



**THE MONMOUTH COLLEGE
MONMOUTH, ILLINOIS**

FINANCIAL STATEMENTS

June 30, 2020
With Prior Year Summarized Comparative Information



SIKICH.COM

THE MONMOUTH COLLEGE
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6-27

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Monmouth College
Monmouth, Illinois

We have audited the accompanying financial statements of The Monmouth College (College), which comprise the Statement of Financial Position as of June 30, 2020, and the related Statements of Activities and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the College's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the College adopted new accounting guidance as issued by the Financial Accounting Standards Board under Accounting Standards Update (ASU) No. 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The adoption of this ASU did not result in a change to the accounting of any of the College's revenue streams; as such, no cumulative effect adjustment was recorded. Our opinion has not been modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2021, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Sikich LLP

Springfield, Illinois
April 6, 2021

THE MONMOUTH COLLEGE

STATEMENT OF FINANCIAL POSITION

June 30, 2020

(With Summarized Comparative Information for the Year Ended June 30, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 583,102	\$ 539,006
Receivables, net of allowance for doubtful accounts and unamortized discount (Note 3):		
Accounts	322,149	441,528
Contributions	3,483,283	1,901,797
Loans	1,647,391	2,019,829
Inventories	62,671	75,205
Prepaid charges	516,963	531,821
Cash reserved for refundable student loans	130,188	91,053
Cash reserved for self insurance	1,844,453	1,949,055
Cash held for investment	394,839	350,082
Investments (Note 4)	117,288,786	120,567,774
Beneficial interests in perpetual trusts (Note 5)	3,495,025	3,554,629
Property and equipment, net (Note 7)	95,383,729	99,647,893
TOTAL ASSETS	\$ 225,152,579	\$ 231,669,672
LIABILITIES		
Accounts payable	\$ 400,520	\$ 1,276,294
Accrued wages and expenses	3,750,525	3,678,288
Refundable student loans	2,005,375	2,612,600
Deposits payable	278,301	245,471
Deferred revenues	1,106,902	1,066,781
Refundable grant advance	2,913,476	-
Capital lease obligation	105,345	-
Line of credit (Note 11)	5,000,000	8,000,000
Bonds payable, net (Note 10)	24,250,417	25,438,830
Annuities payable	3,277,417	3,057,062
Total liabilities	43,088,278	45,375,326
NET ASSETS		
Without donor restriction	60,096,963	65,231,239
With donor restriction	121,967,338	121,063,107
Total net assets	182,064,301	186,294,346
TOTAL LIABILITIES AND NET ASSETS		
	\$ 225,152,579	\$ 231,669,672

See accompanying Notes to Financial Statements.

THE MONMOUTH COLLEGE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

(With Summarized Comparative Information for June 30, 2019)

	2020			2019
	Without Donor Restriction	With Donor Restriction	Total	
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and fees	\$ 33,837,521	\$ -	\$ 33,837,521	\$ 32,933,461
Less: Student aid and scholarships	(22,606,272)	-	(22,606,272)	(21,687,197)
Net tuition and fees	11,231,249	-	11,231,249	11,246,264
Room and board	8,028,685	-	8,028,685	7,981,500
Net tuition, fees, room and board	19,259,934	-	19,259,934	19,227,764
State and federal grants	134,414	947,549	1,081,963	164,510
Gifts and contributions	4,055,479	4,695,872	8,751,351	8,188,419
Investment income, net	138,311	1,858,157	1,996,468	2,350,423
Change in annuities, net	-	(248,784)	(248,784)	(272,823)
Net realized gains on investments	(65,700)	(565,730)	(631,430)	1,665,442
Net unrealized gains (losses) on investments	290,624	2,335,442	2,626,066	1,046,965
Change in value of split interest agreements	-	(220,355)	(220,355)	476,232
Other	269,276	7,708	276,984	84,406
Net assets released from restriction	7,905,628	(7,905,628)	-	-
Total revenues, gains, and other support	31,987,966	904,231	32,892,197	32,931,338
EXPENSES				
Salaries and benefits	20,187,739	-	20,187,739	20,311,649
Depreciation and amortization	4,940,930	-	4,940,930	4,922,236
Meals	2,585,305	-	2,585,305	3,109,654
Supplies	1,092,954	-	1,092,954	1,547,011
Travel/training, memberships and events	1,439,617	-	1,439,617	2,283,188
Occupancy	1,479,581	-	1,479,581	1,795,929
Maintenance and equipment	1,254,828	-	1,254,828	1,307,911
Interest	988,084	-	988,084	1,064,296
Professional fees and services	1,161,956	-	1,161,956	1,640,542
Other operating expenses	1,514,708	-	1,514,708	675,221
Insurance	476,540	-	476,540	449,136
Total expenses (Note 15)	37,122,242	-	37,122,242	39,106,773
CHANGES IN NET ASSETS	(5,134,276)	904,231	(4,230,045)	(6,175,435)
NET ASSETS, BEGINNING OF YEAR	65,231,239	121,063,107	186,294,346	192,469,781
NET ASSETS, END OF YEAR	\$ 60,096,963	\$ 121,967,338	\$ 182,064,301	\$ 186,294,346

See accompanying Notes to Financial Statements.

THE MONMOUTH COLLEGE

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (4,230,045)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	4,929,597
Loss on sale of plant assets	378
Amortization of debt issuance costs	11,333
Net realized and unrealized gain on investments	(2,054,240)
Private gifts restricted for long-term investments	(211,200)
Change in value of annuities payable	643,918
Effects of changes in operating assets and liabilities:	
Accounts receivable	119,379
Contributions receivable	(1,476,411)
Loans receivable	(3,352)
Inventories	12,534
Beneficial interest in perpetual trusts	59,604
Prepaid charges	14,858
Accounts payable	(929,692)
Accrued wages and expenses	72,237
Refundable student loans	(607,225)
Deposits payable	32,830
Deferred revenues	40,121
Refundable grant advances	208,186
Net cash and restricted cash from operating activities	<u>(3,367,190)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales / maturities of investments	16,918,288
Purchase of investments	(11,585,060)
Principal payments received on loans to students	375,790
Proceeds from sale of property and equipment	325
Acquisition of property and equipment	(477,220)
Net cash and restricted cash from investing activities	<u>5,232,123</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments of annuity obligations	(423,563)
Contributions restricted for long-term investments	106,125
Principal payments on bonds	(1,199,746)
Payments on capital lease obligations	(29,653)
Proceeds from short term borrowing	8,750,000
Payments on short term borrowing	(11,750,000)
Proceeds from refundable grant advances	2,705,290
Net cash and restricted cash from financing activities	<u>(1,841,547)</u>

CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH 23,386

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH,
BEGINNING OF YEAR 2,929,196

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH,
END OF YEAR \$ 2,952,582

See accompanying Notes to Financial Statements.

THE MONMOUTH COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

With Summarized Comparative Information at June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Monmouth College (College), established in 1853, is a private, nonprofit, residential, co-educational higher education institution located in Monmouth, Illinois that offers the Bachelor of Arts degree.

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis. The College maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, the College follows generally accepted accounting principles applicable for not-for-profit organizations, which require that resources be classified for reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions.

Descriptions of the two net asset categories and types of transactions affecting each category follow:

- Without Donor Restriction- net assets that are not subject to donor-imposed restrictions, including the carrying value of all physical properties (land, building, and equipment). Items that affect (i.e., increase or decrease) this net asset category include: revenues, principally fees for service and related expenses associated with the core activities of the College. In addition to these reciprocal transactions, changes in this category of net assets include certain types of philanthropic support, namely, gifts without donor restrictions, including those designated by the Board to function as endowment, as well as gifts with donor restrictions, whose donor-imposed restrictions are for current or developing programs and were met during the fiscal year, and appropriated gains and losses from endowment funds.
- With Donor Restriction - net assets subject to donor-imposed restrictions that may or will be met either by actions of the College or the passage of time. Items that affect this net asset category are gifts for which restrictions have not been met, annuity and life income gifts for which the ultimate purpose of the proceeds is not restricted in perpetuity, gifts restricted for capital projects not yet under construction and endowments where the principal may be expended upon the passage of a stated period of time (term endowments). This classification also includes net assets subject to donor-imposed restrictions to be maintained permanently by the College. Items include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment and providing loans to the students) and only the income be made available for program operations and annuity and life income gifts for which the ultimate purpose of the proceeds is permanently restricted.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (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 financial statements and the reported amounts of revenues, allocations, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The College considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Contributions Receivable

Contributions receivable are shown at the discounted present value of the contributions estimated to be collectible. Management believes the amount estimated for uncollectible contributions is adequate based on information currently available. However, events impacting donors could occur in the next year which could change the estimated uncollectible contributions.

Inventories

Inventories, which primarily consist of academic, administrative, and facilities materials and supplies, are valued at the lower of cost (first-in, first-out) or market.

Investments

The College follows GAAP for not-for-profit organizations, which require that the College carry its debt and equity securities at fair value. Real estate is stated at fair value based upon periodic appraisals and management estimates. Private equity holdings, which management does not consider significant to the financial statements, are carried at cost. Pooled and shareholder yield funds are measured using net asset value (NAV). Realized gains and losses and unrealized appreciation or depreciation is reported as increases or decreases to net assets, net of external and direct internal expenses.

Property and Equipment and Depreciation

The College depreciates its property and equipment which is accounted for at cost (fair market value if contributed) using the straight-line method with lives ranging from 10 to 50 years for land improvements, 10 to 75 years for buildings, and 2 to 15 years for equipment. The College capitalizes property and equipment with a cost of \$1,000 or more, or repairs and maintenance with a cost of \$2,500 or more, and a useful life greater than one year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

It is the College's policy to permit employees to accumulate earned but unused vacation benefits that would be paid to employees upon separation from College services. The accrual of vacation hours is limited to 5 days' pay for all employees. The vacation accrual is included in accrued wages and expenses in the Statement of Financial Position. The College does not accrue a liability for sick leave. Accumulated sick leave is paid only to retiring non-exempt employees who qualify based upon hire date. Non-exempt, non-union employees, age 55 or older, hired prior to September 1, 1991 receive one-half of remaining sick time, up to a maximum of 45 days. Non-exempt, union employees hired prior to April 1, 1991 receive one-half of accumulated sick leave and those hired on or after April 1, 1991 receive one-fourth of accumulated sick leave. Employees terminating under other circumstances forfeit their accumulated sick pay.

Income Tax Status

The College is a not-for-profit organization and is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the state tax code. The College is not classified as a private foundation. The College files a Form 990 (Return of Organization Exempt from Income Tax) annually.

Annuities Payable

Several donors have entered into split-interest agreements with the College. These agreements are in the form of charitable gift annuities, charitable remainder annuity trusts, and life income trusts. The annuities payable to beneficiaries resulting from these agreements are reported as a liability at the present value of the estimated future payments to be distributed over the beneficiaries' lives. The College calculates the present value of these payments through the use of IRS discount rates and IRS life expectancy tables. The College utilized discount rates, ranging from 0.24% to 1.75%, based upon the applicable month and year in which the split-interest agreements were initiated within these calculations. Annuity funds held in investments totaled \$8,056,108 at June 30, 2020.

Revenue Recognition

Tuition and fee revenues are reported in the fiscal year in which the educational programs are conducted. Room and board revenues are reported in the fiscal year when services are provided. Deposits and fees received in the current fiscal year for future years' programs are reported as deferred revenue.

In August 2018, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 provides guidance to help distinguish if grants and contracts with resource providers are exchange transactions or contributions. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018. The ASU has been applied retrospectively to all periods presented, with no effect on net assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grant revenue is derived from cost-reimbursable federal, state grants and foundations, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the College has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable grant advances in the Statement of Financial Position. During 2020, the College received the Paycheck Protection Program loan with a right of return totaling \$2,705,290, which is included in refundable grant advance (Note 8) on the Statement of Financial Position. At June 30, 2020 the College had \$3,041,357 conditional grant awards remaining. Such awards are conditional upon incurring allowable expenditures under the grants. Grant revenue is classified as income without donor restrictions unless the use of the income is limited by donor restrictions.

Classification of Revenues, Expenses, Gains and Losses

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses (realized and unrealized) on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets or decrease another are reported as net assets released from restrictions.

Gifts

Gifts received by the College, including unconditional promises, are recognized as revenues when the donor's commitment is received.

The College reports gifts of cash and other assets as with donor restriction if they are received with donor stipulations that limit the use of the donated assets. Gifts received with donor-imposed restrictions which stipulate that resources be maintained in perpetuity but permit the use of all or part of the income derived from the donated areas, or that permit the use of the donated assets as specified are reported as net assets with donor restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions.

The College reports gifts of land, buildings, and equipment as support without donor restriction unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restriction. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expirations of donor restrictions when the long-lived assets are placed in service.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Expenses are recognized when they are incurred. Expenses are charged on a direct functional basis whenever practical. When direct charges cannot be determined, the costs are allocated on the basis of the estimated proportional use of the service provided or resource consumed. Costs allocated include operation and maintenance of the physical plant, and depreciation. These costs are allocated to the various programs of the College based on square footage and head count. The allocation of these expenses is summarized in Note 15.

Comparative Data

The Statement of Activities includes certain prior year summarized comparative information in total but not by net asset class. Such information does not present a complete set of financial statements as it does not include a comparative Statement of Cash Flows and comparative notes, as such it does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended by ASU No. 2020-05, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU No. 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning after December 15, 2019 and interim periods within the annual period beginning after December 15, 2020. The College is currently assessing the impact of this new standard.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2020-05, is effective for nonpublic entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standards at the beginning of the earliest period presented in the financial statements. In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The College is currently assessing the impacts of this new standard, including the two optional transition methods.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements (continued)

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. ASU No 2019-03 modifies the definition of the term “collections” and requires additional disclosures regarding policies for the use of proceeds from when collections items are removed from the collection. ASU No. 2019-03 is effective for fiscal years beginning after December 15, 2019. The College is currently assessing the impact of this new standard.

Subsequent Events

Management evaluated subsequent events through April 6, 2021, the date the financial statements were available to be issued and concluded there were no significant non-recognized subsequent events.

Beginning around March 2020, the Covid-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including enrollment, program delivery and demand for auxiliary services could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The College monitors liquidity to meet operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. A portion of resources has been designated by the Board of Trustees for endowment, to be invested for long-term appreciation and current income, but remain available and may be spent at the discretion of the Board. These funds are reported in Note 16 as board designated funds.

The College also maintains a line of credit in the amount of \$8,000,000, which could be drawn upon in the event of an unanticipated liquidity need. See Note 11.

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The College’s financial assets available within one year of the Statement of Financial position date of general expenditures are as follows:

Cash and cash equivalents	\$	583,102
Accounts receivable, net of allowance		322,149
Contributions receivable, net		3,483,283
Loans receivable		1,647,391
Cash held for investment		394,839
Investments		117,288,786
Beneficial interests in perpetual trusts		3,495,025
Total financial assets, at year end		<u>127,214,575</u>
Less: those unavailable for general expenditures:		
Board designated net assets		(2,584,422)
Net assets with donor restrictions		(121,967,338)
Total financial assets after imposed restrictions	\$	<u><u>2,662,815</u></u>

NOTE 3 – RECEIVABLES

Accounts and contributions receivable are as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Accounts:		
Students (current and former)	\$ 172,571	\$ 171,952
Less allowance for doubtful accounts	(67,556)	(84,404)
Total students	<u>105,015</u>	<u>87,548</u>
Other	217,134	353,980
Total accounts receivable	<u>\$ 322,149</u>	<u>\$ 441,528</u>
Contributions	3,530,200	1,948,090
Less allowance for doubtful accounts	(46,917)	(46,293)
Total contributions	<u>\$ 3,483,283</u>	<u>\$ 1,901,797</u>

Unconditional promises to give are reported in the financial statements as contributions receivable. Contributions receivable more than one year in the future are discounted to a present value, at rates ranging from 1.5% to 2.23%, at the time the promise is made. At June 30, 2020, the unconditional promises to give total \$3,820,942.

The unconditional promises are expected to be received as follows:

In less than one year	\$ 930,986
In one to five years	2,889,956
Total	<u><u>\$ 3,820,942</u></u>

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – RECEIVABLES (Continued)

Contributions receivable are as follows:

Contributions receivable (gross amount)	\$ 3,820,942
Less allowance for doubtful accounts	(46,917)
Unamortized discount	<u>(290,742)</u>
Contributions receivable, net	<u>\$ 3,483,283</u>

The College makes uncollateralized student loans based on financial need. Student loans are funded through Federal Government loan programs or institutional resources.

Student loans consisted of the following at:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Loans to students	<u>\$ 1,761,082</u>	<u>\$ 2,136,873</u>
Less, allowance for doubtful accounts		
Beginning of year	(117,044)	(122,241)
Decreases/(Increases)	<u>3,353</u>	<u>5,197</u>
End of year	<u>(113,691)</u>	<u>(117,044)</u>
Student loans receivable, net	<u>\$ 1,647,391</u>	<u>\$ 2,019,829</u>

The College participates in the Perkins Federal Loan Program. The availability of funds for loans under the program is dependent on reimbursements to the pool from the repayments on outstanding loans. Funds advanced by the federal government along with accumulated income of \$1,952,643 at June 30, 2020 are ultimately refundable to the government and are classified as liabilities for refundable student loans on the Statement 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. Under federal law, the authority for schools to award new Perkins Loans ended on September 20, 2017. Final disbursements were permitted through June 30, 2018.

At June 30, 2020, the following amounts were past due under the Perkins Loan Program:

	<u>0 to 240 Days</u>	<u>240 Days to Two Years</u>	<u>Over Two Years</u>	<u>Total Past Due</u>
June 30, 2020	\$ 126,383	\$ 131,078	\$ 1,223,218	\$ 1,480,649

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Federal regulations do not allow the College to write off loans that are felt to be uncollectible; therefore, the amount past due over two years will likely remain a significant amount.

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – INVESTMENTS

Investments include marketable securities and other investments as follows:

	June 30, 2020				
	Endowment Pool	Annuity Pool	Other	Total	June 30, 2019
Mutual funds	\$ 70,007,944	\$ 7,312,414	\$ -	\$ 77,320,358	\$ 75,938,715
Preferred stock	400,000	-	-	400,000	400,000
Common stocks	163,261	743,694	-	906,955	979,105
Pooled funds	20,770,196	-	-	20,770,196	23,966,561
Shareholder yield funds	6,235,861	-	-	6,235,861	7,557,589
Notes receivable	22,777	-	-	22,777	27,809
Cash surrender value of life insurance	58,707	-	117,978	176,685	347,155
Real estate	11,192,381	-	-	11,192,381	11,081,565
Other investments	263,573	-	-	263,573	269,275
	<u>\$ 109,114,700</u>	<u>\$ 8,056,108</u>	<u>\$ 117,978</u>	<u>\$117,288,786</u>	<u>\$ 120,567,774</u>

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Statements of Financial Position and Activities.

NOTE 5 – BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The College's proportionate beneficial interest in the fair value of assets held in perpetual trusts is \$3,495,025. During the year ended June 30, 2020, the trustees distributed \$187,011 of income to Monmouth College, representing the College's share in the net income and proceeds of the trusts.

NOTE 6 – FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

- Level 2 Inputs to the valuation methodology include:
- 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;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020.

Mutual funds and common stocks: Valued at the closing price reported on the active market on which the individual securities are traded for those classified in Level 1.

Real estate: Valued at the current appraised value which is based on acres of property, comparable values and expected cash flows.

Beneficial interest in perpetual trusts: The underlying assets held in trust consists of investments in money market accounts, U.S. Government obligations, mutual funds, and common stocks. The value of the trust is determined using the fair value of assets held in trust by the trustee.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the College’s assets at fair value as of June 30, 2020:

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 77,320,358	\$ -	\$ -	\$ 77,320,358
Common stocks	906,955	-	-	906,955
Real estate	-	-	11,192,381	11,192,381
Beneficial interest in perpetual trusts	-	-	3,495,025	3,495,025
Total assets at fair value	<u>\$ 78,227,313</u>	<u>\$ -</u>	<u>\$ 14,687,406</u>	92,914,719
Life insurance contracts (contract value)				176,685
Note receivable (carrying value)				22,777
Preferred stock (cost)				400,000
Other investments (cost)				263,573
Pooled funds (NAV)				20,770,196
Shareholder yield funds (NAV)				6,235,861
Total				<u>\$120,783,811</u>

The following table sets forth by level, within the fair value hierarchy, the College’s assets at fair value as of June 30, 2019:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 75,938,715	\$ -	\$ -	\$ 75,938,715
Common stocks	979,105	-	-	979,105
Real estate	-	-	11,081,565	11,081,565
Beneficial interest in perpetual trusts	-	-	3,554,629	3,554,629
Total assets at fair value	<u>\$ 76,917,820</u>	<u>\$ -</u>	<u>\$ 14,636,194</u>	91,554,014
Life insurance contracts (contract value)				347,155
Note receivable (carrying value)				27,809
Preferred stock (cost)				400,000
Other investments (cost)				269,275
Pooled funds (NAV)				23,966,561
Shareholder yield funds (NAV)				7,557,589
Total				<u>\$124,122,403</u>

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth a summary of changes in fair value of the College’s Level 3 assets for the year ended June 30, 2020:

	<u>Real Estate</u>	<u>Beneficial Interest in Perpetual Trust</u>	<u>Total</u>
Balance, beginning of year	\$ 11,081,565	\$ 3,554,629	\$ 14,636,194
Beneficial interest in trust distribution	-	(187,011)	(187,011)
Realized and unrealized losses	110,816	127,407	238,223
Balance, end of year	<u>\$ 11,192,381</u>	<u>\$ 3,495,025</u>	<u>\$ 14,687,406</u>

The following table sets forth a summary of changes in fair value of the College’s Level 3 assets for the year ended June 30, 2019:

	<u>Real Estate</u>	<u>Beneficial Interest in Perpetual Trust</u>	<u>Total</u>
Balance, beginning of year	\$ 11,193,500	\$ 3,511,925	\$ 14,705,425
Beneficial interest in trust distribution	-	(113,709)	(113,709)
Realized and unrealized losses	(111,935)	156,413	44,478
Balance, end of year	<u>\$ 11,081,565</u>	<u>\$ 3,554,629</u>	<u>\$ 14,636,194</u>

Investments Measured at NAV

The following table presents the category, fair value, redemption frequency, and redemption notice period for investments, the fair values of which are estimated using net asset value per share as of June 30, 2020:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Kiltearn global equity fund (A)	\$ 9,023,290	\$ -	Monthly	6 days
Aeon global equity fund (B)	\$ 6,235,861	\$ -	Daily	5 days
GQG global equity fund (C)	\$11,746,906	\$ -	Weekly	3 days

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

The following table presents the category, fair value, redemption frequency, and redemption notice period for investments, the fair values of which are estimated using net asset value per share as of June 30, 2019:

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Kiltearn global equity fund (A)	\$11,557,502	\$ -	Monthly	6 days
Aeon global equity fund (B)	\$ 7,557,589	\$ -	Daily	5 days
CQG global equity fund (C)	\$12,409,059	\$ -	Weekly	3 days

- (A) The fund invests in a diversified portfolio of global equity securities that possess fundamental investment value. The fund may utilize a wide range of equity instruments to achieve its objective of long-term growth, including both common and preferred stocks, special classes of shares available only to foreign persons in markets which restrict the ownership of certain classes of equity to nationals or residents of the country and depository receipts.
- (B) The fund invests in a diversified portfolio of global companies with strong and growing free cash flow. Security selection is based on free-cash-flow metrics and capital allocation to create a portfolio that focuses on creating value for shareholders through consistent and rational capital allocation policies.
- (C) The fund invests in a diversified portfolio of global equity securities or equity-linked instruments of global companies. The portfolio seeks to maximize long-term capital appreciation.

NOTE 7 – PROPERTY AND EQUIPMENT, NET

The College's property and equipment consist of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Land and improvements	\$ 15,598,636	\$ 15,598,636
Buildings	147,232,067	147,104,012
Equipment	23,016,203	22,459,551
Projects in progress	18,940	59,373
Total property and equipment	<u>185,865,846</u>	<u>185,221,572</u>
Less accumulated depreciation	<u>(90,482,117)</u>	<u>(85,573,679)</u>
Net property and equipment	<u>\$ 95,383,729</u>	<u>\$ 99,647,893</u>

Depreciation expense for the year ended June 30, 2020 was \$4,929,597.

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – REFUNDABLE GRANT ADVANCE – PAYCHECK PROTECTION PROGRAM

The Paycheck Protection Program is a low-interest Small Business Administration (SBA) loan and generally covers two and half months of payroll costs and may be forgiven entirely if the borrower maintains certain staffing levels and spend a certain amount of funds on salaries and other qualifying expenditures during the qualified period. The College was approved for a loan on April 13, 2020 under this program in the amount of \$2,705,290, with an interest rate of 1% and a maturity date of April 13, 2022. As of the report date, loan forgiveness requirements had not been met, however management anticipates meeting the requirements of forgiveness within the eligible timeframe and under the requirements of the Program. The balance of the loan is included on the Statement of Financial Position as of June 30, 2020 as a refundable grant advance until forgiveness is approved.

NOTE 9 – CAPITAL LEASE OBLIGATION

In 2020, the College entered into an agreement to purchase a machine. The College is accounting for this agreement as a capitalized lease. The assets capitalized under this agreement total \$134,998 and are included in equipment in Note 7. Accumulated amortization was \$6,750 as of June 30, 2020. The annual charge for amortization is included in depreciation and amounted to \$6,750 for the year ended June 30, 2020.

The lease obligation as of June 30, 2020 was \$105,345 and was computed based on the present value of the minimum payments due under the agreement using a 4.92% discount factor.

Total required minimum capital lease payments are as follows for the years ended June 30:

2021	\$ 29,653
2022	29,653
2023	29,653
2024	29,653
Total minimum lease payments	<u>118,612</u>
Less amounts representing interest	<u>(13,267)</u>
Total capital lease obligation	<u><u>\$ 105,345</u></u>

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – BONDS PAYABLE

The following indicates the scheduled future maturities of outstanding bonds at June 30, 2020:

Description	Bonds Payable During the Year Ended June 30, 2021	After July 1, 2021 Maturing Serially Through 2033	Total
Western Illinois Economic Development Authority Revenue Bonds, Series 2016A (interest rate is 2.95 percent at June 30, 2020), due January 2032. The bonds are collateralized by real property and equipment.	\$ 714,039	\$ 9,443,682	\$ 10,157,721
Western Illinois Economic Development Authority Revenue Bonds, Series 2017A (interest rate is 2.79 percent at June 30, 2020), due December 2031. The bonds are collateralized by real property and equipment.	295,634	3,860,476	4,156,110
Western Illinois Economic Development Authority Revenue Bonds, Series 2017B (interest rate is 2.35 percent at June 30, 2020), due December 2031. The bonds are collateralized by real property and equipment.	301,098	3,833,327	4,134,425
Construction note with Midwest Bank for renovations to Grier Hall (interest rate is 5.01 percent at June 30, 2020), due May 30, 2033. The note is collateralized by certain assets of the College.	<u>458,864</u>	<u>5,467,963</u>	<u>5,926,827</u>
Total future minimum payments	<u>1,769,635</u>	<u>22,605,448</u>	<u>24,375,083</u>
Less bond issuance costs	<u>(11,333)</u>	<u>(113,333)</u>	<u>(124,666)</u>
Total	<u>\$ 1,758,302</u>	<u>\$ 22,492,115</u>	<u>\$ 24,250,417</u>

Maturities on bonds payable at June 30, 2020 are as follows:

2021	\$ 1,769,635
2022	1,808,251
2023	1,846,520
2024	1,885,882
2025	1,925,350
Subsequent to 2026	15,139,445
Total	<u>\$ 24,375,083</u>

Interest expense for the bonds payable for the year ended June 30, 2020 was \$759,874.

The bonds payable contain certain financial covenants and require submission of quarterly and annual financial statements. The College was not in compliance with all covenants as of June 30, 2020 and the bond holder has agreed to a waiver.

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – LINE OF CREDIT AGREEMENT

The College maintains a bank line of credit agreement that permits borrowing up to \$8,000,000. The line of credit contains a fixed interest rate of 3.45 percent. The line of credit matures on April 15, 2021 and is secured by certain real estate. As of June 30, 2020, the College had borrowings of \$5,000,000 (plus accrued interest of \$28,750) under this line of credit.

NOTE 12 – RETIREMENT PLANS

The College participates in certain tax-sheltered, 403(B), retirement plans sponsored by the Teachers Insurance and Annuity Association that are available to eligible academic and nonacademic personnel. These plans require contributions from participating personnel which are matched by the College. Total expense to the College relating to these plans for the year ended June 30, 2020 is \$890,223.

NOTE 13 – SELF-INSURANCE

The College partially self-insures its risks for group medical insurance coverage. For the policy year beginning January 1, 2019, the College's liability is limited to a minimum attachment point of \$2,019,349. The plan has a specific stop loss of \$80,000 per person (except for two participants who have higher specific deductibles). Employee claims are processed and paid by a third-party plan administrator. The self-insurance accrual of \$2,290,046 is included in accrued wages and expenses in the Statement of Financial Position at June 30, 2020.

NOTE 14 – NET ASSETS

Net assets with donor restriction held in perpetuity consist of the following investments, the income from which is expendable to support:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Instruction	\$ 18,520,090	\$ 18,445,057
Academic support	2,089,113	1,998,788
Student scholarships and prizes	31,115,827	29,228,677
Plant maintenance	1,607,346	1,486,924
General purposes	6,914,316	6,914,274
Total	<u>\$ 60,246,692</u>	<u>\$ 58,073,720</u>

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 14 – NET ASSETS (Continued)

Net assets with donor restriction are available for the following purposes:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Instruction	\$ 805,465	\$ 729,292
Academic support	43,379	24,233
Student services	554,571	681,012
Management and general	1,947,722	1,973,694
Student scholarships and prizes	521,314	700,966
Time	51,000	51,000
Plant and general purposes	52,585,705	53,446,468
Annuity trusts	5,211,490	5,382,722
Total	<u>\$ 61,720,646</u>	<u>\$ 62,989,387</u>

The Board of Trustees has chosen to place the following limitations on net assets without donor restrictions, as of June 30, 2020 and 2019:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Designated for endowment purposes	\$ 2,584,422	\$ 10,878,972
Undesignated	57,512,541	54,352,267
Net assets without donor restriction	<u>\$ 60,096,963</u>	<u>\$ 65,231,239</u>

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 15 – ALLOCATION OF FUNCTIONAL EXPENSES

The College is required to allocate various expenses, including the operation and maintenance of the physical plant, depreciation, and interest to various functions of the College. The allocations and expenses by function for the year ended June 30, 2020 are as follows:

	Program Services				Total Programs	Management & General	Fundraising	2020 Total	2019 Total
	Instruction	Student Services	Academic Support	Auxiliary Services					
Salaries and benefits	\$ 9,706,072	\$ 4,418,398	\$ 1,190,152	\$ 524,496	\$ 15,839,118	\$ 3,832,380	\$ 516,241	\$ 20,187,739	\$ 20,311,649
Depreciation and amortization	1,883,106	645,777	350,001	1,961,980	4,840,864	60,629	39,437	4,940,930	4,922,236
Meals	78,665	104,543	500	2,366,696	2,550,404	34,789	112	2,585,305	3,109,654
Supplies	305,306	272,559	296,010	41,783	915,658	164,892	12,404	1,092,954	1,547,011
Travel/training, memberships and events	428,807	537,695	48,507	18,521	1,033,530	347,074	59,013	1,439,617	2,283,188
Occupancy	478,661	168,618	190,095	449,721	1,287,095	178,840	13,646	1,479,581	1,795,929
Maintenance and equipment	225,516	330,073	178,420	287,165	1,021,174	196,261	37,393	1,254,828	1,307,911
Interest	-	-	-	-	-	988,084	-	988,084	1,064,296
Professional fees and services	313,672	536,276	88,507	-	938,455	214,294	9,207	1,161,956	1,640,542
Other	166,055	79,966	2,731	1,163,536	1,412,288	101,142	1,278	1,514,708	675,221
Insurance	167,443	99,830	30,577	170,691	468,541	4,516	3,483	476,540	449,136
	<u>\$ 13,753,303</u>	<u>\$ 7,193,735</u>	<u>\$ 2,375,500</u>	<u>\$ 6,984,589</u>	<u>\$ 30,307,127</u>	<u>\$ 6,122,901</u>	<u>\$ 692,214</u>	<u>\$ 37,122,242</u>	<u>\$ 39,106,773</u>

NOTE 16 – ENDOWMENTS

The Monmouth College’s endowments consist of approximately 350 funds established to support a variety of scholarships and other programs at the College. Its endowments consist of donor-restricted endowment funds and board designated endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. An individual endowment fund is considered to be underwater if the fund is restricted in perpetuity and the fair value has decreased below its historic dollar value. At June 30, 2020, the College had sixteen endowment funds whose market values were under their historical cost that are considered to be underwater.

The Board of Trustees of The Monmouth College has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the College classifies as net assets restricted in perpetuity as:

- The original value of gifts donated to the permanent endowment,
- The original value of subsequent gifts to the permanent endowment, and
- The accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.
- The remaining portion of the donor-restricted endowment fund is classified as such until those amounts are appropriated for expenditure by the College’s Board of Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

Endowment Investment Program Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner consistent with the investment policy guidelines whose overall objectives are preservation of principal, competitive investment returns, and moderate investment risk. The program’s investment return objective is a real (inflation-adjusted) annualized rate of return of at least 5.25%.

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 16 – ENDOWMENTS (Continued)

Spending Policy

The College uses a spending formula to determine an appropriate amount to distribute from the endowment pool each year. The college distributes 5.0 percent of assets annually based on a trailing twelve quarter (three year) average market value as of the fiscal year end (June 30), set back one quarter. For those endowments whose market value has fallen below their restricted net asset value, only the current yield is expended and board designated endowment is used to make up any spending difference between the spending formula appropriation and current yield.

Strategies Employed for Achieving Objectives

The College relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest, dividends, and rents). Funds are invested in a manner expected to maintain appropriate diversification among complementary investment styles within the equity, alternative, and fixed income allocations.

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 112,076,834	\$ 112,076,834
Board designated endowment funds	<u>2,584,422</u>	<u>-</u>	<u>2,584,422</u>
Total endowment funds	<u>\$ 2,584,422</u>	<u>\$ 112,076,834</u>	<u>\$ 114,661,256</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 10,878,972</u>	<u>\$111,740,273</u>	<u>\$122,619,245</u>
Investment return:			
Investment income	235,081	2,218,417	2,453,498
Net appreciation (realized and unrealized)	<u>576,037</u>	<u>1,402,532</u>	<u>1,978,569</u>
Total investment return	<u>811,118</u>	<u>3,620,949</u>	<u>4,432,067</u>
Contributions	2,073,860	2,108,587	4,182,447
Appropriation of endowment assets for expenditure	(11,185,051)	(5,392,975)	(16,578,026)
Transfers to board designated funds	<u>5,523</u>	<u>-</u>	<u>5,523</u>
Endowment net assets, end of year	<u>\$ 2,584,422</u>	<u>\$112,076,834</u>	<u>\$114,661,256</u>

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 16 – ENDOWMENTS (Continued)

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 111,740,273	\$ 111,740,273
Board designated endowment funds	<u>10,878,972</u>	<u>-</u>	<u>10,878,972</u>
Total endowment funds	<u>\$ 10,878,972</u>	<u>\$ 111,740,273</u>	<u>\$ 122,619,245</u>

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

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 9,039,194</u>	<u>\$109,116,005</u>	<u>\$118,155,199</u>
Investment return:			
Investment income	234,671	2,467,073	2,701,744
Net appreciation (realized and unrealized)	<u>237,881</u>	<u>2,179,733</u>	<u>2,417,614</u>
Total investment return	<u>472,552</u>	<u>4,646,806</u>	<u>5,119,358</u>
Contributions	1,516,250	3,186,770	4,703,020
Appropriation of endowment assets for expenditure	(526,294)	(5,209,308)	(5,735,602)
Transfers to board designated funds	<u>377,270</u>	<u>-</u>	<u>377,270</u>
Endowment net assets, end of year	<u>\$ 10,878,972</u>	<u>\$111,740,273</u>	<u>\$122,619,245</u>

Amounts of endowment funds classified as net assets with donor restriction at June 30 consisted of:

	<u>2020</u>	<u>2019</u>
Net assets with donor restriction:		
Beneficial interest in perpetual trust the income of which is to support scholarships, bible chair, and library	\$ 3,495,025	\$ 3,554,629
Pledges receivable to be retained in perpetuity by explicit donor stipulation	1,656,751	1,761,826
Cash held for investment to be retained in perpetuity by explicit donor stipulation	394,839	350,082
Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or UPMIFA	56,751,667	54,519,091
Portion of perpetual endowment funds subject to time and purpose restriction under UPMIFA	<u>52,362,974</u>	<u>57,543,514</u>
Total	<u>\$ 114,661,256</u>	<u>\$ 117,729,142</u>

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 16 – ENDOWMENTS (Continued)

From time to time, certain donor-restricted endowment funds may have less than the amount required to be maintained by donor or by law (underwater endowments). At June 30, 2020, funds with original principal amounts of \$13,823,351 had deficiencies of \$1,124,052 which were reported in net assets with donor restrictions.

NOTE 17 – STATEMENT OF CASH FLOWS

Supplemental disclosure information for the Statement of Cash Flows for the year ended June 30, 2020 is as follows:

Cash and cash equivalents	\$ 583,102
Cash reserved for refundable student loans	130,188
Cash reserved for self insurance	1,844,453
Cash held for investment	<u>394,839</u>
	<u>\$ 2,952,582</u>
Cash paid for interest	<u>\$ 967,752</u>
Property and equipment purchases in accounts payable at year end	<u>\$ 53,918</u>
Property and equipment acquired through capital lease	<u>\$ 134,998</u>

NOTE 18 – ART COLLECTION

The College has a permanent art collection displayed within the facilities of the campus and insured for approximately \$1,772,000. The collection is not reflected in the financial statements.

NOTE 19 – CONCENTRATIONS

The College maintains interest bearing accounts at Midwest Bank of Western Illinois whose balances exceed the FDIC limit of \$250,000. As a result, the College has taken measures to mitigate the concentration risk within the interest-bearing account portfolio and has securities pledged to collateralize deposits. At June 30, 2020, the College's cash balances exceeded federally insured limits and collateralized securities by approximately \$1,783,000. The College has not experienced any losses in these accounts and believes it is not exposed to any significant credit risks.