources	11,524,607	10,341,188	20,477,034	23,013,169
Life income/annuity funds - equity and fixed income	1,110,801	1,357,212	1,067,078	1,146,523
Total	\$354,853,686	\$380,170,866	\$299,773,403	\$295,102,637

The University's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the University's investment policy. The degree and concentration of credit risk varies by type of investment.

Detailed information of the fair value of assets, valued using net asset value ("NAV") or its equivalent (e.g., ownership interest in partners' capital to which a proportionate share of net assets is attributable) at May 31, 2021 and 2020 is as follows:

2021	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)
Total return assets			
Private equity	\$ 21,966,162	\$ 36,377,140	N/A
Inflation hedges			
Private realty and resources	10,341,188	3,523,596	N/A
All purpose hedges			
Hedged capital	53,976,449	-	90 to 365 Days
Total investments measured at NAV	\$ 86,283,799	\$ 39,900,736	

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

<u>2020</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>
Total return assets			
Private equity	\$ 14,064,646	\$ 23,797,469	N/A
Inflation hedges			
Private realty and resources	23,013,169	4,628,867	N/A
All purpose hedges			
Hedged capital	<u>42,924,785</u>	<u>-</u>	90 to 365 Days
Total investments measured at NAV	<u>\$ 80,002,600</u>	<u>\$ 28,426,336</u>	

All investments have daily redemption, without a redemption-notification period, with the exception of the private equity partnership, private realty and resources partnerships and hedge funds listed above. Redemptions do not apply to the private equity and private realty and resources partnerships as they are closed vehicles and withdrawals will generally be upon the liquidation and termination of the partnerships. Redemptions on hedge funds are restricted to certain intervals ranging from quarterly to annually following an initial lock-down period. Additional descriptions of the investment categories used above include:

Short-Term Investments/Money Market - Includes assets held in cash, treasury securities, bank certificates of deposits or bankers' acceptances, and commercial paper with maturities of less than one year, or money market funds with similar holdings.

Equity - Includes investments in exchange traded funds and indices.

Fixed Income - Includes investments held in bond funds to hedge against inflation and equity market declines. This includes investments in U.S. bonds as well as non-U.S. bonds.

Hedged Capital - Includes investments in duration hedged debt and related swaps and collateral held by hedge fund managers to support investments in derivative securities.

Private Equity - Includes limited partnership interests in private investment funds with an investment focus on venture capital, buyout opportunities and natural resources.

Private Realty and Resources - Includes limited partnership investments focused on real estate and natural resource investments.

Life Income/Annuity Funds - Includes investments in fixed income and charitable gift annuities.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

Investment return reflected in the consolidated statements of activities is comprised of the following as of May 31, 2021 and 2020:

<u>2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends and interest on endowment, net of fees	\$ 7,618,587	\$ 7,423,391	\$ 15,041,978
Net realized and unrealized gains on endowment	<u>39,040,940</u>	<u>37,904,086</u>	<u>76,945,026</u>
Gain on endowment investments	46,659,527	45,327,477	91,987,004
Interest on other investments, net of fees	46,030	24,408	70,438
Net realized and unrealized gain on other investments	<u>108,339</u>	<u>198,646</u>	<u>306,985</u>
Total investment income	46,813,896	45,550,531	92,364,427
Investment return designated for current operations:			
Interest on other investments	(46,030)	(24,408)	(70,438)
Endowment investment return designated for current operations	<u>(5,936,354)</u>	<u>(5,352,741)</u>	<u>(11,289,095)</u>
Investment return in excess of amounts designated for current operations	<u>\$ 40,831,512</u>	<u>\$ 40,173,382</u>	<u>\$ 81,004,894</u>
 <u>2020</u>	 <u>Without Donor Restrictions</u>	 <u>With Donor Restrictions</u>	 <u>Total</u>
Dividends and interest on endowment, net of fees	\$ 3,738,017	\$ 2,039,208	\$ 5,777,225
Net realized and unrealized gain on endowment	<u>(2,514,622)</u>	<u>(2,530,145)</u>	<u>(5,044,767)</u>
Gain on endowment investments	1,223,395	(490,937)	732,458
Interest on other investments, net of fees	1,099,221	20,221	1,119,442
Net realized and unrealized gain on other investments	<u>(771,252)</u>	<u>829,309</u>	<u>58,057</u>
Total investment income	1,551,364	358,593	1,909,957
Investment return designated for current operations:			
Interest on other investments	(1,099,221)	(20,221)	(1,119,442)
Endowment investment return designated for current operations	<u>(5,172,469)</u>	<u>(4,800,854)</u>	<u>(9,973,323)</u>
Investment return in excess of amounts designated for current operations	<u>\$ (4,720,326)</u>	<u>\$ (4,462,482)</u>	<u>\$ (9,182,808)</u>

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

The University's endowment funds represent \$378,388,043 and \$293,803,373 of the University's total investment portfolio of \$380,170,866 and \$295,102,637 at May 31, 2021 and 2020, respectively.

Endowment Investment and Spending Policies

The University has adopted investment and spending policies for endowment assets to provide long-term capital appreciation to supply funds for the specified purposes for which the original endowed gifts were given (e.g., scholarships, endowed chairs, operations, etc.). The time horizon for the endowment is perpetuity. The assets of the University are managed accordingly by external professional investment managers or invested in professionally managed funds, including funds of funds or managers of managers. The appointment of such managers or funds is the responsibility of the Finance and Audit Committee. Investment managers have full discretion over their investment programs, subject to appropriate constraints reflected in the University's guidelines or in the applicable investment management contracts. The primary objective of the investment managers is to maximize return, however, consideration of socially responsible investments and those that generate a positive social impact to promote the common good are an integral part of the decision-making process when investing in new pooled funds.

The long-term objective of the University is to achieve a total return equivalent to or greater than the expected return. The expected return is the sum of the annual spending rate, the long-term inflation rate, and any growth factor which the Finance and Audit Committee may deem appropriate. The spending rate for the years ended May 31, 2021 and 2020 was 4%. The annual spending rate was calculated as the percentage of the average market value of the trailing 12-calendar quarter balances of the Endowment Fund. Beginning with the February 2021 fiscal quarter, the annual spending rate is calculated as the percentage of the average market value of the trailing 12-fiscal quarter balances. In 2021 and 2020, the endowment payout under the spending formula totaled \$11,289,095 and \$9,973,323, respectively. To the extent that current yield is inadequate to meet the spending rule, a portion of cumulative realized net gains is available for current use.

Funds with Deficiencies - From time to time, due to unfavorable market fluctuations, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund, while other assets maintain or exceed the level required. U.S. GAAP requires the aggregate amount of deficiencies to be reported as a reduction to net assets without donor restrictions in the consolidated statements of activities. At May 31, 2021, there were no funds with deficiencies. At May 31, 2020, funds with deficiencies had a fair value of \$8,691,541 while the original gift was \$8,805,217. Subsequent investment gains are used to restore the balance up to the fair value of the original gift. Subsequent gains above the original amount are recorded as net assets with donor restrictions.

Endowment net asset composition by type of fund as of May 31, 2021 and 2020, is as follows:

<u>2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds	\$ -	\$ 185,212,860	\$ 185,212,860
Board-designated funds:			
Maguire Campus project	80,043,805	-	80,043,805
Scholarship, quasi- and other endowment funds	<u>113,525,371</u>	<u>-</u>	<u>113,525,371</u>
Subtotal board-designated funds	<u>193,569,176</u>	<u>-</u>	<u>193,569,176</u>
Total endowment funds	<u>\$ 193,569,176</u>	<u>\$ 185,212,860</u>	<u>\$ 378,782,036</u>

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

<u>2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds	\$ -	\$ 140,990,060	\$ 140,990,060
Funds with deficiencies	2,532	111,144	113,676
Board-designated funds:			
Maguire Campus project	63,592,505	-	63,592,505
Scholarship, quasi- and other endowment funds	<u>89,107,032</u>	<u>-</u>	<u>89,107,032</u>
Subtotal board-designated funds	<u>152,699,537</u>	<u>-</u>	<u>152,699,537</u>
Total endowment funds	<u>\$ 152,702,069</u>	<u>\$ 141,101,204</u>	<u>\$ 293,803,273</u>

Changes in endowment net assets for the years ended May 31, 2021 and 2020, were as follows:

<u>2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 152,702,069	\$ 141,101,204	\$ 293,803,273
Interest and dividends, net of expenses	7,618,587	7,423,391	15,041,978
Net realized and unrealized gains	39,040,940	37,904,086	76,945,026
Contributions	143,934	4,136,920	4,280,854
Amounts appropriated for expenditure	<u>(5,936,354)</u>	<u>(5,352,741)</u>	<u>(11,289,095)</u>
Endowment net assets, end of year	<u>\$ 193,569,176</u>	<u>\$ 185,212,860</u>	<u>\$ 378,782,036</u>
<u>2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 164,541,237	\$ 129,745,732	\$ 294,286,969
Interest and dividends, net of expenses	3,738,017	2,039,208	5,777,225
Net realized and unrealized gains	(2,514,622)	(2,530,145)	(5,044,767)
Contributions	971,530	7,671,963	8,643,493
Amounts appropriated for expenditure	<u>(5,172,469)</u>	<u>(4,800,854)</u>	<u>(9,973,323)</u>
Funds with deficiencies	2,532	111,144	113,676
Reclassification between restrictions	<u>(8,864,156)</u>	<u>8,864,156</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 152,702,069</u>	<u>\$ 141,101,204</u>	<u>\$ 293,803,273</u>

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE E - DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

As defined in Accounting Standards Codification ("ASC") 820, fair value is based on the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities to which the University has the ability to access at the measurement date. Instruments categorized as Level 1 primarily consist of a broadly traded range of equity funds;
- Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means. The University had no financial assets or liabilities whose values are based on Level 2 inputs as of May 31, 2021 and 2020; and
- Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques which require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the assets or liabilities. The University had no financial assets or liabilities whose values are based on Level 3 inputs as of May 31, 2021 and 2020.

Investments at NAV

In determining fair value, the University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considering counterparty credit risk in its assessment of fair value.

Money Market Funds and Equity Funds - Valued at the quoted NAV per share as determined by the funds' investment advisors based on the fair value of the underlying investments. Investments in alternative investment instruments reflect updated valuations of the underlying funds as determined by the funds' investment advisors. Life income and annuity investments are stated at fair value and include assets held by the University on which investment income is paid to designated beneficiaries until death, at which time the assets may be used by the University as designated by the donor. Investments received as gifts are recorded at fair value on the date of the gift. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Certain investments have been pooled to allow the investment managers greater flexibility in managing the portfolios. Income from pooled investments is allocated to separate accounts on a percentage basis.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

Financial assets and liabilities carried at fair value as of May 31, 2021 and 2020 are classified in the tables below in one of the categories described above.

<u>2021</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Investments at NAV</u>	<u>Balance as of May 31, 2021</u>
Assets			
Deposits held by trustee	\$ 127,682	\$ -	\$ 127,682
Investments:			
Short term/Money Market	991,857	-	991,857
Equity	194,794,242	-	194,794,242
Fixed income	96,743,756	-	96,743,756
Hedged capital	-	53,976,449	53,976,449
Private equity	-	21,966,162	21,966,162
Private realty and resources	-	10,341,188	10,341,188
Life income/annuity funds - equity and fixed income	-	1,357,212	1,357,212
	<u>292,529,855</u>	<u>87,641,011</u>	<u>380,170,866</u>
Total investments	<u>292,529,855</u>	<u>87,641,011</u>	<u>380,170,866</u>
Total assets	<u>\$292,657,537</u>	<u>\$ 87,641,011</u>	<u>\$380,298,548</u>
<u>2020</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Investments at NAV</u>	<u>Balance as of May 31, 2020</u>
Assets			
Deposits held by trustee	\$ 150,852	\$ -	\$ 150,852
Investments:			
Equity	124,010,866	-	124,010,866
Fixed income	89,942,646	-	89,942,646
Hedged capital	-	42,624,462	42,624,462
Private equity	-	14,364,970	14,364,970
Private realty and resources	-	23,013,169	23,013,169
Life income/annuity funds - equity and fixed income	-	1,146,523	1,146,523
	<u>213,953,513</u>	<u>81,149,124</u>	<u>295,102,637</u>
Total investments	<u>213,953,513</u>	<u>81,149,124</u>	<u>295,102,637</u>
Total assets	<u>\$214,104,365</u>	<u>\$ 81,149,124</u>	<u>\$295,253,489</u>

NOTE F - STUDENT LOANS RECEIVABLE

Student loans, which are disbursed based on financial need, consist of loans granted by the University under federal government loan programs. Upon the earlier of graduation or no longer having full-time student status, the students have a grace period, which varies by loan type, until repayment of loans is required. Student loans begin accruing interest at the expiration of the grace period. Student loans, which are uncollateralized and carry default risk, are repaid directly to the University.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

The availability of funds for loans under federal government revolving loan programs is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of \$2,793 at May 31, 2020, are ultimately refundable to the government and were classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At May 31, 2020, student loans consisted of Federal Government Loan Program: Perkins of \$185,432.

The University is currently in the process of liquidating all loans to the Department of Education and does not believe that any of the remaining loans are collectible. As a result, the University wrote-off the remaining loans receivable during 2021. Additionally, \$104,371 was accrued for amounts due to the Department of Education for loans that were unable to be assigned.

NOTE G - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment balances are as follows at May 31:

	2021	2020
Land and land improvements	\$ 61,567,648	\$ 61,372,847
Buildings and improvements	516,938,578	505,939,321
Capital lease - equipment	-	1,362,954
Furniture and fixtures, equipment, software and library books	70,727,725	68,621,700
Construction in progress	5,635,449	8,951,537
	654,869,400	646,248,359
Less accumulated depreciation	(265,206,044)	(250,829,292)
Property, plant and equipment, net	\$ 389,663,356	\$ 395,419,067

Depreciation expense for the years ended May 31, 2021 and 2020 was \$17,481,366 and \$17,319,719, respectively.

NOTE H - SHORT-TERM BANK BORROWINGS

The University has a line of credit with PNC Bank ("PNC") totaling \$50,000,000 as of May 31, 2021 and 2020, respectively. The line of credit is secured by the University's unrestricted revenues and has an expiration date of January 22, 2022. The line of credit bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus one hundred twenty-five (125) basis points. There were no amounts outstanding at May 31, 2021 or 2020.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE I - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are as follows at May 31:

	2021	2020
Accounts payable	\$ 4,331,642	\$ 3,150,471
Accrued payroll	9,372,081	11,971,776
Early retirement benefits	141,276	537,282
Asset retirement obligation	3,492,385	3,373,477
Other accrued expenses	5,702,416	2,947,060
	\$ 23,039,800	\$ 21,980,066
Total		

NOTE J - LONG-TERM DEBT

Long-term debt outstanding is as follows at May 31:

Description	Contractual Maturity	Interest Rate %	Type	2021	2020
Revenue Bonds, Series 2020B	2024	1.65	Fixed	\$ 10,885,000	\$ 13,645,000
Revenue Bonds, Series 2020A excluding unamortized premium of \$9,478,643 in 2021 and \$9,918,721 in 2020	2045	4.00	Fixed	73,690,000	73,690,000
Revenue Bonds, Series 2020C excluding unamortized premium of \$19,250,080 in 2021	2039	4.00-5.00	Fixed	96,435,000	-
Revenue Bonds, Series 2010A excluding unamortized premium of \$1,752,838 in 2020	2040	2.00-5.00	Fixed	-	116,040,000
Capital leases				-	460,345
Subtotal				181,010,000	203,835,345
Bond issuance cost, net of accumulated amortization				(3,474,099)	(2,735,281)
Premium				28,728,723	11,671,557
Discount				(473,569)	(236,591)
				\$ 205,791,055	\$ 212,535,030
Total					

The aggregate principal amounts due for each of the years ending May 31 are as follows:

Year	
2022	\$ 4,190,000
2023	4,290,000
2024	4,385,000
2025	4,495,000
2026	4,695,000
Thereafter	158,955,000
	\$ 181,010,000

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

Revenue Bonds, Series 2020B

On March 18, 2020, the University settled on the issuance of \$13.6 million of Series B of 2020 fixed rate bonds ("Series 2020B") issued through the Philadelphia Authority for Industrial Development (the "Authority"). Proceeds of the bond issue were used to (a) refund the Saint Joseph's University Revenue Refunding Bonds of 2013 ("Series 2013"). The Series 2020B bonds have been rated A- by Standard and Poor's.

Interest payments are made on a semi-annual basis every May 1 and November 1 beginning with May 1, 2020 through November 1, 2023. Principal payments are made on an annual basis beginning November 1, 2020 through 2023. Annual principal payments range from \$0.8 million to \$2.8 million.

Revenue Bonds, Series 2020A

On March 18, 2020, the University settled on the issuance of \$73.7 million of Series 2020A tax-exempt fixed rate bonds ("Series 2020A") issued through the Authority. Proceeds of the bond issue were used to refund the Saint Joseph's University Revenue Refunding Bonds of 2016 ("Series 2016"), 2015B ("Series 2015B"), and 2015A ("Series 2015A"). This fixed 4.0% rate debt has a call option on November 1, 2029. The Series 2020A bonds have been rated A- by Standard and Poor's.

Interest payments are made on a semi-annual basis every May 1 and November 1 beginning with May 1, 2020 through November 1, 2045. Principal payments are made on an annual basis beginning November 1, 2038 through 2045. Annual principal payments range from \$2.2 million to \$11.5 million.

Revenue Bonds, Series 2020C

On August 3, 2020, the University settled on the issuance of \$98.9 million of Series C of 2020 fixed rate bonds ("Series 2020C") issued through the Authority. Proceeds of the bond issue were used to refund the Saint Joseph's University Revenue Refunding Bonds of 2010A. The Series 2020C bonds have been rated A- by Standard and Poor's.

Interest payments are made on a semi-annual basis every May 1 and November 1 beginning with November 1, 2020 through 2040. Principal payments are made on an annual basis beginning November 1, 2020 through 2040. Annual principal payments range from \$0.4 million to \$12.8 million.

Revenue Bonds, Series 2010A

On October 1, 2010, the University settled on the issuance of \$119.5 million of Series A of 2010 fixed rate bonds ("Series 2010A") issued through the Pennsylvania Higher Educational Facilities Authority. Proceeds from the bond issue were used to (a) refund the Authority's Saint Joseph's University Revenue Bonds, Series B of 2008 ("Series 2008B"), and (b) the payment of the costs of issuance of the Series 2010A bonds. In addition, remaining proceeds were used for (c) the construction and equipping of a residence facility for approximately 410 students to be located on the University's campus and (d) the renovation of existing classroom facilities and financing of additional miscellaneous capital expenditures on the University's campus. The Series 2010A bonds were rated A and A- by Fitch and Standard and Poor's, respectively. There were no changes to these ratings as of May 31, 2020.

Interest payments were made on a semiannual basis that began on May 1, 2011. Principal repayment on the bonds was scheduled with annual installments from November 1, 2011 through November 1, 2040. Principal payments ranged from \$0.3 million to \$12.9 million. The University exercised its right to redemption on August 3, 2020 in connection with the issuance of the Series 2020C bonds.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE K - NET ASSETS

The composition of net assets is as follows for the years ended May 31:

	2021	2020
Without donor restrictions	\$ 428,400,762	\$ 383,454,001
With donor restrictions for time or purpose:		
Contributions and endowment income for instruction, research and support	108,287,563	66,049,675
Contributions and endowment income for property, plant and equipment	21,695,063	8,010,253
	129,982,626	74,059,928
With donor restrictions in perpetuity	97,337,904	94,616,369
Total net assets	\$ 655,721,292	\$ 552,130,298

NOTE L - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The University's practice is to structure its financial assets to be available as its general expenses, liabilities, and obligations come due. In addition to financial assets available to meet general expenditures over the next year, the University's goal is to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Financial assets are unavailable when illiquid or not convertible to cash within one year. Other considerations of illiquid assets are perpetual endowments and accumulated earnings net of appropriations within one year, amounts restricted by donors for specific activities, amounts limited by the University's Board of Trustees for capital and operating purposes, and student loans receivable. The University considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for current operating activities to be available to meet cash needs for general expenditures. As of May 31, 2021 and 2020, respectively, existing financial assets available within one year were as follows:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 100,415,660	\$ 87,436,027
Student accounts receivable, net	10,840,615	10,084,524
Other receivables	2,201,095	2,045,213
Pledges receivable, net, due within one year	3,702,759	2,837,887
Total financial assets	117,160,129	102,403,651
2022 and 2021 endowment distribution	12,026,812	11,289,095
Total financial assets available within one year	\$ 129,186,941	\$ 113,692,746

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

The University's endowment funds consist of donor-restricted and board-designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The University had \$193,569,176 and \$152,699,537 of board-designated endowment funds as of May 31, 2021 and 2020, respectively, that are not included in the table above, but, with the approval of the Board of Trustees, could be made available.

The University maintains a line of credit in the amount of \$50,000,000 that could be drawn upon to meet general expenditures (Note H).

NOTE M - EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION

The University's primary activity is academic instruction and support. Facilities operation and maintenance, interest, and depreciation are allocated among functional classifications based on usage of space, square footage, building costs, and usage of debt proceeds. Salaries and benefits are allocated based on time and effort spent in a certain area. All other costs are charged directly to the appropriate functional category.

Expenses by natural and functional classification are as follows for the years ended May 31, 2021 and 2020:

<u>2021</u>	<u>Instruction</u>	<u>Public Service</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Research</u>	<u>Auxiliary Enterprises</u>	<u>Total</u>
Salaries and benefits	\$ 49,932,193	\$ 301,137	\$ 6,288,491	\$ 18,108,637	\$ 22,295,665	\$ 1,517,429	\$ 3,178,608	\$ 101,622,160
Supplies and purchased services	5,343,774	51,916	2,704,389	15,362,578	20,027,100	1,695,899	15,044,288	60,229,944
Utilities	1,007,642	-	212,641	276,890	170,570	-	1,812,310	3,480,053
Interest	1,277,559	-	370,905	618,175	322,656	-	4,203,584	6,792,879
Depreciation and amortization	<u>2,629,859</u>	<u>14,594</u>	<u>2,885,430</u>	<u>3,333,678</u>	<u>2,870,166</u>	<u>32,764</u>	<u>4,826,033</u>	<u>16,592,524</u>
Total expenses	<u>\$ 60,191,027</u>	<u>\$ 367,647</u>	<u>\$ 12,461,856</u>	<u>\$ 37,699,958</u>	<u>\$ 45,686,157</u>	<u>\$ 3,246,092</u>	<u>\$ 29,064,823</u>	<u>\$ 188,717,560</u>
<u>2020</u>	<u>Instruction</u>	<u>Public Service</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Research</u>	<u>Auxiliary Enterprises</u>	<u>Total</u>
Salaries and benefits	\$ 56,820,978	\$ 318,785	\$ 7,512,888	\$ 19,973,016	\$ 24,141,778	\$ 1,338,398	\$ 3,249,003	\$ 113,354,846
Supplies and purchased services	12,318,333	352,785	2,926,590	12,041,515	15,115,643	1,352,558	15,052,971	59,160,395
Utilities	1,130,661	-	238,841	311,279	191,339	-	2,039,660	3,911,780
Interest	1,258,428	-	365,350	608,917	1,783,040	-	4,140,635	8,156,370
Depreciation and amortization	<u>2,499,150</u>	<u>5,545</u>	<u>2,336,663</u>	<u>2,551,026</u>	<u>3,924,038</u>	<u>45,796</u>	<u>5,967,887</u>	<u>17,330,105</u>
Total expenses	<u>\$ 74,027,550</u>	<u>\$ 677,115</u>	<u>\$ 13,380,332</u>	<u>\$ 35,485,753</u>	<u>\$ 45,155,838</u>	<u>\$ 2,736,752</u>	<u>\$ 30,450,156</u>	<u>\$ 201,913,496</u>

NOTE N - RETIREMENT PLAN

The University has a contributory post-retirement benefit plan for all full-time employees under which the University makes annual contributions for the benefit of the participant to either the Teachers Insurance Annuity Association of America - College Retirement Equities Fund ("TIAA-CREF"). The University matched employee's contributions up to 3% in 2021 and 2020, and contributed an additional 2% and 7% of an eligible employee's salary irrespective of the employee's contribution, in 2021 and 2020, respectively. Total retirement plan expense was \$3,150,515 and \$6,472,267 in 2021 and 2020, respectively.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

NOTE O - LEASES

Amounts reported in the consolidated statements of financial position as of May 31, 2021 were as follows:

Operating ROU assets	\$ 3,559,566
Finance ROU assets	<u>464,948</u>
Total ROU assets	<u>\$ 4,024,514</u>
Operating lease liability	\$ 3,559,566
Finance lease liability	<u>373,523</u>
Total lease liability	<u>\$ 3,933,089</u>

The components of lease cost for the year ended May 31, 2021 were as follows:

Finance lease expense:	
Amortization of ROU assets	\$ 136,619
Interest on lease liabilities	19,255
Operating lease expense	1,867,010
Short-term lease expense	<u>293,910</u>
Total lease expense	<u>\$ 2,316,794</u>

Other information related to leases as of May 31, 2021:

Cash paid for amounts included in the measurement of lease liabilities:	
Finance leases - financing cash flows	\$155,493
Finance leases - operating cash flows	\$19,255
Operating leases - operating cash flows	\$1,867,010

ROU assets obtained in the exchange for lease liabilities:	
Finance leases	\$68,779

Weighted-average remaining lease terms (in years)	
Finance leases	2.6
Operating leases	2.0

Weighted-average discount rate	
Finance leases	6.55%
Operating leases	3.25%

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

Maturities of lease liabilities as of May 31, 2021 were as follows:

	Operating	Finance
2022	\$ 1,867,010	\$ 177,993
2023	1,867,010	150,089
2024	-	47,304
2025	-	20,614
2026	-	9,453
	3,734,000	405,453
Lease liability - undiscounted		
Present value discount	(174,454)	(31,931)
	\$ 3,559,566	\$ 373,522
Lease liability		

The University elected not to recognize ROU assets and lease liabilities for space and equipment leases that have a lease term of 12 months or less.

NOTE P - COMMITMENTS AND CONTINGENCIES

Various lawsuits, claims and other contingencies arise in the ordinary course of the University's educational activities. While the ultimate disposition of the aforementioned contingencies is not determinable at this time, management believes that any liability resulting therefrom will not materially affect the financial position of the University as of May 31, 2021.

All funds expended by the University in connection with government grants and contracts are subject to audit by government agencies. In the opinion of management, any cost disallowances resulting from these audits would not have a material impact on the University's consolidated financial statements.

NOTE Q - RELATED PARTY TRANSACTIONS

Delaware Valley Educational Telecommunications Network

In 1986, the University entered into an agreement with a 501(c)(3) tax-exempt organization, The Source for Learning, Inc., to form a Pennsylvania nonprofit corporation, Delaware Valley Educational Telecommunications Network ("DVETN"). In 2009, DVETN submitted an application to the Internal Revenue Service ("IRS") to have its tax-exempt status as a 501(c)(4) organization recognized by the IRS retroactive to the date of its formation in 1986. DVETN was granted tax-exempt status as a 501(c)(4) organization.

DVETN has received approval from the Federal Communications Commission ("FCC") for two educational broadband service channels. DVETN has entered into an agreement to lease the excess capacity of these channels to Clearwire Spectrum Holdings II, LLC (acquired by Sprint in November 2013). The agreement, which commenced in January 2008, is for a term of 30 years. Revenue under this agreement is being recognized on a pro-rata basis over the lease term, with 75% being provided to the University and the remaining 25% being provided to The Source for Learning, Inc.

DVETN is governed by a three-person board, two members from the University and one member from The Source for Learning, Inc. The University has a controlling interest in DVETN and has included DVETN's balances and activities in the consolidated financial statements. All intercompany balances have been eliminated in consolidation. As of May 31, 2021 and 2020, respectively, \$115,579 and \$115,718 in cash

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

and cash equivalents, \$446,367 and \$378,711 in advance to non-controlling affiliate (included in prepaid expenses), \$115,579 and \$115,718 in accounts payable and accrued expenses, and \$446,367 and \$378,711 in deferred revenue are included in the University's consolidated financial statements.

DVETN's revenues and expenses are reflected in other income and institutional support, respectively, in the University's consolidated statements of activities. As DVETN did not have any net assets attributable to the noncontrolling affiliate at May 31, 2021 and 2020, the noncontrolling interest did not have any impact on the University's net assets. Amounts attributable to the controlling and noncontrolling interest for the years ended May 31, 2021 and 2020 are as follows:

<u>2021</u>	<u>Total</u>	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>
Net assets, beginning balance	\$ -	\$ -	\$ -
Revenues	1,650,612	1,237,959	412,653
Expenses	<u>(1,650,612)</u>	<u>(1,237,959)</u>	<u>(412,653)</u>
Net assets, ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2020</u>	<u>Total</u>	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>
Net assets, beginning balance	\$ -	\$ -	\$ -
Revenues	1,650,612	1,237,959	412,653
Expenses	<u>(1,650,612)</u>	<u>(1,237,959)</u>	<u>(412,653)</u>
Net assets, ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Food Marketing Educational Foundation

In 1962, the University established the Academy of Food Marketing (the "Academy"), to assist the University in fundraising and providing other services for the University's Department of Food Marketing. In order to better define the efforts of the Academy and to enable industry representatives on the Board of the Academy to function more independently of the University, the Food Marketing Educational Foundation (the "Foundation") was incorporated as a Pennsylvania nonprofit corporation on October 29, 1993. The Foundation was organized to function as an independent fundraising arm in support of food marketing education and related activities of the Food Marketing Education Program (the "Program") of the Haub School of Business ("HSB") at the University and to ensure that funds raised for the Program by the Foundation are used exclusively for the purposes of the Program. The Foundation raises funds through events for members of the food and allied industries.

The Foundation has entered into a Memorandum of Understanding ("MOU") with the University providing for, among other things, the Foundation's use of certain University facilities and services, and the Foundation's financial support of the Academy of Food Marketing, a unit of the University. The current MOU became effective June 1, 2012. Members of the Foundation's Board of Governors are also members of the Board of Governors of the Academy.

The University bills the Foundation at the completion of the University's fiscal year for the net amount due to the University from the Foundation for expenses related to the Academy. Included in other receivables as of May 31, 2021 and 2020 are \$234,743 and \$326,668, respectively, for this payment. There is no allowance recorded as of May 31, 2021 and 2020.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2021 and 2020

All endowment funds raised by the Academy between its inception and the formation of the Foundation are held and managed by the University. The net amount billed to the Foundation reflects the endowment release from these investments as revenue. As of May 31, 2021 and 2020, the endowment held by the University on behalf of the Academy was \$13.6 million and \$10.5 million, respectively.

Other Related Party Transactions

The University received contributions from board members and other related organizations during the years ending May 31, 2021 and 2020, totaling \$ 1,941,472 and \$ 1,775,721, respectively.

NOTE R - SUBSEQUENT EVENTS

On June 1, 2021, the University entered into a binding agreement and plan of merger with the University of the Sciences. The University of the Sciences will merge with and into SJU in 2022 following the completion of the 2021-22 academic year, pending regulatory and accreditor approvals.

The University has evaluated subsequent events through October 5, 2021, and has determined that there are no subsequent events requiring adjustment or disclosure in the consolidated financial statements other than the item noted above.