

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants and Schedule of Expenditures
of Federal Awards and Reports in
Accordance with the OMB Uniform Guidance

Saint Joseph's University and Subsidiary

May 31, 2019 and 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Saint Joseph's University

Report on the financial statements

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 position as of May 31, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free 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, 2019 and 2018, 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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards for the year ended May 31, 2019, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 16, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 University's internal control over financial reporting and compliance.



Philadelphia, Pennsylvania
October 16, 2019

Saint Joseph's University and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of May 31,

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 57,306,958	\$ 71,524,467
Short-term investments	25,160,657	-
Accounts receivable:		
Students, net	7,913,263	8,601,840
Other - third party, grants (non-student based), etc.	9,172,902	9,219,555
Pledges, net	11,195,556	22,580,471
Prepaid expenses and other	3,784,401	3,791,459
Investments	295,480,028	289,325,103
Student loans receivables, net	193,987	1,076,429
Property, plant and equipment, net	399,716,144	403,769,234
TOTAL ASSETS	\$ 809,923,896	\$ 809,888,558
LIABILITIES		
Accounts payable and accrued expenses	\$ 25,859,891	\$ 26,680,283
Deferred revenue	15,799,537	16,469,490
Student and other deposits	1,388,891	1,828,830
Long-term debt	216,459,495	222,149,929
Advances from government for student loans	57,748	944,066
TOTAL LIABILITIES	259,565,562	268,072,598
NET ASSETS		
Without donor restrictions	396,455,868	386,629,129
With donor restrictions	153,902,466	155,186,831
TOTAL NET ASSETS	550,358,334	541,815,960
TOTAL LIABILITIES AND NET ASSETS	\$ 809,923,896	\$ 809,888,558

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

Saint Joseph's University and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the twelve months ending May 31,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES						
Tuition and fees	\$ 250,807,438	\$ -	\$ 250,807,438	\$ 257,235,775	\$ -	\$ 257,235,775
Scholarships and discounts	(95,439,519)	-	(95,439,519)	(93,501,549)	-	(93,501,549)
Net tuition	155,367,919	-	155,367,919	163,734,226	-	163,734,226
Auxiliary enterprises	36,878,982	-	36,878,982	38,331,595	-	38,331,595
Scholarships and discounts	(768,468)	-	(768,468)	(739,999)	-	(739,999)
Net auxiliary enterprises	36,110,514	-	36,110,514	37,591,596	-	37,591,596
Private gifts and grants	3,622,103	4,748,442	8,370,545	5,222,115	11,511,828	16,733,943
Government grants	2,833,783	-	2,833,783	2,448,743	-	2,448,743
Endowment payout under spending formula	4,503,050	4,385,901	8,888,951	4,139,400	4,232,975	8,372,375
Investment income	1,285,176	12,531	1,297,707	637,552	3,017	640,569
Other income	9,359,276	80,000	9,439,276	9,046,310	95,807	9,142,117
Net assets released:						
Endowment payout under spending formula	4,385,901	(4,385,901)	-	4,232,975	(4,232,975)	-
Release of temporarily restricted funds	4,294,022	(4,294,022)	-	3,948,208	(3,948,208)	-
Total operating revenues	221,761,744	546,951	222,308,695	231,001,125	7,662,444	238,663,569
OPERATING EXPENSES						
Instruction	80,484,871	-	80,484,871	78,182,025	-	78,182,025
Public service	757,749	-	757,749	759,321	-	759,321
Academic support	13,608,995	-	13,608,995	14,150,410	-	14,150,410
Student services	37,143,078	-	37,143,078	34,493,563	-	34,493,563
Institutional support	45,743,871	-	45,743,871	47,461,214	-	47,461,214
Research	2,018,611	-	2,018,611	1,817,468	-	1,817,468
Auxiliary enterprises	34,298,518	-	34,298,518	36,002,763	-	36,002,763
Total operating expenses	214,055,693	-	214,055,693	212,866,764	-	212,866,764
Total change in net assets from operating activities	7,706,051	546,951	8,253,002	18,134,361	7,662,444	25,796,805
NON-OPERATING REVENUES						
Realized and unrealized gains (losses) on investments	(2,099,619)	(1,880,557)	(3,980,176)	7,335,496	5,773,253	13,108,749
Endowment restricted for long-term purposes	-	3,298,240	3,298,240	-	21,016,128	21,016,128
Interest rate swap	539,575	-	539,575	1,332,813	-	1,332,813
Gain (loss) on retirement of assets	431,733	-	431,733	(638,697)	-	(638,697)
Net assets released from restrictions	3,248,999	(3,248,999)	-	933,375	(933,375)	-
Total change in net assets from non-operating activities	2,120,688	(1,831,316)	289,372	8,962,987	25,856,006	34,818,993
Change in net assets	9,826,739	(1,284,365)	8,542,374	27,097,348	33,518,450	60,615,798
Net assets, beginning of year	386,629,129	155,186,831	541,815,960	359,531,781	121,668,381	481,200,162
Net assets, end of year	\$ 396,455,868	\$ 153,902,466	\$ 550,358,334	\$ 386,629,129	\$ 155,186,831	\$ 541,815,960

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,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,542,374	\$ 60,615,798
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,343,531	17,160,960
Allowance for doubtful accounts	212,065	194,100
Contributions restricted for long-term investments	(3,298,240)	(21,281,193)
Net realized and unrealized gains on investments	3,980,176	(13,108,749)
Loss on retirement of assets	298,619	638,697
Cumulative effect of asset retirement obligation	(808,151)	-
Interest rate swap	(539,575)	(1,332,813)
Change in operating assets and liabilities:		
Decrease in accounts receivable - student	476,512	32,641
Decrease in accounts receivable - other	46,653	(6,080,358)
Decrease in pledges receivable	11,384,915	(5,277,484)
Decrease in prepaid expenses	7,058	(203,705)
Increase in accrued expenses and other payables	382,960	(4,568,214)
Decrease in deferred revenue	(669,953)	(1,518,102)
Decrease in student deposits	(439,939)	(372,840)
Net cash provided by operating activities	<u>36,919,005</u>	<u>24,898,738</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(81,019,229)	(297,661,099)
Proceeds from sales of investments	45,723,471	263,401,405
Purchase of property, plant and equipment	(13,268,110)	(14,720,148)
Proceeds from sale of property, plant and equipment	(76,971)	-
Student loans collected	882,442	209,929
Net cash used in investing activities	<u>(47,758,397)</u>	<u>(48,769,913)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bonds	(5,790,039)	(5,537,096)
Contributions restricted for property, plant and equipment	3,298,240	11,281,193
Government refund for student loans	(886,318)	(15,001)
Net cash used in financing activities	<u>(3,378,117)</u>	<u>5,729,096</u>
NET DECREASE IN CASH	(14,217,509)	(18,142,079)
CASH AND CASH EQUIVALENTS - beginning of year	<u>71,524,467</u>	<u>89,666,546</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 57,306,958</u>	<u>\$ 71,524,467</u>

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, 2019 and 2018

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 100 percent of 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 P).

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 will officially open 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, 50 minors, and over 30 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, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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 net present 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.

2. 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.

3. Investments

The University invests in a variety of investment vehicles. Please see the detailed description of the relevant policies related to these investments in Note D to the consolidated financial statements.

4. 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 5 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.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. 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 \$171,568 and \$191,311 in 2019 and 2018, respectively. The total depreciation expense was \$23,020 and \$5,047 in 2019 and 2018, respectively. The total asset retirement cost and obligation recognized was \$508,259 and \$3,280,675, respectively, for 2019 and \$321,218 and \$3,528,598, respectively, for 2018 and are included in property, plant and equipment and accounts payable and accrued expenses, respectively, in the consolidated statements of financial position.

6. 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.

7. Bond Issuance Costs

Bond issuance costs are being amortized over the life of the related debt. Bond issuance costs and accumulated amortization were \$6,251,816 and \$3,665,217, respectively, for May 31, 2019 and \$6,251,816 and \$3,309,580, respectively, for May 31, 2018.

8. 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).

9. 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:

	2019	2018
Balance – beginning of year	\$ 16,469,490	\$ 17,987,592
Refunds issued	(514,385)	(597,625)
Revenue recognized and included in balance – beginning of year	(15,945,105)	(17,379,967)
Cash received in advance of performance	15,789,537	16,459,490
Balance – end of year	\$ 15,799,537	\$ 16,469,490

The balance of deferred revenue at May 31, 2019 and 2018, less any refunds issued will be recognized as revenue over the academic term beginning on September 1, 2019 and 2018, respectively, as services are rendered.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Revenue Recognition

Student tuition, fees, and room and board are recognized in the period the services are provided. Institutional scholarships awarded to students reduce the amount of revenue recognized. 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. Return on investments are recorded on the accrual basis of accounting. Other sources of revenue not otherwise categorized are recognized in the fiscal year in which they were earned.

11. Fundraising Costs

Fundraising costs, which consist of conducting campaigns, special events and other activities involved with soliciting contributions for the years ended May 31, 2019 and 2018, were \$5,685,124 and \$6,231,394, respectively. These costs are recorded as institutional support expenses in the consolidated statements of activities.

12. Concentration of Credit Risk

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

SJU 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. SJU's management has assessed the credit risk with money market funds held at May 31, 2019 and 2018 and has determined that an allowance for the potential loss due to credit risk is not necessary.

13. Non-operating Activities

Non-operating activities include gains/losses on investments net of the endowment spending rule, contributions restricted for property, plant and equipment, the change in the estimated fair value of termination of the outstanding interest rate swap agreement, gain/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, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Income Taxes

The University has been granted tax-exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, files Federal Tax Form 990 (Return of Organization Exempt from Income Tax) annually. No provision for income taxes is required in the University's consolidated financial statements. The University files U.S. federal, state and local information returns, and no returns are currently under examination. The statute of limitations on the University's U.S. federal information returns remains open for three years following the year they are filed.

U.S. GAAP requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The University does not believe its consolidated financial statements include any material uncertain tax positions.

15. 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.

16. Reclassification

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

17. Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017. Early application is not permitted. An entity will apply the amendments in this update using either a full retrospective application, which applies the standard to each prior period presented, or under the modified retrospective application, in which an entity recognizes the cumulative effect of initially applying the new standard as an adjustment at the date of initial application. Revenue in periods presented before that date will continue to be reported under guidance in effect before the change. The University adopted this update as of May 31, 2019.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires that most leased assets be recognized on the balance sheet as assets and liabilities for the rights and obligations created by these leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. Early application is permitted. An entity is required to apply the amendments in ASU 2016-02 under the modified retrospective transition approach. This approach includes a number of optional practical expedients, which are described in the final standard. Under these practical expedients, an organization will continue to account for leases that commence before the effective date in accordance with current U.S. GAAP, unless the lease is modified. However, lessees are required to recognize on the balance sheet leased assets and liabilities for operating leases at each reporting date. The University is currently assessing the impact of this guidance on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This standard requires the University to reclassify its net assets from three categories into two categories and recognition of underwater endowment funds as a reduction of net assets with donor restrictions. It also requires enhanced disclosures for board designations, composition of net assets without donor restrictions, liquidity, and expenses by both natural and functional classification. This standard has been retrospectively applied to the prior period presented with certain transition provisions.

Net assets have been reclassified for 2018 due to the adoption of ASU 2016-14 as follows:

	ASU 2016-14 Classifications		Total net assets
	Without donor restrictions	With donor restrictions	
Net asset classification May 31, 2018			
Unrestricted	\$ 386,629,129	\$ -	\$ 386,629,129
Temporarily restricted	-	72,011,179	72,011,179
Permanently restricted	-	83,175,652	83,175,652
Net assets as reported after adoption of ASU 2016-14	<u>\$ 386,629,129</u>	<u>\$ 155,186,831</u>	<u>\$ 541,815,960</u>

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

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 \$30,000,000 at May 31, 2019 and 2018 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 are recorded after discounting to the present value of the future cash flows at interest rates that are based on fair value rates. There was no allowance for doubtful accounts related to pledges receivable at May 31, 2019 and 2018 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:

	<u>2019</u>	<u>2018</u>
In one year or less	\$ 4,372,381	\$13,536,582
Between one year and five years	8,171,232	10,595,000
Beyond five years	-	10,000
Less present value discount	<u>(1,348,057)</u>	<u>(1,561,111)</u>
Pledges – net	<u>\$11,195,556</u>	<u>\$22,580,471</u>

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

	<u>2019</u>	<u>2018</u>
Balance – beginning of year	\$22,580,471	\$ 7,302,987
New pledges	2,662,175	18,625,049
Collections on pledges	(14,260,144)	(2,555,644)
Increase (decrease) in discount to present value	<u>213,054</u>	<u>(791,921)</u>
Balance – end of year	<u>\$11,195,556</u>	<u>\$22,580,471</u>

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE D – INVESTMENTS

The cost and fair value of the University's investments as of May 31, 2019 and 2018 are as follows:

	2019		2018	
	Cost	Fair value	Cost	Fair value
Short-Term/Money Market Investments	\$ 25,000,040	\$ 25,160,657	\$ 7,548,145	\$ 7,719,844
Equity	123,023,931	116,276,672	105,884,044	107,612,976
Fixed Income	87,058,882	86,078,458	83,940,463	81,768,229
Hedged Capital	49,650,784	51,229,292	49,804,985	54,663,591
Private Equity	7,275,211	16,714,624	7,326,816	13,813,353
Private Realty and Resources	19,752,431	22,807,153	18,948,122	21,452,920
Life Income/Annuity Funds – Equity and Fixed Income	1,594,898	2,373,829	1,594,898	2,294,190
Total Investments	<u>288,256,137</u>	<u>295,480,028</u>	<u>267,499,328</u>	<u>281,605,259</u>
Total	<u>\$ 313,356,177</u>	<u>\$ 320,640,685</u>	<u>\$ 275,047,473</u>	<u>\$ 289,325,103</u>

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 NAV or its equivalent (e.g., ownership interest in partners' capital to which a proportionate share of net assets is attributable) at May 31, 2019 and 2018 is as follows:

<u>2019</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>
Total Return Assets			
Private Equity	\$16,714,624	\$13,879,680	12 Years
Inflation Hedges			
Private Realty and Resources	22,807,153	6,062,698	12 Years
All Purpose Hedges			
Hedged Capital	<u>51,229,292</u>	<u>-</u>	90 to 365 Days
Total investments measured at NAV	<u>\$90,751,069</u>	<u>\$19,942,378</u>	

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE D – INVESTMENTS – CONTINUED

<u>2018</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>
Total Return Assets			
Private Equity	\$13,813,353	\$16,216,091	12 Years
Inflation Hedges			
Private Realty and Resources	21,452,920	7,518,606	12 Years
All Purpose Hedges			
Hedged Capital	<u>54,663,591</u>	<u>-</u>	90 to 365 Days
Total investments measured at NAV	<u>\$89,929,864</u>	<u>\$23,734,697</u>	

All investments have daily redemption, without a redemption notification period, with the exception of the private realty and resources, which reflect limited partnership interests in a private investment fund through which distributions are anticipated on an unscheduled basis over a long term of 10 years or more and as reflected above as a 12-year period for redemptions. Additional descriptions of the investment categories used above include:

Equity – Includes investments in exchange traded funds and indices.

Short-Term Investments/Money Market – Includes TIFF Short-Term Fund 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.

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 four private investment funds offered by TIFF 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, 2019 and 2018

NOTE D – INVESTMENTS – CONTINUED

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

<u>2019</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Dividends and interest on endowment, net of fees	\$ 799,617	\$ 855,558	\$ 1,655,175
Net realized and unrealized gain on endowment	1,433,343	1,635,976	3,069,319
Gain on endowment investments	2,232,960	2,491,534	4,724,494
Interest on other investments, net of fees	1,285,176	12,531	1,297,707
Net realized and unrealized gain on other investments	170,471	13,810	184,281
Total income on endowed and other investments	3,688,607	2,517,875	6,206,482
Investment return designated for current operations:			
Interest on other investments	(1,285,176)	(12,531)	(1,297,707)
Endowment payout under spending formula	(4,503,050)	(4,385,901)	(8,888,951)
Investment loss net of amounts designated for current operations	<u>\$ (2,099,619)</u>	<u>\$ (1,880,557)</u>	<u>\$ (3,980,176)</u>
 <u>2018</u>	 <u>Without donor restrictions</u>	 <u>With donor restrictions</u>	 <u>Total</u>
Dividends and interest on endowment, net of fees	\$ 3,107,686	\$ 2,708,064	\$ 5,815,750
Net realized and unrealized gain on endowment	8,263,563	7,286,134	15,549,697
Gain on endowment investments	11,371,249	9,994,198	21,365,447
Interest on other investments, net of fees	637,552	3,017	640,569
Net realized and unrealized gain on other investments	103,647	12,030	115,677
Total income on endowed and other investments	12,112,448	10,009,245	22,121,693
Investment return designated for current operations:			
Interest on other investments	(637,552)	(3,017)	(640,569)
Endowment payout under spending formula	(4,139,400)	(4,232,975)	(8,372,375)
Investment gain net of amounts designated for current operations	<u>\$ 7,335,496</u>	<u>\$ 5,773,253</u>	<u>\$13,108,749</u>

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE D – INVESTMENTS – CONTINUED

The University's endowment funds represent \$294,286,969 and \$280,330,988 of the University's total investment portfolio of \$295,480,068 and \$289,325,103 at May 31, 2019 and 2018, 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, 2019 and 2018 was 4%. The annual spending rate is the percentage of the average market value of the trailing twelve calendar quarter balances of the Endowment Fund. In 2019 and 2018, the endowment payout under the spending formula totaled \$8,888,951 and \$8,372,375, 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, 2019 and 2018, there were no endowment funds with deficiencies. 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.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE D – INVESTMENTS – CONTINUED

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

<u>2019</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds	\$ -	\$ 129,745,732	\$ 129,745,732
Board-designated funds:			
Maguire Campus project	64,587,039	-	64,587,039
Scholarship, quasi- and other endowment funds	<u>99,954,198</u>	<u>-</u>	<u>99,954,198</u>
Subtotal board-designated funds	<u>164,541,237</u>	<u>-</u>	<u>164,541,237</u>
Total endowment funds	<u>\$ 164,541,237</u>	<u>\$ 129,745,732</u>	<u>\$ 294,286,969</u>
<u>2018</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds	\$ -	\$ 119,439,736	\$ 119,439,736
Board-designated funds:			
Maguire Campus project	66,014,112	-	66,014,112
Scholarship, quasi- and other endowment funds	<u>94,877,140</u>	<u>-</u>	<u>94,877,140</u>
Subtotal board-designated funds	<u>160,891,252</u>	<u>-</u>	<u>160,891,252</u>
Total endowment funds	<u>\$ 160,891,252</u>	<u>\$ 119,439,736</u>	<u>\$ 280,330,988</u>

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE D – INVESTMENTS – CONTINUED

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

<u>2019</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 160,891,252	\$ 119,439,736	\$ 280,330,988
Interest and dividends, net of expenses	799,617	855,558	1,655,175
Net realized and unrealized gains	1,433,343	1,635,976	3,069,319
Contributions	5,920,075	12,200,363	18,120,438
Amounts appropriated for expenditure	<u>(4,503,050)</u>	<u>(4,385,901)</u>	<u>(8,888,951)</u>
Endowment net assets, end of year	<u>\$ 164,541,237</u>	<u>\$ 129,745,732</u>	<u>\$ 294,286,969</u>
<u>2018</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 132,460,141	\$ 101,634,340	\$ 234,094,481
Interest and dividends, net of expenses	3,107,686	2,708,064	5,815,750
Net realized and unrealized gains	8,263,563	7,286,134	15,549,697
Contributions	21,199,262	12,044,173	33,243,435
Amounts appropriated for expenditure	<u>(4,139,400)</u>	<u>(4,232,975)</u>	<u>(8,372,375)</u>
Endowment net assets, end of year	<u>\$ 160,891,252</u>	<u>\$ 119,439,736</u>	<u>\$ 280,330,988</u>

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE E – DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

As defined in 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. Instruments categorized in Level 2 are investments in the TIFF Short-Term Fund and an interest rate swap.
- 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, 2019 and 2018.

Investments at Net Asset Value

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 (TIFF Equity Partners, TIFF Realty & Resources and various hedge funds) 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.

Student Loans Receivable – A reasonable estimate of the fair value of loan receivables from students under government loan programs and refundable federal student loans could not be made because the loans are not readily saleable. These loans are recorded at cost, less an allowance for doubtful accounts (see Note F).

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE E – DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS – CONTINUED

Bonds Payable – The fair value of the University's bonds payable approximates \$221.7 million and \$229.7 million at May 31, 2019 and 2018, respectively. The fair value of bonds is estimated based on quoted market prices for the same or similar issues or is estimated using discounted cash flow analyses. The University considers these valuation inputs to be Level 2 inputs in the fair value hierarchy. The market prices utilized reflect the rate that the University would have to pay to a credit-worthy third party to assume its obligation and do not reflect an additional liability to the University (see Note J).

Financial assets and liabilities carried at fair value as of May 31, 2019 and 2018 are classified in the tables below in one of the categories described above.

2019	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Investments at net asset value	Balance as of May 31, 2019
Assets				
Short-term investments:				
Short-Term/Money Market	\$ 25,160,657	\$ -	\$ -	\$ 25,160,657
Investments:				
Equity	116,276,672	-	-	116,276,672
Fixed Income	86,078,458	-	-	86,078,458
Hedged Capital	-	-	51,229,292	51,229,292
Private Equity	-	-	16,714,624	16,714,624
Private Realty and Resources	-	-	22,807,153	22,807,153
Life Income/Annuity Funds – Equity and Fixed Income	2,373,829	-	-	2,373,829
Total Investments	<u>204,728,959</u>	<u>-</u>	<u>90,751,069</u>	<u>295,480,028</u>
Total assets	<u>\$ 229,889,616</u>	<u>\$ -</u>	<u>\$ 90,751,069</u>	<u>\$ 320,640,685</u>
Liabilities				
Interest rate swap	\$ -	\$ 1,293,002	\$ -	\$ 1,293,002
Total liabilities	<u>\$ -</u>	<u>\$ 1,293,002</u>	<u>\$ -</u>	<u>\$ 1,293,002</u>

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE E – DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS – CONTINUED

<u>2018</u>	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Investments at net asset value</u>	<u>Balance as of May 31, 2018</u>
Assets				
Investments:				
Short-Term/Money Market	\$ 1,054,199	\$ 6,665,645	\$ -	\$ 7,719,844
Equity	107,612,976	-	-	107,612,976
Fixed Income	81,768,229	-	-	81,768,229
Hedged Capital	-	-	54,663,591	54,663,591
Private Equity	-	-	13,813,353	13,813,353
Real Estate	-	-	21,452,920	21,452,920
Life Income/Annuity Funds – Equity and Fixed Income	<u>2,294,190</u>	<u>-</u>	<u>-</u>	<u>2,294,190</u>
Total assets	<u>\$ 192,729,594</u>	<u>\$ 6,665,645</u>	<u>\$ 89,929,864</u>	<u>\$ 289,325,103</u>
Liabilities				
Interest rate swap	<u>\$ -</u>	<u>\$ 1,832,577</u>	<u>\$ -</u>	<u>\$ 1,832,577</u>
Total liabilities	<u>\$ -</u>	<u>\$ 1,832,577</u>	<u>\$ -</u>	<u>\$ 1,832,577</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.

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 \$57,748 and \$944,066 at May 31, 2019 and 2018, respectively, are ultimately refundable to the government and are 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, 2019 and 2018, student loans consisted of Federal Government Loan Program: Perkins of \$193,987 and \$1,076,429, respectively.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE F – STUDENT LOANS RECEIVABLE – CONTINUED

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgement, could influence the ability of loan recipients to repay the amounts per the loan terms. Further, the University does not evaluate the credit quality of student loans receivable after the initial approval and calculation of the loans. Student loans are considered past due when payment has not been received in over 30 days, and accrual of interest ceases when the amount due has been outstanding for 90 days or more. When student loans receivable are deemed uncollectible, an allowance for doubtful accounts is established.

In management's judgment, there was no need to record an allowance for doubtful accounts for student loans receivable as of May 31, 2019 and 2018. The University is currently in the process of liquidating all loans to the Department of Education.

The University considers the age of the amounts outstanding in determining the collectability of student loans receivable. The aging of student loans receivable at May 31, 2019 is as follows:

	< 30 Days	30-59 Days	60-89 Days	> 90 Days	Total
Student loans receivable, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,987</u>	<u>\$ 193,987</u>

NOTE G – PROPERTY, PLANT AND EQUIPMENT

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

	2019	2018
Land and land improvements	\$ 59,805,390	\$ 58,438,636
Buildings and improvements	503,145,581	497,831,051
Capital lease – equipment	1,590,715	1,259,130
Furniture and fixtures, equipment, software and library books	64,992,262	63,004,966
Construction in progress	4,750,375	3,793,587
	634,284,323	624,327,370
Less accumulated depreciation	(234,568,179)	(220,558,136)
Property, plant and equipment, net	<u>\$ 399,716,144</u>	<u>\$ 403,769,234</u>

Depreciation expense for the years ended May 31, 2019 and 2018 was \$17,243,926 and \$17,260,464, respectively.

NOTE H – SHORT-TERM BANK BORROWINGS

The University has a line of credit with PNC Bank ("PNC") totaling \$25,000,000. The line of credit is secured by the University's unrestricted revenues and has an expiration date of January 24, 2020. The line of credit bears interest at a "Prime Rate" as determined by PNC (this rate is not tied to any external rate) or at a rate of LIBOR plus sixty (60) basis points. The rate paid is based on the interest rate option selected by the University. There were no amounts outstanding at May 31, 2019 or 2018.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE H – SHORT-TERM BANK BORROWINGS – CONTINUED

The line of credit has a \$10,000,000 sub-limit for letters of credit. The letter of credit bears interest at a “Prime Rate” as determined by PNC (this rate is not tied to any external rate) or at a rate of LIBOR plus sixty (60) basis points. The rate paid is based on the interest rate option selected by the University. This letter of credit expired on January 9, 2019.

NOTE I – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>2019</u>	<u>2018</u>
Accounts payable	\$ 3,372,793	\$ 3,387,204
Accrued payroll	12,046,707	11,901,255
Early retirement benefits	1,081,757	1,513,076
Asset retirement obligation	3,280,675	3,528,598
Interest rate swap	1,293,002	1,832,577
Other accrued expenses	<u>4,205,823</u>	<u>4,288,487</u>
 Total	 <u><u>\$25,280,757</u></u>	 <u><u>\$26,451,197</u></u>

NOTE J – LONG-TERM DEBT

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

<u>Description</u>	<u>Contractual Maturity</u>	<u>Interest Rate %</u>	<u>Type</u>	<u>2019</u>	<u>2018</u>
Revenue Bonds, Series 2016	2030	1.71	Fixed	\$ 18,462,980	\$ 19,700,684
Revenue Bonds, Series 2015B	2031	1.9-2.3	Variable	35,615,371	36,427,706
Revenue Bonds, Series 2015A	2036	1.9-2.3	Variable	31,500,000	32,700,000
Revenue Bonds, Series 2013B excluding unamortized premium of \$491,241 in 2019 and \$628,332 in 2018	2033	2.50-5.13	Fixed	14,640,000	16,850,000
Revenue Bonds, Series 2010A excluding unamortized premium of \$1,871,502 in 2019 and \$1,990,443 in 2018	2040	2.00-5.00	Fixed	116,465,000	116,795,000
Capital leases				<u>597,137</u>	<u>229,086</u>
 Subtotal				 217,280,488	 222,702,476
Bond issuance cost, net of accumulated amortization				(2,586,599)	(2,942,236)
Premium				<u>2,362,743</u>	<u>2,618,775</u>
 Total				 <u><u>\$ 217,056,632</u></u>	 <u><u>\$222,379,015</u></u>

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE J – LONG-TERM DEBT – CONTINUED

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

Years ending June 30,	
2020	\$ 6,068,215
2021	6,378,959
2022	6,655,760
2023	6,921,210
2024	8,147,931
Thereafter	<u>183,108,413</u>
	<u>\$217,280,488</u>

The University has pledged and granted future unrestricted revenues to collateralize the annual principal and interest payments. In addition, the University is subject to certain restrictions with regard to maintaining net revenues plus other available funds of the University equal to 110% of the maximum annual debt service of all long-term indebtedness and demonstrating a debt service coverage ratio of 1.25 to 1.00 prior to the issuance of additional indebtedness. The University was in compliance with the loan covenants at May 31, 2019 and 2018.

Revenue Bonds, Series 2016

On July 29, 2016, the University settled on the issuance of \$21.8 million of Series 2016 fixed rate bonds ("Series 2016") issued through the Pennsylvania Higher Educational Facilities Authority (the "Authority"). Proceeds of the bond issue were used to refund the Fortier II, LLC's PAID Series A and B of 2003 directly to the debt holders upon the University's termination of the ground lease with Fortier II, LLC. The Series 2016 bonds have been issued as a fixed rate direct placement note with TD Bank, N.A. This fixed 1.71% rate debt has a seven-year mandatory put option. The Series 2016 bonds were not rated at issuance, but were purchased directly under a purchase agreement with T.D. Bank, N.A.

Interest and principal payments are made on a monthly basis beginning September 1, 2016 through June 1, 2030. Annual principal payments range from \$0.8 million to \$2.1 million. There is an optional redemption, in whole or part, on the interest payment date without penalty.

Revenue Bonds, Series 2015B

On April 30, 2015, the University settled on the issuance of \$38.5 million of Series B of 2015 variable rate bonds ("Series 2015B") issued through the Authority. Proceeds of the bond issue were used to refund the Authority's Saint Joseph's University Revenue Refunding Bonds of 2010B ("Series 2010B") and 2013A ("Series 2013A"). The Series 2015B bonds were not rated at issuance, but were purchased directly under a purchase agreement with TD Bank.

The Series 2015B bonds have been issued as a variable rate direct placement note with TD Bank. This is a floating rate debt with a seven-year mandatory put option. Interest is calculated at 67% of one month LIBOR plus 74.2 basis points. Interest payments are made on a monthly basis beginning on June 1, 2015. Principal payments on the bonds are made on an annual basis from November 1, 2015 through November 1, 2031 and range from \$0.5 million to \$6.2 million. There is an optional redemption, in whole or part, on the interest payment date without penalty.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE J – LONG-TERM DEBT – Continued

On May 8, 2015, the University entered into an interest rate cap agreement with TD Bank related to the issuance of the Series 2015B bonds. Under the terms of the interest rate cap agreement, the University paid a fixed premium of \$305,000 to cap the interest rate at 4% on the Series 2015B bonds effective May 8, 2015 through the termination date of September 1, 2022.

Revenue Bonds, Series 2015A

On April 30, 2015, the University settled on the issuance of \$35.9 million of Series A of 2015 variable rate bonds ("Series 2015A") issued through the Authority. Proceeds of the bond issue were used to refund the Authority's Saint Joseph's University Revenue Refunding Bonds of 2008A ("Series 2008A"). The Series 2015A bonds were not rated at issuance, but were purchased directly under a purchase agreement with U.S. Bank.

The Series 2015A bonds have been issued as a variable rate direct placement note with U.S. Bank. This is a floating rate debt with a five-year mandatory put option. Interest is calculated at 67% of one month LIBOR plus 60 basis points. Interest payments are made on a monthly basis beginning on June 1, 2015. Principal payments on the bonds are made on an annual basis from July 15, 2015 through July 15, 2036 and range from \$1.0 million to \$2.1 million. There is an optional redemption, in whole or part, on the rate reset date without penalty.

Revenue Bonds, Series 2013B

On August 7, 2013, the University settled on the issuance of \$26.3 million of Series B of 2013 fixed rate bonds ("Series 2013B") issued through the Authority. Proceeds of the bond issue were used to (a) refund the Authority's Saint Joseph's University Revenue Refunding Bonds of 2003 ("Series 2003") and a partial refunding of the Authority's Saint Joseph's University Revenue Bonds Series A of 2013 ("Series 2013A"), as well as (b) the payment of costs of issuance of the Series 2013B Bonds. In addition, remaining proceeds are being used for (c) renovations and construction costs for property acquired at 5800 City Avenue. The Series 2013B bonds have been rated A and A- by Fitch and Standard and Poor's, respectively. There were no changes to these ratings as of May 31, 2019.

Interest payments are made on a semiannual basis beginning on November 1, 2013. Principal repayment on the bonds is scheduled with annual installments from November 1, 2013 through November 1, 2025, with additional payments due on November 1, 2028 and November 1, 2033. Principal payments range from \$1.9 million to \$0.3 million. The bonds maturing after November 1, 2023 are also subject to optional redemption by the University.

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 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 have been rated A and A- by Fitch and Standard and Poor's, respectively. There were no changes to these ratings as of May 31, 2019.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE J – LONG-TERM DEBT – Continued

Interest payments are made on a semiannual basis that began on May 1, 2011. Principal repayment on the bonds is scheduled with annual installments from November 1, 2011 through November 1, 2040. Principal payments range from \$0.3 million to \$12.9 million. The bonds are also subject to optional redemption by the University.

Interest Rate Swap Agreement

On July 7, 2009, the University entered into an interest rate swap agreement related to the 2008A bonds with Barclays Bank, PLC (“Barclays”). Under the terms of the swap agreement, the University pays a fixed rate of 4.1775% on a notional amount of \$39,725,000 and receives a floating rate through the termination date of July 15, 2036, unless terminated earlier in accordance with provisions of the agreement. The floating rate used for the interest rate swap is 67% of the 30-day LIBOR, or 100% of the Municipal Swap Index if the 30-day LIBOR is less than 3%. On April 30, 2015, the interest rate swap agreement with Barclays was amended when the 2015A bonds were issued to refund the 2008A bonds. The fixed rate paid by the University was reduced to 3.9575%.

The estimated value of terminating the outstanding swap as of May 31, 2019 and 2018 was a cost to the University of \$1,293,002 and \$1,832,577, respectively. The non-operating section of the consolidated statements of activities includes the change in the estimated value of terminating the swap outstanding as of May 31, 2019 and 2018.

The interest rate swap agreement noted above is used by the University to manage the interest cost and risk associated with its variable rate long-term debt, with the resulting effect of converting this debt to synthetic fixed rate debt. The fixed payments due under the swap agreements were higher than the underlying variable payments during the years ended May 31, 2019 and 2018 as noted above. There were no other interest rate swap agreements entered into by the University during fiscal years 2019 or 2018.

NOTE K – NET ASSETS

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

	<u>2019</u>	<u>2018</u>
Without donor restrictions	<u>\$ 396,455,868</u>	<u>\$ 386,629,129</u>
With donor restrictions for time or purpose:		
Contributions and endowment income for instruction, research and support	61,372,614	62,631,684
Contributions and endowment income for property, plant and equipment	<u>6,350,330</u>	<u>9,379,495</u>
	<u>67,722,944</u>	<u>72,011,179</u>
With donor restrictions in perpetuity	<u>86,179,522</u>	<u>83,175,652</u>
Total net assets	<u>\$ 550,358,334</u>	<u>\$ 541,815,960</u>

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE L – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects the University's financial assets as of May 31, 2019, reduced by amounts not available for general expenditures within one year. 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. The University considers all expenditures related to its operating activities that are incurred in the course of the normal business operations of the University to be general expenditures.

	2019
Financial assets:	
Cash and cash equivalents	\$ 57,306,958
Short-term investments	25,160,617
Accounts receivable	28,281,721
Investments	295,480,068
Student loan receivable, net	193,987
Total financial assets	406,423,351
Less financial assets unavailable for general expenditure within one year:	
Receivables scheduled to be collected in more than one year	(6,823,175)
Student loan receivable restricted for financial aid purposes	(193,987)
Donor-imposed restrictions:	
Endowment, net of appropriations for next fiscal year	(284,313,605)
Accumulated unspent revenue for scholarships, programs, etc.	(7,465,404)
Financial assets available to meet cash needs for general expenditure within one year	\$ 107,627,180

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.

In the event of an unanticipated liquidity need, the University could draw upon \$25,000,000 of an available line of credit (Note H).

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

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. 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:

2019	Instruction	Public service	Academic support	Student services	Institutional support	Research	Auxiliary enterprises	Total
Salaries and benefits	\$ 58,653,648	\$ 316,233	\$ 7,570,024	\$ 21,854,218	\$ 23,088,594	\$ 1,074,457	\$ 3,267,008	\$ 115,824,182
Supplies and purchased services	16,583,703	431,458	2,992,722	11,665,360	16,801,498	897,734	18,061,834	67,434,309
Utilities	1,303,938	-	274,765	357,248	220,072	-	2,298,712	4,454,735
Interest	1,399,934	-	406,432	677,387	1,908,949	-	4,606,234	8,998,936
Depreciation and amortization	2,543,648	10,058	2,365,052	2,588,865	3,724,758	46,420	6,064,730	17,343,531
Total expenses	\$ 80,484,871	\$ 757,749	\$ 13,608,995	\$ 37,143,078	\$ 45,743,871	\$ 2,018,611	\$ 34,298,518	\$ 214,055,693
2018	Instruction	Public service	Academic support	Student services	Institutional support	Research	Auxiliary enterprises	Total
Salaries and benefits	\$ 54,322,800	\$ 296,436	\$ 7,598,351	\$ 18,665,607	\$ 26,908,611	\$ 863,230	\$ 3,002,352	\$ 111,657,387
Supplies and purchased services	18,834,365	446,876	3,501,639	12,306,482	15,362,100	909,508	19,911,148	71,272,118
Utilities	980,202	-	203,964	265,852	163,610	-	2,461,610	4,075,238
Interest	1,355,907	-	393,650	656,084	1,834,048	-	4,461,372	8,701,061
Depreciation and amortization	2,688,751	16,009	2,452,806	2,599,538	3,192,845	44,730	6,166,281	17,160,960
Total expenses	\$ 78,182,025	\$ 759,321	\$ 14,150,410	\$ 34,493,563	\$ 47,461,214	\$ 1,817,468	\$ 36,002,763	\$ 212,866,764

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 contributed 7% in 2019 and 2018 of an eligible employee's salary irrespective of the employee's contribution and matched the employee's contributions up to an additional 3% of their salary. Total retirement plan expense was \$6,502,236 and \$6,642,337 in 2019 and 2018, respectively.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE O – COMMITMENTS AND CONTINGENCIES

The University leases certain facilities, transportation vehicles, machinery, and equipment under non-cancelable operating leases which expire at various dates. Rent expense under such arrangements was \$2,466,576 and \$3,945,048 in 2019 and 2018, respectively. Future minimum rental payments under existing operating leases are as follows:

Years ending June 30,	
2020	\$ 2,383,991
2021	1,972,965
2022	1,867,010
2023	<u>1,867,010</u>
	<u>\$ 8,090,976</u>

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, 2019.

NOTE P – 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, 2019 and 2018, respectively, \$115,306 and \$230,938 in cash and cash equivalents, \$236,101 and \$180,537 in advance to non-controlling affiliate (included in prepaid expenses), \$115,306 and \$57,572 in accounts payable and accrued expenses, and \$236,101 and \$250,740 in deferred revenue are included in the University's consolidated financial statements.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE P – RELATED PARTY TRANSACTIONS – CONTINUED

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, 2019 and 2018, 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, 2019 and 2018 are as follows:

<u>2019</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>2018</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, 2019 and 2018 are \$431,077 and \$534,250, respectively, for this payment. There is no allowance recorded as of May 31, 2019 and 2018.

Saint Joseph's University and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

May 31, 2019 and 2018

NOTE P – RELATED PARTY TRANSACTIONS – CONTINUED

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, 2019 and 2018, the endowment held by the University on behalf of the Academy was \$10.6 million and \$10.8 million, respectively.

NOTE Q – SUBSEQUENT EVENTS

The University has evaluated subsequent events through October 16, 2019, and has determined that there are no subsequent events requiring adjustment or disclosure in the consolidated financial statements.

SUPPLEMENTAL INFORMATION

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
Saint Joseph's University

We have audited, 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, the consolidated financial statements of Saint Joseph's University and its subsidiary (the "University"), which comprise the consolidated statement of financial position as of May 31, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 16, 2019.

Internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the University's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Philadelphia, Pennsylvania
October 16, 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE OMB UNIFORM GUIDANCE

To the Board of Trustees of
Saint Joseph's University

Report on compliance for each major federal program

We have audited the compliance of Saint Joseph's University and its subsidiary (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended May 31, 2019. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to the University's federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on each major federal program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended May 31, 2019.

Report on internal control over compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of compliance requirements that could have a direct and material effect on the major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

As described in our report on compliance for the major federal program above, this Report on Internal Control Over Compliance does not include the results of the other auditors' testing of internal control over compliance that is reported on separately by those auditors.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the University's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Philadelphia, Pennsylvania
October 16, 2019

Saint Joseph's University and Subsidiary
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through grantor's number	Pass-through to subrecipients	Expenditures
RESEARCH AND DEVELOPMENT				
DEPARTMENT OF COMMERCE NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY:				
A Theoretical and Reasoning Framework for the Integrated Modeling of Trustworthiness in Cyber-Physical Systems	11.609	21914-222030	\$ -	\$ 21,081
A Study of Hybrid Discrete-Continuous-Probabilistic Modeling Techniques for Trustworthiness in Cyber-Physical Systems	11.609	21918-222030	-	2,194
Total National Endowment for the Humanities			-	23,275
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Via National Institutes of Health				
Dissecting the CAMP-mediated Circuitry of Stress Induced Sleep in Caenorhabditis Elegans	93.859	21212-214010	-	103,861
Total Department of Health and Human Services			-	103,861
NATIONAL SCIENCE FOUNDATION:				
The Study of Molecular Motion in Simple Glass Forming Liquids	47.049	21023-214015	-	-
Vibrational Properties of Dense Colloidal Suspensions with Short-Range	47.049	21024-214025	-	-
SJU Noyce Teachers: Investigating the Relationship Between Social Interaction, Teacher Identity, and Commitment to Teaching in High-Need Urban Schools	47.076	21026-214020	-	1,969
Quadrilateral Surface Meshes with Provable Quality Guarantees	47.070	21027-214023	-	15,383
Advancing Theory and Application in Perceptual and Adaptive Learning to Improve Community College Mathematics	47.076	21029-213080	-	32,228
Interactions Between Stress and Attention Circuits: Investigating Corticotropin Releasing Modulation of the Basal Forebrain	47.074	21030-213080	-	6,217
Philadelphia Regional Noyce Partnership Scholarship Program	47.076	21031-214020	-	67,984
RUI: Collaborative Research: Understanding the Role of a Modified Phosphotransferase System and a Unique Two Component Signal Transduction System in Regulating Gene Expression	47.074	21032-214010	-	12,210
Total National Science Foundation			-	135,991
DEPARTMENT OF TRANSPORTATION/FEDERAL HIGHWAY ADMINISTRATION:				
Exploratory Advanced Research Program, Topic 1: Virtual Nondestructive Evaluation (NDE) Laboratory for Highway Structures				
	20.200	21919-222030	-	3,535
Total Department of Transportation/Federal Highway Administration			-	3,535
DEPARTMENT OF JUSTICE/FEDERAL BUREAU OF INVESTIGATION				
Improving Intelligence Interviewing: A Quasi-Experimental Study with Correctional Investigators Base Year				
	16.000	21921-213091	-	64,439
Total Department of Justice/Federal Bureau of Investigation			-	64,439
TOTAL RESEARCH AND DEVELOPMENT			-	331,101

See accompanying notes to Schedule of Expenditures of Federal Awards.

Saint Joseph's University and Subsidiary
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended May 31, 2019

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA number</u>	<u>Pass-through grantor's number</u>	<u>Pass-through to subrecipients</u>	<u>Expenditures</u>
STUDENT FINANCIAL AID				
DEPARTMENT OF EDUCATION:				
Direct Programs				
Federal Perkins Loan Program	84.038			
Loans outstanding beginning of year			\$ -	\$ 1,076,429
Repayments during the year			-	(882,442)
Administrative cost allowance			-	-
Direct Loans - Stafford	84.268		-	52,450,218
Federal Work Study Program	84.033		-	569,451
Supplemental Educational Opportunity Grant Program	84.007		-	761,561
Pell Grant Program	84.063		-	2,846,434
Total Department of Education			<u>-</u>	<u>56,821,651</u>
TOTAL STUDENT FINANCIAL AID			<u>-</u>	<u>56,821,651</u>
OTHER PROGRAMS				
DEPARTMENT OF EDUCATION:				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	21915-214010	<u>-</u>	<u>42,010</u>
Total Department of Education			-	42,010
DEPARTMENT OF JUSTICE OFFICE ON VIOLENCE AGAINST WOMEN:				
Grant to Reduce Sexual Assault, Domestic Violence, Dating Violence and Stalking on Campus Programs	16.525	21916-311100	<u>-</u>	<u>107,163</u>
Total Department of Justice			-	107,163
SMALL BUSINESS ADMINISTRATION:				
SDVETP 2017 Expanding Our Ability to Reach Those Who Have Served	59.044	21917-221052		9,735
SDVETP 2018 Expanding Our Ability to Reach Those Who Have Served	59.044	21920-221052	<u>-</u>	<u>22,938</u>
Total Small Business Administration			<u>-</u>	<u>32,673</u>
TOTAL OTHER PROGRAMS			<u>-</u>	<u>181,846</u>
Total Federal Expenditures			<u>\$ -</u>	<u>\$ 57,334,598</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

Saint Joseph's University and Subsidiary

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

May 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The purpose of the Schedule of Expenditures of Federal Awards (the "Schedule") is to present details of the activities of Saint Joseph's University and its subsidiary (the "University") which have been financed by the U.S. government for the year ended May 31, 2019.

Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the University.

For the purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and the agencies or departments of the federal government and all sub-awards to the University by nonfederal organizations pursuant to federal grants, contracts and similar agreements.

Federally-guaranteed loans issued to students of the University directly by the University are also included in the Schedule.

The Schedule is prepared on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

The procurement compliance requirement of the Uniform Guidance has been deferred by two full fiscal years after the effective date of the Uniform Guidance. The University has chosen to use the grace period allowed under this deferral and is currently evaluating the changes to its policies, procedures and systems necessary to comply with the new requirements when effective.

NOTE B - FEDERAL STUDENT LOAN PROGRAM

The federal student loan program listed subsequently is administered directly by the University, and balances and transactions relating to this program are included in the University's consolidated financial statements. Loans made during the year are included in the federal expenditures presented in the Schedule. The outstanding balance and disbursements as of and for the year ended May 31, 2018 are as follows:

	<u>CFDA Number</u>	<u>Loans receivable as of May 31, 2019</u>	<u>Loans made during the year ended May 31, 2019</u>
Federal Perkins Loan Program	84.038	\$ 193,987	\$ -

Saint Joseph's University and Subsidiary
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended May 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major program:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

yes no

Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

Various

Student Financial Aid

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

Saint Joseph's University and Subsidiary
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year ended May 31, 2019

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Saint Joseph's University and Subsidiary
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
Year ended May 31, 2019

No matters to report.