

ST. THOMAS UNIVERSITY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



MORRISON BROWN ARGIZ & FARRA, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

ST. THOMAS UNIVERSITY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
St. Thomas University, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of St. Thomas University, Inc. (the "University") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 St. Thomas University, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Trustees
St. Thomas University, Inc.
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Monison, Brown, Aguirre & Jara

Miami, Florida
September 21, 2018

ST. THOMAS UNIVERSITY, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

| ASSETS | 2018 | 2017 |
|----------------------------------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 65,895 | \$ 51,027 |
| Restricted cash | 787,439 | 579,510 |
| Grants and other receivables | 1,850,210 | 2,499,074 |
| Accounts and loans receivable, net | 4,838,362 | 5,082,874 |
| Pledges receivable, net | 7,755,176 | 6,953,924 |
| Other assets | 350,439 | 363,101 |
| Investments | 26,620,996 | 25,596,311 |
| Investment held in trust | 3,472,094 | 3,405,005 |
| Other investments | 756,400 | 756,400 |
| Property, plant and equipment, net | 40,646,398 | 42,542,687 |
| TOTAL ASSETS | \$ 87,143,409 | \$ 87,829,913 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 8,411,639 | \$ 8,138,011 |
| Deferred revenue | 910,987 | 940,064 |
| Obligations under capital leases | 29,648 | 90,186 |
| Other liabilities | 409,670 | 472,547 |
| Refundable federal student loans | 3,018,312 | 3,130,635 |
| Bond and notes payable, net of deferred loan costs | 28,067,675 | 28,646,303 |
| TOTAL LIABILITIES | 40,847,931 | 41,417,746 |
| NET ASSETS | | |
| Unrestricted | 11,567,072 | 16,146,518 |
| Temporarily restricted | 28,075,754 | 23,783,368 |
| Permanently restricted | 6,652,652 | 6,482,281 |
| TOTAL NET ASSETS | 46,295,478 | 46,412,167 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 87,143,409 | \$ 87,829,913 |

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

ST. THOMAS UNIVERSITY, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

| | 2018 | 2017 |
|------------------------------------------------------|-----------------------------|-----------------------------|
| CHANGES IN UNRESTRICTED NET ASSETS: | | |
| REVENUE, GAINS AND OTHER SUPPORT: | | |
| Tuition and other fees, net | \$ 40,542,996 | \$ 44,146,251 |
| Gifts and grants | 1,257,056 | 1,221,028 |
| Government grants | 2,856,018 | 3,258,595 |
| Investment gain | 861,091 | 1,201,117 |
| Auxiliary enterprises | 3,279,824 | 3,136,164 |
| Other sources | 436,510 | 442,697 |
| Net assets released from restrictions | <u>1,873,820</u> | <u>2,035,818</u> |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT | <u>51,107,315</u> | <u>55,441,670</u> |
| EXPENSES: | | |
| Instruction | 21,058,373 | 22,544,469 |
| Public service | 2,589,187 | 3,231,415 |
| Academic support | 7,623,275 | 7,573,362 |
| Student service | 10,002,663 | 9,830,355 |
| Institutional support | 10,318,437 | 10,763,820 |
| Auxiliary enterprises | 4,094,826 | 4,157,158 |
| Other | - | 872,240 |
| TOTAL EXPENSES | <u>55,686,761</u> | <u>58,972,819</u> |
| DECREASE IN UNRESTRICTED NET ASSETS | <u>(4,579,446)</u> | <u>(3,531,149)</u> |
| CHANGES IN TEMPORARILY RESTRICTED NET ASSETS: | | |
| Investment gain | 1,539,809 | 2,258,854 |
| Gifts and grants | 4,626,397 | 1,566,315 |
| Net assets released from restrictions | <u>(1,873,820)</u> | <u>(2,035,818)</u> |
| INCREASE IN TEMPORARILY RESTRICTED NET ASSETS | <u>4,292,386</u> | <u>1,789,351</u> |
| CHANGES IN PERMANENTLY RESTRICTED NET ASSETS: | | |
| Gifts and grants | <u>170,371</u> | <u>15,429</u> |
| INCREASE IN PERMANENTLY RESTRICTED NET ASSETS | <u>170,371</u> | <u>15,429</u> |
| DECREASE IN NET ASSETS | <u>(116,689)</u> | <u>(1,726,369)</u> |
| NET ASSETS, BEGINNING OF YEAR | <u>46,412,167</u> | <u>48,138,536</u> |
| NET ASSETS, END OF YEAR | <u>\$ 46,295,478</u> | <u>\$ 46,412,167</u> |

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

ST. THOMAS UNIVERSITY, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

| | 2018 | 2017 |
|--------------------------------------------------------------------------------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (116,689) | \$ (1,726,369) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 3,113,593 | 3,287,681 |
| Provisions for uncollectible tuition and other fees | 1,266,302 | 740,177 |
| Net realized and unrealized investment gain | (1,731,025) | (2,635,325) |
| Permanently restricted gifts | (170,371) | (15,429) |
| Temporarily restricted gifts for construction projects | (377,713) | (739,276) |
| Loss on disposal of property, plant and equipment | 108,381 | 31,832 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in restricted cash | (135,323) | 1,097 |
| (Increase) decrease in accounts, grants, pledges and other receivable | (2,783,022) | 489,801 |
| Decrease (increase) in other assets | 12,662 | (45,811) |
| Increase (decrease) in accounts payable and accrued expenses | 273,628 | (90,381) |
| Decrease in deferred revenue | (29,077) | (226,866) |
| (Decrease) increase in other liabilities | (62,877) | 3,889 |
| TOTAL ADJUSTMENTS | (514,842) | 801,389 |
| NET CASH USED IN OPERATING ACTIVITIES | (631,531) | (924,980) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sales and maturities of investments | 2,574,439 | 10,372,397 |
| Purchase of investments | (1,935,188) | (10,757,483) |
| Purchase of property, plant and equipment | (1,283,198) | (1,146,153) |
| Change in restricted cash | (72,606) | (166,406) |
| Change in student loans receivable | 213,699 | 127,229 |
| Disbursement of student loans | (213,850) | (495,176) |
| Proceeds from collection of student loans | 101,527 | 534,353 |
| NET CASH USED IN INVESTING ACTIVITIES | (615,177) | (1,531,239) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of principal on bond | (1,035,000) | (985,000) |
| Proceeds from note payable | 1,500,000 | 1,500,000 |
| Repayment of note payable | (3,000,000) | - |
| Proceeds from line of credit | 2,335,000 | 410,000 |
| Repayment of line of credit | (410,000) | (62,000) |
| Repayment of capital leases | (71,653) | (114,859) |
| Temporarily restricted gifts for construction projects | 377,713 | 739,276 |
| Decrease in pledges receivable for construction projects | 1,395,145 | 991,418 |
| Permanently restricted gifts | 170,371 | 15,429 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 1,261,576 | 2,494,264 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 14,868 | 38,045 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 51,027 | 12,982 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 65,895 | \$ 51,027 |
| SUPPLEMENTAL DISCLOSURE: | | |
| Interest paid | \$ 1,219,179 | \$ 1,138,134 |
| NON-CASH FINANCING ACTIVITIES: | | |
| Property and equipment acquired through capital leases | \$ 12,500 | \$ 9,800 |

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

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

1. ORGANIZATION

St. Thomas University, Inc. (the "University") was organized to establish an independent Catholic institution of higher learning and is sponsored by the Catholic Archdiocese of Miami. In a ruling dated March 25, 1946, the Department of Treasury determined that agencies and instrumentalities and all educational, charitable and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in *The Official Catholic Directory* are entitled to exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The University is included in *The Official Catholic Directory*, and is therefore, exempt from federal income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are prepared using the accrual basis of accounting. Net assets, revenue, gains and losses are classified into three classes of net assets based on the existence or absence of donor-imposed restrictions. The three net asset categories are reflected in the accompanying financial statements as follows:

- **Unrestricted** - Net assets which are not subject to donor-imposed stipulations or restrictions; and include all revenue, gains and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily restricted** - Net assets whose use by the University is limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or otherwise removed by actions of the University pursuant to those stipulations.
- **Permanently restricted** - Net assets whose use by the University is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the University.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The University limits its exposure by placing its deposits with quality financial institutions. At times, such balances may be in excess of the \$250,000 insurance limits of the Federal Deposit Insurance Corporation. The University has not experienced losses in such accounts.

The University has significant investments in equity and debt securities, which are subject to concentrations of credit risk. Investments are made by investment managers engaged by the University and the investments are monitored for the University by the governing investment committee. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the University and its beneficiaries.

The University's investment committee actively monitors the activity of the financial instruments and establishes policies for the safeguarding of their assets against credit risks.

Concentration of credit risk with respect to contracts and grants receivable is limited since a substantial portion of contracts and grants receivable is due from federal, state and local government agencies and is based in accordance with contract terms. The credit risk with respect to student receivables is generally considered minimal due to the wide dispersion of receivables. Amounts that are deemed to be uncollectible have been reserved for in the provision for uncollectible accounts.

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and money market accounts with maturities of three months or less.

Restricted Cash

Restricted cash represents agency funds and funds advanced to the University under various loan programs and grants, which have not been disbursed to students at the end of the fiscal year.

Investments and Investment Return

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statements of Financial Position. Estimated values are subject to uncertainty and therefore may differ significantly from the value that would have been used had the investments been traded on a public market. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the Statements of Activities as increases or decreases in unrestricted net assets unless income or loss is restricted by donor or law.

Other Investments

Other investments consist primarily of collections of art. The University has elected to exercise the option to capitalize the items that meet the definition of "collections" as prescribed by U.S. GAAP. Therefore, the fair value of the donated collections at the date of donation is included in other investments in the accompanying financial statements. The carrying value of collections was \$573,145 at June 30, 2018 and 2017. The remaining balance represents land held for investment in the amount of \$183,255 at June 30, 2018 and 2017.

Bond Issue Costs

The University capitalizes costs associated with the issuance of debt instruments. These costs are amortized on the effective interest rate method over the term of the debt. Amortization expense amounted to approximately \$31,000 and 32,000 for the years ended June 30, 2018 and 2017, respectively.

Pledges and Gifts

Contributions received, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of future cash flows using risk free rates ranging from 3.0% to 6.5% based on the University's borrowing rate at the time of the individual pledge. Promises made and collected in the same reporting period are recorded when received in the appropriate net asset category. Promises of noncash assets are recorded at their fair value. Conditional promises are recorded when donor stipulations are substantially met.

Contributions are considered to be available for general operations of the University unless specifically restricted by the donor. The University reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Donor-restricted contributions received and satisfied during the same year are recorded within the unrestricted net asset category.

The University reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated 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 restricted support.

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges and Gifts (Continued)

In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Grants

Grants and other receivables are recorded primarily for grants and fees from governmental agencies stated at estimated realizable value. Grant revenues are recognized as the eligible grant activities are conducted. An allowance for doubtful accounts is based on management's review of the collectability of receivables. An allowance for doubtful accounts was not considered necessary as of June 30, 2018 and 2017.

Property, Plant and Equipment, Net

Property, plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts, less accumulated depreciation. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, as follows:

| | |
|------------------------------------|-------------|
| Buildings | 20-50 years |
| Building improvements | 10-20 years |
| Land improvements | 5-20 years |
| Furniture, machinery and equipment | 3-10 years |
| Library materials | 7 years |

Depreciation is not recorded on land. Upon the sale or disposition, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the Statements of Activities.

Impairment of Long-Lived Assets

The carrying value of long-lived assets is reviewed if the facts and circumstances, such as significant declines in revenues, or cash flows or material adverse changes in the business climate, indicate that they may be impaired. The University performs its review by comparing the carrying amounts of long-lived assets to the estimated undiscounted cash flows relating to such assets. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets is adjusted to reflect such impairment based on the fair value of the impaired assets or an estimate of fair value based on discounted cash flows.

Deferred Revenue

The University has deferred revenue of \$910,987 and \$940,064 at June 30, 2018 and 2017, respectively. In June 2015 and February 2016, the University entered into two lease agreements as the lessor, which require the lessees to fund certain improvements to the facilities under the leases. The leases expire in 2021 and 2026, respectively, and contributions are being amortized over the lease terms. Housing revenue related to the next academic year was also deferred at June 30, 2018.

Allocation of Functional Expenses

Expenses are presented by function and are charged directly to programs based on its function. Indirect expenses such as interest expense, depreciation and operations and maintenance have been allocated among the functions based on a square footage method.

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The University is included in *The Official Catholic Directory*, which entitles it to an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, accordingly, generally would not incur income taxes. As a result, the financial statements do not reflect a provision for income taxes.

The University recognizes and measures tax positions taken or expected to be taken in its tax return based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the University files tax returns. The University is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2015.

Recent Accounting Pronouncements

Lease Accounting

In February 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. The University is currently evaluating the effect the update will have on its financial statements but expects upon adoption that the update will have a material effect on the University's financial condition due to the recognition of a right-of-use asset and related lease liability. The University does not anticipate the update having a material effect on the University's results of operations or cash flows, though such an effect is possible. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The University is currently evaluating the effect the update will have on its financial statements.

Restricted Cash

In November 2016, the FASB issued an accounting standard update which amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The University is currently evaluating the effect the update will have on its financial statements.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standards update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The University is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its financial statements.

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The University has evaluated subsequent events through September 21, 2018, which is the date the financial statements were available to be issued.

3. ACCOUNTS AND LOANS RECEIVABLE, NET

Accounts and loans receivable consist of the following at June 30,:

| | 2018 | 2017 |
|-------------------------------------------------------|---------------------|---------------------|
| Student accounts receivable, net | \$ 2,046,116 | \$ 2,076,929 |
| Student loans receivable (Federal Perkins loans), net | 2,792,246 | 3,005,945 |
| | \$ 4,838,362 | \$ 5,082,874 |

Student accounts receivable are net of an allowance for doubtful accounts of approximately \$1,060,000 and \$637,000 for the years ended June 30, 2018 and 2017, respectively. The University participates in the Perkins federal revolving loan program. Students have a grace period until repayment is required based upon the earlier of graduation or no longer achieving at least half-time enrollment status. Loans accrue interest after the grace period and are repaid directly to the University. At June 30, 2018 and 2017, student loans represent approximately 3.2% and 3.4% of total assets, respectively.

The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. The University has a recorded liability, net of the allowance for doubtful loans, for the refundable Federal Perkins Loans grant program, which is ultimately refundable to the government. Outstanding loans cancelled under the program result in a reduction of the funds available to loan and a decrease in the liability to the federal government.

Student loans receivable consisted of the following at June 30,:

| | 2018 | 2017 |
|---------------------------------------|---------------------|---------------------|
| Student loans receivable | \$ 3,437,054 | \$ 3,681,568 |
| Less allowance for doubtful accounts: | | |
| Beginning balance | 675,623 | 702,102 |
| Change in provision | (22,941) | (4,813) |
| Charge-offs | (7,874) | (21,666) |
| Ending balance | 644,808 | 675,623 |
| Student loans receivable, net | \$ 2,792,246 | \$ 3,005,945 |

At June 30, 2018 and 2017, the following is an age analysis of past due student loans receivables:

| | 2018 | 2017 |
|--------------------------------|---------------------|---------------------|
| 0-60 days past due | \$ 481,177 | \$ 399,744 |
| 61-239 days past due | 321,720 | 286,974 |
| Greater than 239 days past due | 1,067,911 | 1,064,458 |
| Total past due | 1,870,808 | 1,751,176 |
| In grace period | 1,566,246 | 1,930,392 |
| Total student loans receivable | \$ 3,437,054 | \$ 3,681,568 |

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

3. ACCOUNTS AND LOANS RECEIVABLE, NET (CONTINUED)

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 according to the terms of the loan. Further, the University does not evaluate credit quality of student loans receivable after the initial approval of the loan. Loans to students are considered past due when payment is not received by the due date, and interest continues to accrue until the loan is paid in full. Management believes the allowance for doubtful accounts is adequate.

4. PLEDGES RECEIVABLE, NET

Unconditional pledges are recorded at net realizable value, which approximates fair value. Amounts due more than one year later are recorded at the present value of their estimated future cash flows, using a discount rate between 3.0% and 6.5% based on the University's borrowing rate at the time of the individual pledge. Management reviews outstanding pledges on an ongoing basis. Based on management's review of outstanding pledges as of June 30, 2018 and 2017, no reserve was necessary for uncollectible pledges.

At June 30, 2018 and 2017, pledges receivable are expected to be realized in the following periods:

| | 2018 | 2017 |
|-----------------------------|---------------------|---------------------|
| Less than one year | \$ 2,571,633 | \$ 2,285,879 |
| One to five years | 5,203,347 | 5,036,535 |
| More than five years | 880,000 | 215,000 |
| | 8,654,980 | 7,537,414 |
| Less present value discount | (899,804) | (583,490) |
| | \$ 7,755,176 | \$ 6,953,924 |

At June 30, 2018 and 2017, four donors accounted for 70% and 78% of pledges receivable, respectively.

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment and related accumulated depreciation consist of the following at June 30,:

| | 2018 | 2017 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Land and land improvements | \$ 1,703,889 | \$ 1,703,889 |
| Buildings and building improvements | 62,505,323 | 62,146,026 |
| Furniture, machinery, and equipment | 14,263,638 | 14,067,165 |
| Library materials | 6,805,051 | 6,639,549 |
| Other improvements | 3,269,854 | 3,247,197 |
| Equipment under capital leases | 1,820,962 | 2,017,789 |
| Construction in progress (NOTE 17) | 1,092,992 | 826,437 |
| | 91,461,709 | 90,648,052 |
| Less accumulated depreciation and amortization (including \$1,764,413 and \$1,917,650 for the years ended June 30, 2018 and 2017, respectively, related to capital leases) | (50,815,311) | (48,105,365) |
| | \$ 40,646,398 | \$ 42,542,687 |

Depreciation expense amounted to \$3,082,221 and \$3,255,893 for the years ended June 30, 2018 and 2017, respectively.

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. INVESTMENTS

Investments by major category are summarized as follows as of June 30,:

| | <u>2018</u> | <u>2017</u> |
|--------------------|-----------------------------|-----------------------------|
| Equities: | | |
| Stock mutual funds | \$ 20,022,008 | \$ 19,438,516 |
| Fixed income: | | |
| Bond mutual funds | <u>6,598,988</u> | <u>6,157,795</u> |
| | <u>\$ 26,620,996</u> | <u>\$ 25,596,311</u> |

Equity investments are comprised of domestic and international mutual funds. Fixed income investments are comprised of bond mutual funds.

The University has significant investments in mutual funds and is therefore subject to market risk. Investments are held by various investment custodians engaged by the University to invest the funds based on the University's investment policy.

At June 30, 2018 and 2017, investments have a cost basis of approximately \$23 million and \$23.2 million, respectively. Additionally, the investments are monitored for the University by the governing investment advisory committee. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the University and its beneficiaries.

The components of total investment return are reflected below at June 30,:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------------|----------------------------|----------------------------|
| Interest and dividends | \$ 669,875 | \$ 824,646 |
| Net realized and unrealized investment gain | <u>1,731,025</u> | <u>2,635,325</u> |
| | <u>\$ 2,400,900</u> | <u>\$ 3,459,971</u> |

Income generated from investments restricted for scholarships and special purposes are classified as temporarily restricted investment returns. Income generated from all other investments are classified as unrestricted investment returns. The following represents investment return by restriction:

| | <u>2018</u> | <u>2017</u> |
|------------------------------------------|----------------------------|----------------------------|
| Unrestricted investment return | \$ 861,091 | \$ 1,201,117 |
| Temporarily restricted investment return | <u>1,539,809</u> | <u>2,258,854</u> |
| | <u>\$ 2,400,900</u> | <u>\$ 3,459,971</u> |

Net realized and unrealized investment gains and losses are shown net of investment management fees of approximately \$45,000 and \$43,000 for the years ended June 30, 2018 and 2017, respectively.

Subsequent to year end, the University initiated the process to sell a portion of land with an approximate book value of \$222,000.

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

7. INVESTMENT HELD IN TRUST

The Archdiocese of Miami Millennium Appeal, Inc., d/b/a Vision 2000, has conducted a fund raising campaign for certain educational institutions. The funds raised were allocated to a permanent endowment exclusively for the use and benefit of the University in offering tuition aid and academic scholarships to graduates of Catholic high schools in the Archdiocese of Miami.

The funds allocated are administered and invested by the Catholic Community Foundation in the Archdiocese of Miami, Inc. (the "Catholic Community Foundation"). The University records the amounts collected and passed on to the Catholic Community Foundation at fair value as an Investment Held in Trust and permanently restricted net assets. The earnings are released at the discretion of the Catholic Community Foundation. The investment held in trust totaled \$3,472,094 and \$3,405,005 at June 30, 2018 and 2017, respectively.

8. FAIR VALUE MEASUREMENTS

The FASB Accounting Standards Codification ("ASC"), *Fair Value Measurements and Disclosures*, provides the 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 under the FASB ASC are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University 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, 2018 and 2017.

The equity and fixed income portfolio consist of mutual funds managed primarily through investments held by independent investment advisors with discretionary investment authority. The equity portfolio and fixed income investments are valued at the closing price reported in the active market in which the individual securities are traded.

Investments held in trust are valued based on the value of the underlying investments as provided by the Catholic Community Foundation.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the University 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.

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

8. FAIR VALUE MEASUREMENTS (CONTINUED)

Items Measured at Fair Value on a Recurring Basis

The following table represents the University's financial instruments measured at fair value on a recurring basis at June 30, 2018 for each of the fair value hierarchy levels:

| | Fair Value 6/30/2018 | Fair Value Measurements at Reporting Date Using: | | |
|-----------------------------|-------------------------|----------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Investment securities: | | | | |
| Equities: | | | | |
| Domestic equities | \$ 12,329,347 | \$ 12,329,347 | \$ - | \$ - |
| International equities | 7,692,661 | 7,692,661 | - | - |
| Fixed income: | | | | |
| Bond mutual funds | 6,598,988 | 6,598,988 | - | - |
| Total investment securities | \$ 26,620,996 | \$ 26,620,996 | \$ - | \$ - |
| Investment held in trust | \$ 3,472,094 | \$ 3,472,094 | \$ - | \$ - |

The following table represents the University's financial instruments measured at fair value on a recurring basis at June 30, 2017 for each of the fair value hierarchy levels:

| | Fair Value 6/30/2017 | Fair Value Measurements at Reporting Date Using: | | |
|-----------------------------|-------------------------|----------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Investment securities: | | | | |
| Equities: | | | | |
| Domestic equities | \$ 11,558,279 | \$ 11,558,279 | \$ - | \$ - |
| International equities | 7,880,237 | 7,880,237 | - | - |
| Fixed income: | | | | |
| Bond mutual funds | 6,157,795 | 6,157,795 | - | - |
| Total investment securities | \$ 25,596,311 | \$ 25,596,311 | \$ - | \$ - |
| Investment held in trust | \$ 3,405,005 | \$ 3,405,005 | \$ - | \$ - |

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30,:

| | <u>2018</u> | <u>2017</u> |
|-----------------------------|---------------------|---------------------|
| Trade payable | \$ 2,139,857 | \$ 1,359,662 |
| Salary accrual | 1,616,200 | 2,044,306 |
| Student refunds | 1,063,312 | 917,607 |
| Payable to FEMA | 872,240 | 872,240 |
| Vacation accrual | 802,471 | 1,060,380 |
| Online program fees | 560,478 | 259,629 |
| Textbooks | 421,967 | 469,950 |
| Other payables and accruals | 391,167 | 628,877 |
| Interest accrual | 216,237 | 183,912 |
| Student deposits | 212,021 | 288,373 |
| Professional services | 115,689 | 53,075 |
| | <u>\$ 8,411,639</u> | <u>\$ 8,138,011</u> |

10. OBLIGATIONS UNDER CAPITAL LEASES

The University entered into several capital leases for the acquisition of computer equipment expiring on various dates through fiscal year 2023. The interest rates related to the lease obligations range from 0.3% to 5.05%. The leased computer equipment is depreciated over the lower of the related lease terms or the estimated productive life. Depreciation of assets under capital leases totaled approximately \$51,000 and \$84,000 for the years ended June 30, 2018 and 2017, respectively. Future minimum lease payments at June 30, 2018 are as follows for the years ending June 30,:

| | |
|---------------|------------------|
| 2019 | \$ 15,059 |
| 2020 | 5,384 |
| 2021 | 5,384 |
| 2022 | 4,779 |
| 2023 | <u>2,717</u> |
| | 33,323 |
| Less Interest | <u>(3,675)</u> |
| | <u>\$ 29,648</u> |

11. BOND AND NOTES PAYABLE

Bond and notes payable consist of the following at June 30,:

| | <u>Series</u> | <u>Final maturity</u> | <u>Interest rate</u> | <u>2018</u> | <u>2017</u> |
|----------------------------------------------------------|---------------|-----------------------|----------------------|----------------------|----------------------|
| Higher Educational | | | | | |
| Facilities Financing Authority | 2009 | 2034 | 4.85% and 3.99% | \$ 26,050,000 | \$ 27,085,000 |
| Notes Payable: | | | | | |
| Bank line of credit | | On demand | Variable | 2,335,000 | 410,000 |
| Archdiocese of Miami | | August 31, 2017 | 2.80% | - | 1,500,000 |
| | | | | <u>28,385,000</u> | <u>28,995,000</u> |
| Less deferred loan costs | | | | <u>(317,325)</u> | <u>(348,697)</u> |
| Total bond and notes payable, net of deferred loan costs | | | | <u>\$ 28,067,675</u> | <u>\$ 28,646,303</u> |

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

11. BOND AND NOTES PAYABLE (CONTINUED)

Future principal payments for the bond and notes payable at June 30, 2018 are as follows:

| <u>For the years ending June 30,</u> | |
|--------------------------------------|-----------------------------|
| 2019 | \$ 3,430,000 |
| 2020 | 1,150,000 |
| 2021 | 1,210,000 |
| 2022 | 1,280,000 |
| 2023 | 1,350,000 |
| Thereafter | <u>19,965,000</u> |
| | <u>\$ 28,385,000</u> |

On January 22, 2009, the Series 2009 Bond was issued with a par amount of \$31.0 million, fixed interest of 5.28%, subject to certain provisions in the agreement, and a maturity date of February 1, 2034. The bond requires quarterly principal repayments of varying amounts beginning August 2012. On June 13, 2011, the terms of the Series 2009 Bond were modified to a lower rate of 4.41%. All other terms remained the same. On June 17, 2015, the terms of the Series 2009 Bond were modified to a lower rate of 3.99%. At the financial institution's sole discretion, the Series 2009 Bond can become due on February 1, 2024 and February 1, 2029. On January 1, 2018 the interest rate increased to 4.85%, in accordance with certain provisions in the agreement.

The collateral for the bond includes a lien on certain property, rights, title and interests in property and a guarantee by the Archbishop of the Archdiocese of Miami. The bond contains a debt service coverage ratio covenant that is to be measured annually. As of June 30, 2018 and 2017, management believes the University was in compliance with the covenant.

During the year ended June 30, 2017, the University maintained a \$5.0 million bank line of credit, with interest at the prime rate less 1% (3.25% at June 30, 2017). In May 2018, the line of credit was increased to \$10.0 million with interest at the prime rate less 1% (4% at June 30, 2018) for the purpose of providing the University working capital. The line of credit is secured by an assignment and perfected security interest in investments currently maintained in the St. Thomas University Endowment Fund.

The University entered into an agreement with the Archdiocese of Miami on June 9, 2017 to establish a temporary \$5.0 million line of credit, with interest at the prime rate less 1.45% (2.80% at June 30, 2017) for the purpose of providing the University working capital. The line of credit matured on August 31, 2017 and has been paid in full.

12. RETIREMENT PLANS

The University has two defined contribution retirement programs, funded by individual annuity contracts, for academic and nonacademic personnel. The University's contribution was \$710,393 and \$1,105,673 for the fiscal years ended June 30, 2018 and 2017, respectively.

13. NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30.:

| | <u>2018</u> | <u>2017</u> |
|----------------------------------------------|-----------------------------|-----------------------------|
| Investment in property, plant and equipment | \$ 6,281,399 | \$ 6,702,679 |
| Scholarships, education and general programs | 19,279,700 | 14,690,432 |
| Term endowments | 2,454,130 | 2,329,732 |
| Gift annuity | <u>60,525</u> | <u>60,525</u> |
| | <u>\$ 28,075,754</u> | <u>\$ 23,783,368</u> |

Term-endowments include donor-stipulated restrictions expiring through fiscal year 2032. The University may use 50% of the aggregate term-endowment income earned during the year for operating purposes. Permanently restricted net assets are invested in perpetuity, the income from which is expendable to support scholarships and general education operations (NOTE 14).

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

13. NET ASSETS (CONTINUED)

Net assets released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors were as follows for the years ended June 30,:

| | <u>2018</u> | <u>2017</u> |
|------------------------------------------------------------------------------------|---------------------|---------------------|
| Program restriction accomplished - scholarships, education and general programs | \$ 1,574,553 | \$ 1,707,274 |
| Donor restriction accomplished - capital acquisition | <u>299,267</u> | <u>328,544</u> |
| | \$ 1,873,820 | \$ 2,035,818 |

14. ENDOWMENTS

The University's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds, trusts held by others, and funds designated by the Board of Trustees or University President to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees or University President to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The University has interpreted the FUPMIFA 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. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations 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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by FUPMIFA.

The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund earnings:

- (1) The duration and preservation of the fund
- (2) The purposes of the University and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The expected total return from income and the appreciation of investments
- (5) Other resources of the University
- (6) The investment policies of the University

For the years ended June 30, 2018 and 2017, the University has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

Summary of Endowment Assets at June 30, 2018:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Donor-restricted endowment funds | \$ - | \$ 14,925,663 | \$ 6,652,652 | \$ 21,578,315 |
| Board-designated endowment funds | <u>7,424,810</u> | <u>-</u> | <u>-</u> | <u>7,424,810</u> |
| Total endowment net assets | \$ 7,424,810 | \$ 14,925,663 | \$ 6,652,652 | \$ 29,003,125 |

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

14. ENDOWMENTS (CONTINUED)

Summary of Endowment Assets at June 30, 2017:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-----------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Donor-restricted endowment funds | \$ - | \$ 13,287,834 | \$ 6,482,281 | \$ 19,770,115 |
| Board-designated endowment funds | 7,233,210 | - | - | 7,233,210 |
| Total endowment net assets | \$ 7,233,210 | \$ 13,287,834 | \$ 6,482,281 | \$ 27,003,325 |

Changes in endowment net assets as of June 30, 2018:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Endowment net assets, beginning | \$ 7,233,210 | \$ 13,287,834 | \$ 6,482,281 | \$ 27,003,325 |
| Interest and dividends | 190,880 | 420,595 | - | 611,475 |
| Net realized and unrealized investment gain | 495,720 | 1,114,083 | - | 1,609,803 |
| Released from restriction and expenditures | (495,000) | (1,295,579) | - | (1,790,579) |
| Contributions | - | 1,398,730 | 170,371 | 1,569,101 |
| Endowment net assets, ending | \$ 7,424,810 | \$ 14,925,663 | \$ 6,652,652 | \$ 29,003,125 |

Changes in endowment net assets as of June 30, 2017:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Endowment net assets, beginning | \$ 6,744,936 | \$ 10,946,007 | \$ 6,466,852 | \$ 24,157,795 |
| Interest and dividends | 257,613 | 509,860 | - | 767,473 |
| Net realized and unrealized investment gain | 730,861 | 1,747,308 | - | 2,477,969 |
| Released from restriction and expenditures | (500,000) | (717,280) | - | (1,217,280) |
| Contributions | - | 801,939 | 15,429 | 817,368 |
| Endowment net assets, ending | \$ 7,233,210 | \$ 13,287,834 | \$ 6,482,281 | \$ 27,003,325 |

Summary of Endowment Assets:

Endowment assets as of June 30 are as follows:

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|----------------------|----------------------|
| Investments (NOTE 6) | \$ 24,351,691 | \$ 23,463,780 |
| Investment held in trust (NOTE 7) | 3,472,094 | 3,405,005 |
| Pledges receivable (NOTE 4) | 1,065,356 | 116,040 |
| Cash and cash equivalents | 113,984 | 18,500 |
| | \$ 29,003,125 | \$ 27,003,325 |

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide a rate of return in excess of the original permanently restricted principal. Actual returns in any given year may vary.

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

14. ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

On University held investments, the University employs a total return endowment spending policy that establishes the amount of endowment investment return that is available to support current needs and restricted purposes. The University has an endowment variable spending policy up to 5% of the 3-year average of fair market value at the board's discretion, which provides for steady growth in annual spending. Any income earned in excess of the spending limit is reinvested while funds may be withdrawn from investment return earned in prior years if income is less than the spending policy provision. This is designed to insulate investment policy from budgetary pressures, and to insulate program spending from fluctuation in capital markets.

15. TUITION AND OTHER FEES, NET

For the years ended June 30, 2018 and 2017, tuition and other fees revenue is reported in the fiscal year in which educational programs are primarily conducted, net of discount or scholarship allowances of \$21,113,353 and \$17,218,719, respectively, and bad debt expense of \$1,266,302 and \$740,177, respectively.

The University's students receive a substantial amount of support from State and Federal Student Financial Assistance Programs. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on the University's programs and activities.

16. RELATED PARTY TRANSACTIONS

The University has engaged in related party activities with the Archdiocese of Miami. The University is co-self-insured through the Archdiocese of Miami for general liability, property, and workers compensation and has paid approximately \$938,000 and \$958,000 in insurance premiums to the Archdiocese of Miami during the years ended June 30, 2018 and 2017, respectively. Losses related to estimated liabilities are actuarially determined and recorded in the financial statements of the Archdiocese of Miami.

The University is also co-self-insured through the Archdiocese of Miami for employee health insurance and has paid, net of employee contributions, approximately \$2.5 and \$2.8 million in insurance premiums to the Archdiocese of Miami Health Plan Trust during the years ended June 30, 2018 and 2017, respectively.

As discussed in NOTE 11, the University secured a \$5 million temporary line of credit from the Archdiocese of Miami. At June 30, 2018, the line of credit was paid in full.

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

17. COMMITMENTS AND CONTINGENCIES

Operating Leases

The University leases certain equipment and automobiles under operating leases expiring on various dates through 2022.

The rent expense under operating leases was approximately \$132,000 and \$107,000 for the years ended June 30, 2018 and 2017, respectively. The minimum required lease payments under these non-cancelable operating leases are as follows for the years ending June 30,:

| | | |
|------|-----------|----------------|
| 2019 | \$ | 103,074 |
| 2020 | | 66,183 |
| 2021 | | 63,605 |
| 2022 | | 47,704 |
| | <u>\$</u> | <u>280,566</u> |

Service Agreements

The University entered into an agreement with an outside service organization to manage the University's security. During each of the years ended June 30, 2018 and 2017, approximately \$622,000 and \$610,000 was paid for these security services.

The University entered into an agreement with an outside service organization to provide food services for the University's resident students. This agreement expires May 27, 2025 and includes variable daily rates based on occupancy and a minimum of 218 billing days. Expenses paid to the food service provider under this agreement were approximately \$1,355,000 and \$1,331,000 for the years ending June 30, 2018 and 2017, respectively.

On March 14, 2014, the University entered into a partnership agreement with HotChalk, Inc. ("HotChalk") to provide online graduate and doctoral degrees. The agreement calls for HotChalk to facilitate the delivery of online programs by providing the technology and online platform. HotChalk is responsible for marketing the online programs and assisting in recruiting and enrollment efforts. This agreement is effective for ten years, with an automatic renewal of five years if certain conditions are met. The last cohort of students admitted under this agreement started March 2018. The program is in its teach-out phase as the University decided to terminate the agreement during the year ended June 30, 2018.

The terms of the agreement with HotChalk call for revenue sharing, net of scholarships. During the years ended June 30, 2018 and 2017, the University's share of net revenue from online programs offered through this partnership was approximately \$2,466,000 and \$3,466,000, respectively.

On November 13, 2017, the University entered into a partnership agreement with Academic Partnerships, LLC ("AP") to provide online undergraduate, graduate and doctoral degrees. The agreement calls for AP to facilitate the delivery of online programs by providing the technology and online platform. AP is responsible for marketing the online programs and assisting in recruiting and enrollment efforts. This agreement is effective for seven years, with an automatic renewal of five years unless written notice of the intent to terminate is given at least 270 days prior to expiration. The first cohort of students under this agreement was enrolled for classes in July 2018.

The University maintains all rights and exclusive control over its academic programs and online curriculum, including, but not limited to, admission of students; course content and delivery; approval of faculty; registration and retention of students; evaluation of student progress; and the awarding of credits and degrees.

ST. THOMAS UNIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Grants

The University participates in a number of federal and state grant assistance programs. Amounts received and expended under various federal and state programs are subject to audits by governmental agencies to determine if activities undertaken by the University comply with conditions of the grants. Management believes that no material liability will arise from any such audits.

Construction in Progress

Construction in progress of \$1,092,992 and \$826,437 as of June 30, 2018 and 2017, respectively, relates to planning and construction of the new Gus Machado School of Business. Construction in Progress is a component of property, plant, and equipment in the accompanying Statements of Financial Position.

Legal Matter

In 2005, Hurricane Wilma caused approximately \$3.3 million in damages to the University's roofs and other infrastructure. As a result, the University collected monies from both the Federal Emergency Management Agency ("FEMA") and an insurance company to complete the repairs.

In 2010 and 2011, FEMA billed the University in the amount of \$872,240 claiming an overpayment, as the University collected from both FEMA and the insurance company. At that time, the University prepared a thorough analysis to demonstrate that the total collected did not exceed the amount of damages and FEMA-approved repairs.

The University filed an appeal with FEMA. In June 2017, FEMA denied the University's second appeal due to "untimely" filing. Terms of payment are being negotiated with the Department of Emergency Management of the State of Florida, who acted as an intermediary for FEMA. This expense was reported as "Other expense" in the accompanying Statements of Activities during the year ended June 30, 2017. The University has not made any payments to date.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
St. Thomas University, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Thomas University, Inc. (the "University") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Thomas University, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Trustees
St. Thomas University, Inc.
Page Two

Purpose of this Report

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

Monison, Brown, Aigun & Fana

Miami, Florida
September 21, 2018

ST. THOMAS UNIVERSITY, INC.

SINGLE AUDIT REPORT IN ACCORDANCE
WITH THE UNIFORM GUIDANCE AND SECTION 10.650,
RULES OF THE FLORIDA AUDITOR GENERAL

JUNE 30, 2018



MORRISON BROWN ARGIZ & FARRA, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

ST. THOMAS UNIVERSITY, INC.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
St. Thomas University, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Thomas University, Inc. (the "University") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Thomas University, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

An independent member of Baker Tilly International

To the Board of Trustees
St. Thomas University, Inc.
Page Two

Purpose of this Report

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

Monison, Brown, Aijin & Fana

Miami, Florida
September 21, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND PROJECT,
INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY THE UNIFORM GUIDANCE
AND CHAPTER 10.650, RULES OF THE FLORIDA AUDITOR GENERAL**

To the Board of Trustees
St. Thomas University, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited St. Thomas University, Inc.'s (the "University") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that could have a direct and material effect on each of the University's major federal programs and state projects for the year ended June 30, 2018. The University's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.650, *Rules of the Florida Auditor General*. Those standards, the Uniform Guidance and Chapter 10.650, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or major state project occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, St. Thomas University, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of St. Thomas University, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.650

We have audited the financial statements of the University as of and for the year ended June 30, 2018, and have issued our report thereon dated September 21, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.650 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 the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the 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 schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Morrison, Brown, Ogden & Fennell

Miami, Florida
September 21, 2018

ST. THOMAS UNIVERSITY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018

| Federal/State Grantor Pass-through Grantor, Program/Project or Cluster Title | CFDA/ CSFA Number | Contract/ Grant Number | Passed Through to Subrecipients | Total Expenditures |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------------------|---------------------------------------|-----------------------|
| FEDERAL AWARDS: | | | | |
| U.S. Department of Education | | | | |
| Student Financial Aid-Cluster | | | | |
| Federal Direct Student Loans | 84.268 | | \$ - | \$ 43,220,988 |
| Federal Pell Grant Program | 84.063 | | - | 2,899,998 |
| Federal Work-Study Program | 84.033 | | - | 409,196 |
| Federal Supplemental Educational Opportunity Grants | 84.007 | | - | 196,663 |
| Federal Perkins Loan Program - Federal Capital Contribution | 84.038 | | - | 3,905,756 |
| Sub-total Student Financial Aid-Cluster Program | | | - | 50,632,601 |
| Hurricane Education Recovery | 84.938S | | - | 344,094 |
| Passed through Miami-Dade College STEM SPACE | 84.031C | P031C160161 | - | 89,613 |
| Passed through Florida Department of Education Twenty-First Century Community Learning Centers | 84.287C | 853-2448B-8PCC1/ 853-2448B-8PCC2 | - | 710,642 |
| Pathway to College Success | 84.066A | P066A160258 | - | 49,425 |
| Total U.S. Department of Education | | | - | 61,826,375 |
| U.S. Department of Health and Human Services | | | | |
| Passed through Church World Service, Inc. Refugee and Entrant Assistance - Discretionary Grants/ State Administered Programs | 93.576/ 93.566 | (XK046)/(XK047)/ (XK048) | - | 1,509,258 |
| Total U.S. Department of Health and Human Services | | | - | 1,509,258 |
| U.S. Department of Homeland Security | | | | |
| Homeland Security Grant Program | 97.067 | 853-5327A-7PE01 | - | 41,863 |
| Total U.S. Department of Homeland Security | | | - | 41,863 |
| U.S. Department of Agriculture | | | | |
| Passed through Florida International University Hispanic Serving Institutions Education Grants | 10.223 | 2016-38422-25549 | - | 59,606 |
| Total U.S. Department of Agriculture | | | - | 59,606 |
| | | | \$ - | \$ 53,437,102 |
| STATE FINANCIAL ASSISTANCE: | | | | |
| Florida Department of Education: | | | | |
| Florida Resident Access Grant | 48.064 | N/A* | \$ - | \$ 1,884,532 |
| Florida Student Assistance Grant | 48.054 | N/A* | - | 428,119 |
| The Florida Bright Futures Scholarship Program | 48.059 | N/A* | - | 97,536 |
| Scholarships for Children and Spouses of Deceased or Disabled Veterans | 48.055 | N/A* | - | 6,360 |
| | | | - | 2,416,547 |
| Florida Department of Highway Safety and Motor Vehicles | | | | |
| Saint Thomas University License Plate Project | 76.058 | N/A* | - | 5,843 |
| TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE | | | - | 2,422,390 |
| | | | \$ - | \$ 55,859,492 |

*N/A - not applicable or available.

See accompanying notes to schedule of expenditures of federal awards and state financial assistance.

ST. THOMAS UNIVERSITY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FOR THE YEAR ENDED JUNE 30, 2018

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") presents the activity of all federal awards and state projects of St. Thomas University, Inc. (the "University") for the year ended June 30, 2018. All federal awards and state projects received directly from or passed through government agencies are included in the accompanying Schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the accrual basis of accounting. Federal award expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), wherein certain types of expenditures are not allowable or are limited as to reimbursement. State expenditures are recognized in accordance with Chapter 10.650, Rules of the Auditor General of the State of Florida. The amounts reported in the Schedule as expenditures may differ from certain financial reports submitted to Federal funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3. BASIS OF PRESENTATION

The accompanying Schedule is presented in accordance with the requirements of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General of the State of Florida.

4. LOANS OUTSTANDING

The federal student loan program listed subsequently is administered directly by the University, and balances and transactions relating to this program are included in the University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The University had the following loan balances outstanding at June 30, 2018:

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Amount Outstanding</u> |
|------------------------------|--------------------------------|-------------------------------|
| Federal Perkins Loan Program | 84.038 | \$ 3,437,054 |

5. SUBRECIPIENTS

There were no Federal awards provided to subrecipients.

6. INDIRECT COST RATE

The University has a provisional indirect cost recovery rate of 38%. For certain grants, the amount expended includes indirect cost recovery using a lower agreed-upon percentage per grant agreement. The University has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance during the year ended June 30, 2018. For the financial aid program, the University has elected to use the 5% administrative cost allowance based on the U.S. Department of Education Federal Student Aid Handbook.

7. REFUGEE AND ENTRANT ASSISTANCE GRANT

The Refugee and Entrant Assistance grant agreement (the "Grant") between the University and Department of Children and Families Services is based on a negotiated "fee for services." The Grant provides services in three locations: Miami-Dade County, Broward County and West Palm Beach. The West Palm Beach office closed down on September 30, 2017. Church World Services, Inc. is the fiscal agent for this grant. Payments received during fiscal year ending June 30, 2018 for services provided to clients totaled \$1,767,896. At June 30, 2018, the deferred revenue for Miami-Dade County is approximately \$18,000 and the receivable for Broward County is approximately \$37,000. The University could not obtain a breakdown by CFDA number from the grantor, therefore, the expenditures during the year ended June 30, 2018 were not broken down by CFDA number.

ST. THOMAS UNIVERSITY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Programs

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------------------------------------------------------------|---------------------------------------------------------------------|
| 84.268, 84.063, 84.033, 84.007, 84.038 93.576, 93.566 | Student Financial Aid-Cluster Refugee and Entrant Assistance |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

ST. THOMAS UNIVERSITY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

State Projects

Internal control over major state projects:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, *Rules of the Florida Auditor General*? Yes No

Identification of major state projects:

| <u>CSFA Number</u> | <u>Name of State Project</u> |
|--------------------------------------------------------------------------|------------------------------------------------|
| 48.064 | Florida Resident Access Grant |
| 48.054 | Florida Student Assistance Grant |
| 48.059 | The Florida Bright Futures Scholarship Program |
| Dollar threshold used to distinguish between Type A and Type B projects: | \$300,000 |

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

None

SECTION III – MAJOR FEDERAL PROGRAMS - FINDINGS AND QUESTIONED COSTS

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

None

ST. THOMAS UNIVERSITY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION IV - STATE PROJECT FINDINGS AND QUESTIONED COSTS

A management letter is not required as there were no findings required to be reported.

A Summary Schedule of Prior Audit Findings is not required as there were no findings required to be reported related to State Projects.

A Corrective Action Plan is not required as there were no findings required to be reported under the Florida Single Audit Act.