



**THE MONMOUTH COLLEGE
MONMOUTH, ILLINOIS**

FINANCIAL STATEMENTS

June 30, 2022
With Prior Year Summarized Comparative Information



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THE MONMOUTH COLLEGE
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Monmouth College
Monmouth, Illinois

Opinion

We have audited the accompanying financial statements of The Monmouth College (College), which comprise the Statement of Financial Position as of June 30, 2022, and the related Statements of Activities and Cash Flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the College's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Sikich LLP

Springfield, Illinois
September 29, 2022

THE MONMOUTH COLLEGE

STATEMENT OF FINANCIAL POSITION

June 30, 2022

(With Summarized Comparative Information for the Year Ended June 30, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,029,244	\$ 728,270
Receivables, net of allowance for doubtful accounts and unamortized discount (Note 3):		
Accounts	116,032	170,906
Contributions	2,949,315	2,857,957
Loans	775,111	1,382,965
Inventories	37,603	50,137
Prepaid charges	423,874	417,461
Cash reserved for refundable student loans	117,052	117,493
Cash reserved for self insurance	1,981,689	1,983,314
Cash held for investment	931,415	3,323,401
Investments (Note 4)	123,939,230	147,245,117
Beneficial interests in perpetual trusts (Note 5)	3,553,771	4,382,196
Property and equipment, net (Note 7)	86,659,780	90,782,734
TOTAL ASSETS	\$ 222,514,116	\$ 253,441,951
LIABILITIES		
Accounts payable	\$ 587,167	\$ 441,512
Accrued wages and expenses	3,148,249	3,741,671
Refundable student loans	1,095,822	1,756,471
Deposits payable	183,412	229,039
Deferred revenues	1,064,331	1,025,172
Refundable grant advance	-	1,999,900
Capital lease obligation	55,201	80,875
Line of credit (Note 11)	4,000,000	5,000,000
Bonds payable, net (Note 10)	20,595,364	22,492,115
Annuities payable	3,015,483	3,192,176
Total liabilities	33,745,029	39,958,931
NET ASSETS		
Without donor restrictions	77,026,207	65,089,870
With donor restrictions	111,742,880	148,393,150
Total net assets	188,769,087	213,483,020
TOTAL LIABILITIES AND NET ASSETS	\$ 222,514,116	\$ 253,441,951

See accompanying Notes to Financial Statements.

THE MONMOUTH COLLEGE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

(With Summarized Comparative Information for June 30, 2021)

	2022		Total	2021
	Without Donor Restrictions	With Donor Restrictions		
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and fees	\$ 29,995,124	\$ -	\$ 29,995,124	\$ 34,283,077
Less: Student aid and scholarships	(21,181,300)	-	(21,181,300)	(22,818,225)
Net tuition and fees	8,813,824	-	8,813,824	11,464,852
Room and board	7,226,584	-	7,226,584	6,907,068
Net tuition, fees, room and board	16,040,408	-	16,040,408	18,371,920
State and federal grants	6,392,414	-	6,392,414	3,257,003
Gifts and contributions	3,995,556	2,584,774	6,580,330	8,215,115
Investment income, net	(132,447)	2,844,590	2,712,143	2,023,938
Change in annuities, net	-	(353,708)	(353,708)	(382,345)
Net realized gains on investments	489,667	3,583,655	4,073,322	2,340,234
Net unrealized gains (losses) on investments	(2,765,797)	(22,028,624)	(24,794,421)	30,803,585
Change in value of split interest agreements	-	176,694	176,694	162,854
Other	(29,526)	18,952	(10,574)	127,555
Net assets released from restriction	23,476,603	(23,476,603)	-	-
Total revenues, gains, and other support	<u>47,466,878</u>	<u>(36,650,270)</u>	<u>10,816,608</u>	<u>64,919,859</u>
EXPENSES				
Salaries and benefits	17,060,091	-	17,060,091	17,570,507
Depreciation and amortization	4,662,159	-	4,662,159	4,777,718
Meals	3,195,796	-	3,195,796	2,928,926
Supplies	1,048,987	-	1,048,987	1,544,537
Travel/training, memberships and events	1,130,646	-	1,130,646	580,442
Occupancy	1,649,524	-	1,649,524	1,457,954
Maintenance and equipment	1,585,357	-	1,585,357	1,323,562
Interest	942,425	-	942,425	1,081,406
Professional fees and services	1,496,663	-	1,496,663	1,132,425
Other operating expenses	2,189,281	-	2,189,281	503,692
Insurance	569,612	-	569,612	599,971
Total expenses (Note 15)	<u>35,530,541</u>	<u>-</u>	<u>35,530,541</u>	<u>33,501,140</u>
CHANGES IN NET ASSETS	11,936,337	(36,650,270)	(24,713,933)	31,418,719
NET ASSETS, BEGINNING OF YEAR	<u>65,089,870</u>	<u>148,393,150</u>	<u>213,483,020</u>	<u>182,064,301</u>
NET ASSETS, END OF YEAR	<u>\$ 77,026,207</u>	<u>\$ 111,742,880</u>	<u>\$ 188,769,087</u>	<u>\$ 213,483,020</u>

See accompanying Notes to Financial Statements.

THE MONMOUTH COLLEGE

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (24,713,933)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	4,650,826
Loss on sale of plant assets	235,347
Amortization of debt issuance costs	11,333
Net realized and unrealized loss on investments	19,892,674
Private gifts restricted for long-term investments	(456,940)
Change in value of annuities payable	317,300
Forgiveness of payroll protection program loan	(1,999,900)
Effects of changes in operating assets and liabilities:	
Accounts receivable	54,874
Contributions receivable	(318,097)
Loans receivable	(10,199)
Inventories	12,534
Beneficial interest in perpetual trusts	828,425
Prepaid charges	(6,413)
Accounts payable	145,655
Accrued wages and expenses	(593,422)
Refundable student loans	(660,649)
Deposits payable	(45,627)
Deferred revenues	39,159
Net cash and restricted cash from operating activities	<u>(2,617,053)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales / maturities of investments	15,558,983
Purchase of investments	(12,145,770)
Principal payments received on loans to students	618,053
Proceeds from sale of property and equipment	18,200
Acquisition of property and equipment	(781,419)
Net cash and restricted cash from investing activities	<u>3,268,047</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments of annuity obligations	(493,993)
Contributions restricted for long-term investments	683,679
Principal payments on bonds	(1,908,084)
Payments on capital lease obligations	(25,674)
Proceeds from short term borrowing	6,500,000
Payments on short term borrowing	(7,500,000)
Net cash and restricted cash from financing activities	<u>(2,744,072)</u>

CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (2,093,078)

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH,
BEGINNING OF YEAR 6,152,478

**CASH AND CASH EQUIVALENTS AND RESTRICTED CASH,
END OF YEAR** \$ 4,059,400

See accompanying Notes to Financial Statements.

THE MONMOUTH COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Comparative Information at June 30, 2021

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 Restrictions- 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 endowments, 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 Restrictions - 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 in perpetuity 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 to be restricted in perpetuity.

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.

Student Accounts Receivable and Student Loans receivable

Student accounts receivable are carried at the unpaid balance of the original amount billed to students and student loans receivable are carried at the amount of unpaid principal. Both receivables are reduced by an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. Student accounts and loans receivable are written off when deemed uncollectible and student loans receivable may be assigned to the Department of Education. Recoveries of student accounts and loans receivable previously written off are recorded when received. Student accounts receivable are included in 'Accounts receivable' and student loans receivable are included in 'Loans receivable' on the Statement of Financial Position.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 land improvements and buildings with a cost of \$10,000 or more, and property and equipment with a cost of \$5,000 or more and a useful life greater than one year.

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 as it is not material to the financial statements. 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 2.99% to 3.76%, based upon the applicable month and year in which the split-interest agreements were initiated within these calculations. Annuity funds held in investments totaled \$8,126,416 at June 30, 2022.

Revenue Recognition

Revenues from tuition and fees are derived from education services provided to students. Generally, tuition and other fees are paid upfront and recorded in contract liabilities (deferred revenues) in advance of the date when education services are provided to the student.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The nature of tuition and fees give rise to variable consideration in the form of institutional scholarships awarded to students to defray the costs of the academic programs, which reduce the transaction price (tuition and fees). Scholarships awarded to students were \$21,181,300 and \$22,818,225 at June 30, 2022 and 2021, respectively. Payments for tuition are due prior to the start of the academic term. Tuition and fees revenues are recognized ratably over the academic terms. The College generally uses the time elapsed method, an output measure, as it best depicts the simultaneous consumption and delivery of services.

The College's refund policy permits refunds to students who officially withdraw by the appropriate date as published for the refund. Refunds generally result in a reduction of deferred revenue during the period that the student drops or withdraws from a class.

The College's auxiliary enterprises exist primarily to furnish goods and services to students, faculty, and staff. Managed as essentially self-supporting activities, the College's auxiliary enterprises consist of residence halls and dining facilities. Payments for housing and dining services are due prior to the start of the academic term.

Performance obligations are delivered over the academic terms, consequently associated revenues are earned and recognized over the course of each term as services are delivered. Services performed under these contracts are considered a single performance obligation in accordance with ASC Topic 606, as such services are regarded as a bundled series of distinct goods and services with the same timing and pattern of transfer to the resident. Revenue is recognized for these contracts over time as the performance obligation is satisfied by transferring control of the goods and services to the resident.

Significant Judgments

There are no significant judgments involved in the recognition of revenue due to the passage of time.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and deferred revenue (contract liabilities) on the Statement of Financial Position. Contract liabilities are released as the performance obligations are met. Contract assets for the years ended June 30, 2022, 2021 and 2020 were \$82,953, \$109,621, \$105,015, respectively, and is included in accounts receivable on the Statement of Financial Position. Contract liabilities for the years ended June 30, 2022, 2021 and 2020 were \$728,399, \$625,772 and \$720,121, respectively, and are included in deferred revenue and deposits payable on the Statement of Financial Position.

Various economic factors could affect the recognition of revenues and cash flows, including the demand for services, ability to provide services, availability of labor, and prompt payment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

All tuition and fees and auxiliary revenues are recognized over time.

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. At June 30, 2022 the College had approximately \$139,000 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 restrictions unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in the net asset category corresponding to the underlying presence or absence of any donor-imposed restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported in the Statement of Activities 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 restrictions 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 restrictions. 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 restrictions 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 restrictions 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 restrictions. 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, insurance 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, and as such it does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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)

Uncertainty

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.

Subsequent Events

Management evaluated subsequent events through September 29, 2022, the date the financial statements were available to be issued and concluded there were no significant non-recognized subsequent events.

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 with an available balance of \$4,000,000 as of June 30, 2022, 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:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Cash and cash equivalents	\$ 1,029,244	\$ 728,270
Accounts receivable, net of allowance	116,032	170,906
Contributions receivable, net	2,949,315	2,857,957
Loans receivable	775,111	1,382,965
Cash held for investment	931,415	3,323,401
Investments	123,939,230	147,245,117
Beneficial interests in perpetual trusts	3,553,771	4,382,196
Total financial assets, at year end	<u>133,294,118</u>	<u>160,090,812</u>
Less: those unavailable for general expenditures:		
Board designated net assets	(10,528,768)	(8,425,566)
Net assets with donor restrictions	<u>(111,742,880)</u>	<u>(148,393,150)</u>
Total financial assets after imposed restrictions	<u>\$ 11,022,470</u>	<u>\$ 3,272,096</u>

NOTE 3 – RECEIVABLES

Accounts and contributions receivable are as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Accounts:		
Students (current and former)	\$ 180,706	\$ 212,343
Less allowance for doubtful accounts	<u>(97,753)</u>	<u>(102,722)</u>
Total students	82,953	109,621
Other	33,079	61,285
Total accounts receivable	<u>\$116,032</u>	<u>\$170,906</u>
Contributions, net of discount	2,995,565	2,876,707
Less allowance for doubtful accounts	<u>(46,250)</u>	<u>(18,750)</u>
Total contributions	<u>\$ 2,949,315</u>	<u>\$ 2,857,957</u>

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – RECEIVABLES (Continued)

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 0.17% to 1.91%, at the time the promise is made. At June 30, 2022, the unconditional promises to give total \$3,207,751.

The unconditional promises are expected to be received as follows:

In less than one year	\$ 1,013,872
In one to five years	2,193,879
Total	<u>\$ 3,207,751</u>

Contributions receivable are as follows:

Contributions receivable (gross amount)	\$ 3,207,751
Less allowance for doubtful accounts	(46,250)
Unamortized discount	(212,186)
Contributions receivable, net	<u>\$ 2,949,315</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, 2022</u>	<u>June 30, 2021</u>
Loans to students	<u>\$ 858,140</u>	<u>\$ 1,474,843</u>
Less, allowance for doubtful accounts		
Beginning of year	(91,878)	(113,691)
Decreases/(Increases)	8,849	21,813
End of year	<u>(83,029)</u>	<u>(91,878)</u>
Student loans receivable, net	<u>\$ 775,111</u>	<u>\$ 1,382,965</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 \$1,021,403 at June 30, 2022 are ultimately refundable to the government and are classified as liabilities within 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.

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – RECEIVABLES (Continued)

At June 30, 2022, 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, 2022	\$ 93,752	\$ 55,137	\$ 67,658	\$ 216,547

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.

NOTE 4 – INVESTMENTS

Investments include marketable securities and other investments as follows:

	<u>June 30, 2022</u>				<u>June 30, 2021</u>
	<u>Endowment Pool</u>	<u>Annuity Pool</u>	<u>Other</u>	<u>Total</u>	
Mutual funds	\$ 78,031,794	\$ 7,338,045	\$ -	\$ 85,369,839	\$ 104,471,609
Preferred stock	450,000	-	-	450,000	400,000
Common stocks	163,261	788,371	-	951,632	1,084,383
Pooled funds	23,017,275	-	-	23,017,275	28,303,130
Cash surrender value of life insurance	64,976	-	126,902	191,878	184,496
Real estate	13,695,600	-	-	13,695,600	12,535,467
Other investments	263,006	-	-	263,006	266,032
	<u>\$115,685,912</u>	<u>\$8,126,416</u>	<u>\$ 126,902</u>	<u>\$123,939,230</u>	<u>\$147,245,117</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 Statement 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 \$3,553,771. During the year ended June 30, 2022, the trustees distributed \$187,120 of income to the 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.

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, 2022.

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 College considers the measurement to be level 3 within the hierarchy and they believe they will never receive the assets or have the ability to direct the trustee to redeem them.

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

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 following table sets forth by level, within the fair value hierarchy, the College’s assets at fair value as of June 30, 2022:

	Assets at Fair Value as of June 30, 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 85,369,839	\$ -	\$ -	\$ 85,369,839
Common stocks	951,632	-	-	951,632
Real estate	-	-	13,695,600	13,695,600
Beneficial interest in perpetual trusts	-	-	3,553,771	3,553,771
Total assets at fair value	<u>\$ 86,321,471</u>	<u>\$ -</u>	<u>\$ 17,249,371</u>	103,570,842
Life insurance contracts (contract value)				191,878
Preferred stock (cost)				450,000
Other investments (cost)				263,006
Pooled funds (NAV)				23,017,275
Total				<u>\$ 127,493,001</u>

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, 2021:

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 104,471,609	\$ -	\$ -	\$ 104,471,609
Common stocks	1,084,383	-	-	1,084,383
Real estate	-	-	12,535,467	12,535,467
Beneficial interest in perpetual trusts	-	-	4,382,196	4,382,196
Total assets at fair value	<u>\$ 105,555,992</u>	<u>\$ -</u>	<u>\$ 16,917,663</u>	122,473,655
Life insurance contracts (contract value)				184,496
Preferred stock (cost)				400,000
Other investments (cost)				266,032
Pooled funds (NAV)				28,303,130
Total				<u>\$ 151,627,313</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, 2022:

	Real Estate	Beneficial Interest in Perpetual Trust	Total
	Balance, beginning of year	\$ 12,535,467	\$ 4,382,196
Beneficial interest in trust distribution	-	(187,120)	(187,120)
Realized and unrealized gain (loss)	1,160,133	(641,305)	518,828
Balance, end of year	<u>\$ 13,695,600</u>	<u>\$ 3,553,771</u>	<u>\$ 17,249,371</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, 2021:

	Real Estate	Beneficial Interest in Perpetual Trust	Total
	Balance, beginning of year	\$ 11,192,381	\$ 3,495,025
Beneficial interest in trust distribution	-	(170,960)	(170,960)
Realized and unrealized gains	1,343,086	1,058,131	2,401,217
Balance, end of year	<u>\$ 12,535,467</u>	<u>\$ 4,382,196</u>	<u>\$ 16,917,663</u>

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

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, 2022:

<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)	\$12,081,158	\$ -	Monthly	6 days
GQG global equity fund (B)	\$10,936,117	\$ -	Weekly	3 days

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, 2021:

<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)	\$13,589,233	\$ -	Monthly	6 days
GQG global equity fund (B)	\$14,713,897	\$ -	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 equity securities or equity-linked instruments of global companies. The portfolio seeks to maximize long-term capital appreciation.

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PROPERTY AND EQUIPMENT, NET

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Land and improvements	\$ 15,592,266	\$ 15,599,432
Buildings	145,818,696	147,235,308
Equipment	22,930,196	22,995,933
Projects in progress	642,430	107,234
Total property and equipment	<u>184,983,588</u>	<u>185,937,907</u>
Less accumulated depreciation	<u>(98,323,809)</u>	<u>(95,155,173)</u>
Net property and equipment	<u>\$ 86,659,780</u>	<u>\$ 90,782,734</u>

Depreciation expense for the year ended June 30, 2022 was \$4,650,826.

Beginning in 2022, the College determined that certain buildings will temporarily not be actively used beginning in 2022. The future usage or purpose of the buildings is being determined by the College. The buildings were not actively used for residential but were used for other purposes. The net book value of these buildings is approximately \$1,332,000 as of June 30, 2022.

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 meets conditions of maintaining certain staffing levels and spending a certain amount of funds on salaries and other qualifying expenditures during the qualified period. In January 2021, the College was approved for a loan under this program of \$1,999,900, with an interest rate of 1% and matures in January 2023. During 2022, the College received full forgiveness upon which the amount was recognized in income presented in state and federal grants on the Statement of Activities as of June 30, 2022.

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 \$33,750 as of June 30, 2022. The annual charge for amortization is included in depreciation and amounted to \$13,500 for the year ended June 30, 2022.

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – CAPITAL LEASE OBLIGATION

The lease obligation as of June 30, 2022 was \$55,201 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:

2023	\$ 29,653
2024	29,653
Total minimum lease payments	<u>59,306</u>
Less amounts representing interest	<u>(4,105)</u>
Total capital lease obligation	<u><u>\$ 55,201</u></u>

NOTE 10 – BONDS PAYABLE

The following indicates the scheduled future maturities of outstanding bonds at June 30, 2022:

Description	Bonds Payable During the Year Ended June 30, 2023	After July 1, 2023 Maturing Serially Through 2033	Total
Western Illinois Economic Development Authority Revenue Bonds, Series 2016A (interest rate is 2.99 percent at June 30, 2022), due January 2032. The bonds are collateralized by real property and equipment.	\$ 853,572	\$ 7,778,176	\$ 8,631,748
Western Illinois Economic Development Authority Revenue Bonds, Series 2017A (interest rate is 2.96 percent at June 30, 2022), due December 2031. The bonds are collateralized by real property and equipment.	354,397	3,170,486	3,524,883
Western Illinois Economic Development Authority Revenue Bonds, Series 2017B (interest rate is 1.99 percent at June 30, 2022), due December 2031. The bonds are collateralized by real property and equipment.	357,625	3,135,763	3,493,388
Construction note with Midwest Bank for renovations to Grier Hall (interest rate is 5.01 percent at June 30, 2022), due May 30, 2033. The note is collateralized by certain assets of the College.	<u>458,864</u>	<u>4,588,481</u>	<u>5,047,345</u>
Total future minimum payments	<u>2,024,458</u>	<u>18,672,906</u>	<u>20,697,364</u>
Less bond issuance costs	<u>(11,333)</u>	<u>(90,667)</u>	<u>(102,000)</u>
Total	<u><u>\$ 2,013,125</u></u>	<u><u>\$ 18,582,239</u></u>	<u><u>\$ 20,595,364</u></u>

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – BONDS PAYABLE (Continued)

Maturities on bonds payable at June 30, 2022 are as follows:

2023	\$	2,024,458
2024		2,067,833
2025		2,114,498
2026		2,051,332
2027		2,026,094
Thereafter		10,413,149
Total	\$	<u>20,697,364</u>

Interest expense for the bonds payable for the year ended June 30, 2022 was \$709,159.

The bonds payable contain certain financial covenants and require submission of quarterly and annual financial statements. The College believes it is in compliance with all required debt covenants.

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 variable interest rate of prime rate (4.75% at June 30, 2021) plus 0.65%, no less than 3.90%. The interest rate at June 30, 2022 was 5.40%. The line of credit matures on May 30, 2023 and is secured by certain real estate. As of June 30, 2022, the College had borrowings of \$4,000,000 (plus accrued interest of \$72,167) 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, 2022 is \$998,640.

NOTE 13 – SELF-INSURANCE

The College partially self-insures its risks for group medical insurance coverage. For the policy year beginning January 1, 2022, the College's liability is limited to a minimum attachment point of \$1,467,361. 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 \$2,130,215 is included in accrued wages and expenses in the Statement of Financial Position at June 30, 2022.

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 14 – NET ASSETS

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Instruction	\$ 20,155,079	\$ 18,894,226
Library support	212,787	-
Academic support	3,943,726	2,106,753
Student scholarships and prizes	35,241,877	32,478,935
Plant maintenance	1,967,994	2,587,991
General purposes	7,371,599	6,747,233
Total	<u>\$ 68,893,062</u>	<u>\$ 62,815,138</u>

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Instruction	\$ 803,401	\$ 871,639
Academic support	48,458	49,434
Student services	945,858	727,194
Management and general	2,040,840	1,982,016
Student scholarships and prizes	266,416	552,173
Time	881,929	884,279
Plant and general purposes	32,426,248	73,605,431
Annuity trusts	5,436,668	6,905,846
Total	<u>\$ 42,849,818</u>	<u>\$ 85,578,012</u>

The Board of Trustees has chosen to place the following limitations on net assets without donor restrictions, as of June 30, 2022 and 2021:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Designated for endowment purposes	\$ 10,528,769	\$ 8,425,566
Undesignated	62,237,992	56,664,304
Net assets without donor restrictions	<u>\$ 72,766,761</u>	<u>\$ 65,089,870</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, 2022 are as follows:

	Program Services				Total Programs	Management & General	Fundraising	2022 Total	2021 Total
	Instruction	Student Services	Academic Support	Auxiliary Services					
Salaries and benefits	\$ 7,995,126	\$ 3,939,507	\$ 943,437	\$ 283,791	\$ 13,161,861	\$ 3,467,066	\$ 431,164	\$ 17,060,091	\$ 17,570,507
Depreciation and amortization	1,776,615	609,258	330,209	1,851,029	4,567,111	57,841	37,207	4,662,159	4,777,718
Meals	46,471	117,772	69	2,983,386	3,147,698	45,108	2,990	3,195,796	2,928,926
Supplies	262,940	314,978	205,487	40,108	823,513	217,090	8,384	1,048,987	1,544,537
Travel/training, memberships and events	321,846	538,250	1,957	8,093	870,146	210,231	50,269	1,130,646	580,442
Occupancy	976,223	345,775	178,344	-	1,500,342	125,151	24,031	1,649,524	1,457,954
Maintenance and equipment	348,984	361,614	240,851	372,315	1,323,764	217,320	44,273	1,585,357	1,323,562
Interest	-	-	-	-	-	942,425	-	942,425	1,081,406
Professional fees and services	215,367	646,684	210,863	-	1,072,914	417,282	6,467	1,496,663	1,132,425
Other	374,928	62,819	1,795	1,683,041	2,122,583	63,351	3,347	2,189,281	503,692
Insurance	206,090	105,089	37,761	210,793	559,733	5,577	4,302	569,612	599,971
	<u>\$ 12,524,590</u>	<u>\$ 7,041,746</u>	<u>\$ 2,150,773</u>	<u>\$ 7,432,556</u>	<u>\$ 29,149,665</u>	<u>\$ 5,768,442</u>	<u>\$ 612,434</u>	<u>\$ 35,530,541</u>	<u>\$ 33,501,140</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.

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, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 111,352,635	\$ 111,352,635
Board designated endowment funds	<u>10,528,768</u>	<u>-</u>	<u>10,528,768</u>
Total endowment funds	<u>\$ 10,528,768</u>	<u>\$ 111,352,635</u>	<u>\$ 121,881,403</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 8,425,566</u>	<u>\$137,819,692</u>	<u>\$146,245,258</u>
Investment return:			
Investment income	(314,067)	3,297,871	2,983,804
Net appreciation (realized and unrealized)	<u>(1,858,068)</u>	<u>(17,508,624)</u>	<u>(19,366,692)</u>
Total investment return	<u>(2,172,135)</u>	<u>(14,210,753)</u>	<u>(16,382,888)</u>
Contributions	13,700	1,583,594	1,597,294
Appropriation of endowment assets for expenditure	(1,941,291)	(13,839,898)	(15,781,189)
Contribution – change in due to endowment	6,182,158	-	6,182,158
Transfers to board designated funds	<u>20,770</u>	<u>-</u>	<u>20,770</u>
Endowment net assets, end of year	<u>\$ 10,528,768</u>	<u>\$111,352,635</u>	<u>\$121,881,403</u>

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 16 – ENDOWMENTS (Continued)

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 137,819,692	\$ 137,819,692
Board designated endowment funds	8,425,566	-	8,425,566
Total endowment funds	<u>\$ 8,425,566</u>	<u>\$ 137,819,692</u>	<u>\$ 146,245,258</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 2,584,422</u>	<u>\$112,076,834</u>	<u>\$114,661,256</u>
Investment return:			
Investment income	233,313	2,095,356	2,328,669
Net appreciation (realized and unrealized)	<u>3,381,250</u>	<u>27,893,708</u>	<u>31,274,958</u>
Total investment return	<u>3,614,563</u>	<u>29,989,064</u>	<u>33,603,627</u>
Contributions	528,561	1,431,436	1,959,997
Appropriation of endowment assets for expenditure	(774,761)	(5,677,642)	(6,452,403)
Contribution – change in due to endowment	544,947	-	544,947
Transfers to board designated funds	<u>1,927,834</u>	<u>-</u>	<u>1,927,834</u>
Endowment net assets, end of year	<u>\$ 8,425,566</u>	<u>\$137,819,692</u>	<u>\$146,245,258</u>

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

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions:		
Beneficial interest in perpetual trust the income of which is to support scholarships, bible chair, and library	\$ 3,553,771	\$ 4,382,196
Pledges receivable to be retained in perpetuity by explicit donor stipulation	1,710,304	1,483,565
Cash held for investment to be retained in perpetuity by explicit donor stipulation	931,415	3,323,401
Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or UPMIFA	62,697,572	53,625,976
Portion of perpetual endowment funds subject to time and purpose restrictions under UPMIFA	<u>42,459,573</u>	<u>75,004,554</u>
Total	<u>\$ 111,352,635</u>	<u>\$ 137,819,692</u>

THE MONMOUTH COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 16 – ENDOWMENTS (Continued)

From time to time, the fair value of endowment funds which are restricted by the individual donor may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration, which are called underwater endowments. The Board of Trustees of the College has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2022, funds with original gift values of \$2,199,561, fair values of \$2,038,453 and deficiencies of \$161,108 were reported in net assets with donor restrictions. The Board of Trustees did not appropriate funds from underwater endowments during the year ending June 30, 2022.

NOTE 17 – STATEMENT OF CASH FLOWS

Supplemental disclosure information for the Statement of Cash Flows for the year ended June 30, 2022 is as follows:

Cash and cash equivalents	\$ 1,029,244
Cash reserved for refundable student loans	117,052
Cash reserved for self insurance	1,981,689
Cash held for investment	931,415
	<u>\$ 4,059,400</u>
Cash paid for interest	<u>\$ 943,232</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. If the College were to sell the art collection, the policy is to use the proceeds from the collection items that are sold to acquire other collection items.

NOTE 19 – CONCENTRATIONS

The College maintains interest bearing accounts at Midwest Bank 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, 2022, the College's cash balances exceeded federally insured limits and collateralized securities by approximately \$2,859,000. The College has not experienced any losses in these accounts and believes it is not exposed to any significant credit risks.

NOTE 20 – COMMITMENTS AND CONTINGENCIES

The College is contingently liable for costs for asbestos remediation which may arise through renovation of certain buildings. Although a loss is probable, it is not possible to reasonably estimate the amount of any obligation for remediation that would be material to the College's financial statements a June 30, 2022.



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Independent Auditor's Report on Supplementary Information

The Board of Trustees
The Monmouth College
Monmouth, Illinois

We have audited the financial statements of The Monmouth College (the College) as of and for the year ended June 30, 2022, and our report thereon dated September 29, 2022, which expressed an unmodified opinion on those financial statements appears on pages 1-3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Financial Responsibility Supplemental Schedule is presented for purposes of additional analysis as required by the Department of Education and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Responsibility Supplemental Schedule is fairly stated in all material respects in relation to the financial statements as a whole.

SiKich LLP

Springfield, Illinois
September 29, 2022

THE MONMOUTH COLLEGE

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

For the Years Ended June 30, 2022 and 2021

In order to participate in the Student Financial Aid Program, an institution must demonstrate that it is financially responsible. One of the general standards for institutions is the composite score standard in 34 CFR 668.171(b). The composite score combines different measures of fundamental elements of financial health to yield a single measure of an institution's overall financial health.

The required disclosure of the components of the composite score for the year ended June 30, 2022 are below:

Primary Reserve Ratio

	Expendable Net Assets	
Statement of Financial Position - total net assets without donor restrictions	Total net assets without donor restrictions	\$ 77,026,207
Statement of Financial Position - total net assets with donor restrictions	Total net assets with donor restrictions	111,742,880
Note 14 – Net Assets	Total net assets with donor restrictions: restricted in perpetuity	68,893,062
Statement of Financial Position – Annuities Payable	Annuities, term endowments, and life income funds with donor restrictions	3,015,483
Statement of financial position - all related party receivable, net and related party note	Secured and unsecured related party receivables and/or other related party assets	\$ -
Statement of financial position - related party receivable, net and receivable from affiliate, net and related party note	Unsecured related party receivables and/or other related party assets	-
Statement of financial position – property, plant, and equipment, net	Land, buildings, and equipment, net - including construction in progress	86,659,780
Table 1 - Line A	Land, buildings, and equipment, net - including pre-implementation less any construction in progress	85,131,688
Table 1 – Line B	Post-implementation land, buildings, and equipment with outstanding debt	55,201
Table 1 - Line C	Construction in progress	642,431
Table 1 – Line D	Land, buildings, and equipment, net – post-implementation less any construction in progress with outstanding debt for original purchase without debt	830,460

THE MONMOUTH COLLEGE

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE REQUIRED BY
THE U.S. DEPARTMENT OF EDUCATION (Continued)**

For the Years Ended June 30, 2022 and 2021

Primary Reserve Ratio (Continued)

	<u>Expendable Net Assets (Continued)</u>	
Statement of financial position - goodwill	Intangible assets	\$ -
Statement of financial position - post-employment and pension liability	Post-employment and defined pension plan liabilities	-
Notes 9 and 10 – Capital Lease Obligation and Bonds Payable	Long-term debt - for long-term purposes and construction in process debt	\$ 20,752,565
Table 2 - Line A	Long-term debt for long-term purposes pre-implementation	20,697,364
Table 2 - Line B	Qualified long-term debt for long-term purposes post-implementation for purchase of land, buildings, and equipment	55,201
Statement of financial position - notes payable and line of credit for construction in process	Line of credit for construction in process	-
Statement of activities - total operating expenses without donor restrictions,	Total expenses without donor restrictions	35,530,541
Statement of activities - loss on disposal of assets, loss on investments, change in fair value of interest rate swap agreements, and other non-operating losses	Total non-operating losses without donor restrictions	3,133,591
	Total expenses without donor restrictions and losses without donor restrictions	38,664,132

THE MONMOUTH COLLEGE

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE REQUIRED BY THE U.S. DEPARTMENT OF EDUCATION (Continued)

For the Years Ended June 30, 2022 and 2021

Equity Ratio

	Modified Net Assets	
Statement of financial position - total net assets without donor restrictions	Total net assets without donor restrictions	\$ 77,026,207
Statement of financial position - total net assets with donor restrictions	Total net assets with donor restrictions	111,742,880
Statement of financial position - goodwill	Intangible assets	-
Statement of financial position - all related party receivable, net and receivable from affiliate, net and related party note	Secure and unsecured related party receivables and/or other related party assets	\$ -
Statement of financial position - related party receivable, net and receivable from affiliate, net and related party note	Unsecured related party receivables and/or other related party assets	-

	Modified Assets	
Statement of financial position - total assets	Total assets	222,514,116
Statement of financial position - goodwill	Intangible assets	-
Statement of financial position - all related party receivable, net and receivable from affiliate, net and related party note	Secure and unsecured related party receivables and/or other related party assets	-
Statement of financial position - related party receivable, net and receivable from affiliate, net and related party note	Unsecured related party receivables and/or other related party assets	-

Net Income Ratio

Statement of activities – change in net assets without donor restrictions	Change in net assets without donor restrictions	\$11,936,337
Statement of activities - total revenue without donor restrictions	Total revenue without donor restrictions	47,212,558
Statement of activities - gain on investments, change in fair value of interest rate swap agreements, and other non-operating gains	Total non-operating gains without donor restrictions	489,667
	Total revenue without donor restrictions and gains without donor restrictions	47,702,225

THE MONMOUTH COLLEGE

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE REQUIRED BY
THE U.S. DEPARTMENT OF EDUCATION (Continued)**

For the Years Ended June 30, 2022 and 2021

Table 1 – Net Land, Buildings, and Equipment

A	Pre-implementation land, buildings, and equipment		\$ 85,131,688
B	Post-implementation land, buildings, and equipment		55,201
	Vehicles	\$ -	
	Buildings and furniture	-	
	Computers	-	
	Additional PPE Line Items	55,201	
C	Construction in progress		642,431
D	Post-implementation land, buildings, and equipment		830,460
	TOTAL		<u><u>\$ 86,659,780</u></u>

A – This is the ending balance on the last financial statement submission prior to the implementation of the regulations - less any depreciation or disposals.

B – This is the balance of assets purchased after the implementation of the regulations that was purchased by obtaining debt.

C – Asset value of the construction in progress.

D – Post-implementation land, buildings, and equipment with no outstanding debt.

Table 2 - Long-Term Debt for Long-Term Purposes

A	Pre-implementation long-term debt		\$ 20,697,364
B	Allowable post-implementation long-term debt		55,201
	Vehicles	\$ -	
	Buildings and furniture	55,201	
	Computers	-	
C	Construction in progress - debt		-
D	Long-term debt not for the purchase of land, buildings, and equipment or liability greater than assets value		-
	TOTAL		<u><u>\$ 20,752,565</u></u>

A – This is the ending balance of the last financial statement submission prior to the implementation of the regulations - less any repayments. See Notes 9 and 10 for the terms of the capital lease obligation and bonds payable.

B – This is the lesser of actual outstanding debt of each assets or the value of the asset.

C – All debt associated with construction in progress up to the asset value for construction in process is included.

D – Long-term debt not for the purchase of land, buildings, and equipment.

THE MONMOUTH COLLEGE

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE REQUIRED BY
THE U.S. DEPARTMENT OF EDUCATION (Continued)**

For the Years Ended June 30, 2022 and 2021

The College's composite score is calculated as follows:

	<u>2022</u>	<u>2021</u>
Primary reserve ratio	1.200	1.200
Equity ratio	1.200	1.200
Net income ratio	<u>0.600</u>	<u>0.600</u>
COMPOSITE SCORE	<u><u>3.000</u></u>	<u><u>3.000</u></u>

As the composite score is between 1.5 and 3.0, the College is considered financially responsible under this general standard for the year ended June 30, 2022.