

**ST. THOMAS UNIVERSITY, INC.**

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FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**ST. THOMAS UNIVERSITY, INC.**

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**TABLE OF CONTENTS**

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INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 26
SUPPLEMENTAL SCHEDULE OF FINANCIAL RESPONSIBILITY	27 - 28
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 <i>GOVERNMENT AUDITING STANDARDS</i>	29 - 30



## **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, 2020 and 2019, and the related statements of activities, functional expenses 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, 2020 and 2019, 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.

An independent member of Baker Tilly International



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

### **Emphasis of Matter – Coronavirus**

As further discussed in NOTE 19, the University is subject to the current economic and health conditions in the United States, including the coronavirus which was designated as a global pandemic by the World Health Organization on March 11, 2020. Management is currently assessing the impact of these conditions and continues to explore various options to minimize the financial impact; however, the ultimate outcome is not known as of the date these financial statements were available to be issued. Our opinion is not modified with respect to this matter.

### **Other Matter – Supplemental Schedule**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of financial responsibility is presented for purposes of additional analysis as required by Title 34 U.S. *Code of Federal Regulations Part 668, Student Assistance General provisions*, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020, 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 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 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, Ariz & Jena*

Miami, Florida  
October 29, 2020

**ST. THOMAS UNIVERSITY, INC.**

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STATEMENTS OF FINANCIAL POSITION  
JUNE 30,

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 116,046	\$ 582,639
Restricted cash	1,201,888	772,908
Grants and other receivables	2,300,446	1,682,514
Accounts and loans receivable, net	5,106,893	3,996,656
Pledges receivable, net	4,644,725	6,120,263
Other assets	478,410	266,098
Investments	27,929,326	26,991,707
Investment held in trust	3,465,737	3,537,541
Other investments	756,400	756,400
Property, plant and equipment, net	63,354,851	43,264,318
TOTAL ASSETS	<b>\$ 109,354,722</b>	<b>\$ 87,971,044</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 8,620,530	\$ 6,548,083
Deferred revenue	3,555,934	3,585,342
Obligations under capital leases	11,103,698	96,856
Other liabilities	394,411	376,349
Refundable federal student loans	2,746,557	2,751,763
Bond and lines of credit, net of deferred loan costs	33,158,715	30,651,713
TOTAL LIABILITIES	59,579,845	44,010,106
<b>NET ASSETS</b>		
Without donor restrictions	20,926,365	11,640,800
With donor restrictions	28,848,512	32,320,138
TOTAL NET ASSETS	49,774,877	43,960,938
TOTAL LIABILITIES AND NET ASSETS	<b>\$ 109,354,722</b>	<b>\$ 87,971,044</b>

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

**ST. THOMAS UNIVERSITY, INC.**

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,

	<b>2020</b>	<b>2019</b>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
<b>REVENUE, INCOME AND OTHER SUPPORT:</b>		
Tuition and other fees, net	\$ 48,937,535	\$ 41,932,745
Gifts and grants	2,504,228	1,609,407
Government grants	2,761,054	2,578,456
Investment return, net	506,011	615,202
Auxiliary enterprises	4,213,774	3,687,356
Other sources	330,377	399,055
Net assets released from restrictions	5,307,354	4,996,345
<b>TOTAL REVENUE, INCOME AND OTHER SUPPORT</b>	<b>64,560,333</b>	<b>55,818,566</b>
<b>EXPENSES:</b>		
Instruction	20,163,519	21,119,513
Public service	1,883,839	2,108,907
Academic support	5,257,264	6,405,456
Student services	10,532,557	10,340,999
Institutional support	13,177,054	11,064,549
Auxiliary enterprises	4,242,974	4,254,197
Other expense, net (NOTE 18)	17,561	451,217
<b>TOTAL EXPENSES</b>	<b>55,274,768</b>	<b>55,744,838</b>
<b>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>9,285,565</b>	<b>73,728</b>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Investment return, net	1,040,695	1,228,029
Gifts and grants	795,033	1,360,048
Net assets released from restrictions	(5,307,354)	(4,996,345)
<b>DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>(3,471,626)</b>	<b>(2,408,268)</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>5,813,939</b>	<b>(2,334,540)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>43,960,938</b>	<b>46,295,478</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 49,774,877</b>	<b>\$ 43,960,938</b>

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

**ST. THOMAS UNIVERSITY, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 22,565,655	\$ 4,251,672	\$ 1,061,698	\$ 27,879,025
Employee benefits and payroll taxes	4,033,903	917,429	250,227	5,201,559
<b>Total salaries and benefits</b>	<b>26,599,558</b>	<b>5,169,101</b>	<b>1,311,925</b>	<b>33,080,584</b>
Professional fees	111,306	603,586	-	714,892
Advertising and promotion	68,664	948,319	-	1,016,983
Office expenses	1,495,495	603,699	100,499	2,199,693
Information technology	463,073	2,529,951	7,545	3,000,569
Occupancy	2,423,253	202,256	7,803	2,633,312
Travel	912,346	38,649	14,648	965,643
Interest	1,446,206	76,601	1,973	1,524,780
Depreciation and amortization	2,876,422	198,200	10,647	3,085,269
Loss on disposal of property, plant and equipment	179,208	-	-	179,208
Insurance	360,347	434,881	8,410	803,638
Food services	1,356,741	-	-	1,356,741
Security	407,832	26,195	1,407	435,434
Textbooks and library materials	974,830	-	-	974,830
Contracted services	1,193,964	337,206	145,386	1,676,556
Repairs and maintenance	33,577	302,856	-	336,433
Other operating expenses	744,546	370,421	175,236	1,290,203
<b>Total expenses</b>	<b>\$ 41,647,368</b>	<b>\$ 11,841,921</b>	<b>\$ 1,785,479</b>	<b>\$ 55,274,768</b>

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

**ST. THOMAS UNIVERSITY, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 22,325,607	\$ 4,676,444	\$ 770,180	\$ 27,772,231
Employee benefits and payroll taxes	4,703,262	1,264,954	212,069	6,180,285
<b>Total salaries and benefits</b>	<b>27,028,869</b>	<b>5,941,398</b>	<b>982,249</b>	<b>33,952,516</b>
Professional fees	119,514	687,863	-	807,377
Advertising and promotion	110,195	706,456	-	816,651
Office expenses	1,034,048	620,254	122,412	1,776,714
Information technology	486,822	829,806	284	1,316,912
Occupancy	2,833,771	239,830	11,637	3,085,238
Travel	1,427,173	67,360	151,029	1,645,562
Interest	1,331,900	77,462	2,003	1,411,365
Depreciation and amortization	2,733,244	182,693	9,814	2,925,751
Loss on disposal of property, plant and equipment	80,307	-	-	80,307
Insurance	697,985	428,725	3,622	1,130,332
Food services	1,412,880	-	-	1,412,880
Security	623,023	44,686	2,150	669,859
Textbooks and library materials	1,037,178	-	-	1,037,178
Contracted services	1,383,149	404,563	93,050	1,880,762
Repairs and maintenance	67,745	414,195	-	481,940
Other operating expenses	731,531	329,990	251,973	1,313,494
<b>Total expenses</b>	<b>\$ 43,139,334</b>	<b>\$ 10,975,281</b>	<b>\$ 1,630,223</b>	<b>\$ 55,744,838</b>

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,

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 5,813,939	\$ (2,334,540)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,085,269	2,925,751
Provision for uncollectible pledges	147,994	104,134
Net realized and unrealized investment gains	(861,569)	(1,096,500)
Gifts restricted for endowment	(2,336)	(50,683)
Gifts restricted for construction projects	(715,621)	(300,659)
Amortization of debt loan costs	30,196	30,845
Loss on disposal of property, plant and equipment	179,208	80,307
Changes in assets and liabilities:		
(Increase) decrease in accounts, grants, pledges and other receivables	(1,966,266)	1,620,697
(Increase) decrease in other assets	(212,312)	84,341
Increase (decrease) in accounts payable and accrued expenses	2,072,447	(1,863,556)
(Decrease) increase in deferred revenue	(29,408)	2,674,355
Increase (decrease) in other liabilities	18,062	(33,321)
<b>TOTAL ADJUSTMENTS</b>	<b>1,745,664</b>	<b>4,175,711</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>7,559,603</b>	<b>1,841,171</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	1,335,737	4,756,543
Purchase of investments	(1,339,983)	(4,096,201)
Purchase of property, plant and equipment	(12,028,160)	(5,529,051)
Proceeds from collection of student loans	364,416	478,824
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(11,667,990)</b>	<b>(4,389,885)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of principal on bond	(1,135,000)	(1,095,000)
Proceeds from line of credit - construction	5,500,000	-
Proceeds from line of credit	4,095,000	5,983,194
Repayments of line of credit	(5,983,194)	(2,335,000)
Repayments of capital leases	(320,008)	(27,720)
Gifts restricted for construction projects	715,621	300,659
Decrease in pledges receivable for construction projects	1,201,225	440,660
Gifts restricted for endowment	2,336	50,683
Refundable federal student loans	(5,206)	(266,549)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>4,070,774</b>	<b>3,050,927</b>
<b>NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(37,613)</b>	<b>502,213</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR</b>	<b>1,355,547</b>	<b>853,334</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<b>\$ 1,317,934</b>	<b>\$ 1,355,547</b>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Interest paid	<b>\$ 1,524,773</b>	<b>\$ 1,387,079</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Cancellation of student loans	<b>\$ 11,582</b>	<b>\$ 11,817</b>
Property and equipment acquired through capital leases	<b>\$ 11,326,850</b>	<b>\$ 94,928</b>

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

## ST. THOMAS UNIVERSITY, INC.

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

#### 1. ORGANIZATION

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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

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##### Basis of Presentation

The financial statements are prepared using the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets, revenue, gains and losses are classified into two classes of net assets based on the existence or absence of donor-imposed restrictions. The two net asset categories are reflected in the accompanying financial statements as follows:

- **Net assets without donor restrictions** - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the University. These net assets may be used at the discretion of the University's management and the Board of Trustees.
- **Net assets with donor restrictions** - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the University or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

##### Use of Estimates

The presentation of financial statements in conformity with 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 to credit risks 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.

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Cash, Cash Equivalents and Restricted Cash

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

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. Total cash, cash equivalents and restricted cash shown in the Statements of Cash Flows includes cash and cash equivalents of \$116,046 and \$582,639 at June 30, 2020 and 2019, respectively, and restricted cash of \$1,201,888 and \$772,908 at June 30, 2020 and 2019, respectively, as reported in the Statements of Financial Position.

### 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 and unrealized gains and losses on investments, interest and dividends) is included in the Statements of Activities as increases or decreases in net assets without donor restrictions 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, 2020 and 2019. The remaining balance represents land held for investment in the amount of \$183,255 at June 30, 2020 and 2019.

### Deferred Loan Costs

The University capitalizes costs associated with the issuance of debt instruments. These costs are amortized based on the effective interest rate method over the term of the debt. Amortization expense amounted to approximately \$30,000 and \$31,000 for the years ended June 30, 2020 and 2019, respectively. Unamortized loan costs are presented as a deduction from the carrying amount of the related debt.

### Revenue Recognition – Contributions

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the University fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions. Contributions received are measured at their fair values and are reported as an increase in net assets. 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. The University reports gifts of cash and other assets as restricted support if they are received with donor stipulations about the use of the donated assets, or if they are designated as support for future periods.

**ST. THOMAS UNIVERSITY, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition – Contributions (Continued)**

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period in which received are reported as net assets without donor restrictions.

The University reports gifts of land, buildings and equipment as support without donor restrictions 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 support with donor restrictions. 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.

**Auxiliary Enterprises**

Auxiliary enterprises revenue is reported when the service is provided. Auxiliary services include room and board and fees earned from bookstore and cafeteria services. An allowance for doubtful accounts was not considered necessary as of June 30, 2020 and 2019.

**Tuition Revenue and Accounts Receivable, Net**

Tuition and fees revenue is reported within the fiscal year in which educational services are provided. Student accounts receivable represents amounts due from students for educational services already provided. Tuition receivables are not collateralized. The allowance for doubtful accounts considers a number of factors and is established primarily based upon historical collection rates by age of receivable. The University periodically assesses its methodologies for estimating its allowance for doubtful accounts in consideration of actual experience.

**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, 2020 and 2019.

**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 and amortization. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

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

Buildings	20-50 years
Building and other 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.

## ST. THOMAS UNIVERSITY, INC.

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### 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. There was no impairment recorded for the years ended June 30, 2020 and 2019.

### Deferred Revenue

The University has deferred revenue of \$3,555,934 and \$3,585,342 at June 30, 2020 and 2019, respectively. The University entered into three lease agreements as the lessor, which require the lessees to fund certain improvements to the facilities under the leases. The leases expire at various dates through 2030 and the contributions from the capital improvements to the facilities are being amortized over the lease terms. Tuition and housing revenue related to academic terms in the next fiscal year (the second summer mini-term) were deferred as of June 30, 2020 and 2019. The University records conditional grants as deferred revenue and recognizes the revenue when the conditions have been met.

### 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 amortization and operations and maintenance have been allocated among the functions based on a square footage method. Payroll expenses are charged directly to each department. Fringe benefits are allocated based on full time employee salaries only and other benefits are allocated based on total salaries and wages.

### Advertising Cost

The University expenses advertising costs as incurred. Advertising costs were \$1,016,983 and \$816,651 for the years ended June 30, 2020 and 2019, respectively.

### 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 2017.

### Adopted Accounting Pronouncements

#### Classification of Certain Cash Receipts and Cash Payments

The University adopted Accounting Standards Update 2016-15 (Topic 230) – *Classification of Certain Cash Receipts and Cash Payments* using a retrospective approach. The update was issued to reduce diversity in practice of eight specific issues on the statement of cash flows. The adoption of this update had no effect on the University's financial position and change in net assets.

## ST. THOMAS UNIVERSITY, INC.

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Adopted Accounting Pronouncements (Continued)

#### Restricted Cash

In November 2016, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards 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 adopted this update as of June 30, 2020 and modified the presentation of restricted cash in its Statements of Cash Flows.

#### Accounting Guidance for Contributions Received and Contributions Made

The University adopted Accounting Standards Update 2018-08 (Topic 958) – *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update provides guidance in evaluating whether transactions should be accounted for as contributions or as an exchange transaction and determining whether a contribution is conditional or not. The adoption of this update had no effect on the University’s financial position and changes in net assets.

### Recent Accounting Pronouncements

#### Revenue from Contracts with Customers

In May 2014, the FASB issued an Accounting Standards Update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively. The update is effective for annual periods beginning after December 15, 2019 and in interim periods in annual periods beginning after December 15, 2020. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The University is currently evaluating the effect the update will have on its financial statements.

#### Lease Accounting

In February 2016, the FASB issued an Accounting Standards 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. Also, the FASB has issued amendments to the update with practical expedients related to land easements and lessor accounting. 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 its results of operations or cash flows, though such an effect is possible.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the University’s presentation of comparative periods in the financial statements will continue to be in accordance with current lease accounting. The University is evaluating the method of adoption it will elect. The update is effective and has been extended to fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022, with early application permitted.

## ST. THOMAS UNIVERSITY, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Recent Accounting Pronouncements (Continued)

#### Not-for-Profit Entities Updating the Definition of Collections

In March 2019, the FASB issued an Accounting Standards Update modifying the definition of the term *collections* and requiring that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned. The update is effective prospectively for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The University is currently evaluating the effect the update will have on its financial statements.

### Reclassifications

Certain items in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

### Subsequent Events

The University has evaluated subsequent events through October 29, 2020, which is the date the financial statements were available to be issued.

## 3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The University maintains a cash flow forecast on a monthly basis to anticipate cash requirements and ensure spending is within budget guidelines. The University also has a line of credit available with borrowing capacity of up to \$10 million, which can be used to meet general expenditures within a year (NOTE 12). Should current requirements exceed the amount available from the line of credit, the board-designated endowment, totaling approximately \$7.4 million, and other long-term investments without donor restrictions as of June 30, 2020, would be gradually liquidated to ensure sufficient funds are available.

The University's financial assets available within one year of the Statements of Financial Position date for general expenditures are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 116,046	\$ 582,639
Restricted cash	1,201,888	772,908
Grants and other receivables	2,300,446	1,682,514
Accounts and loans receivable, net	5,106,893	3,996,656
Pledges receivable, net	4,644,725	6,120,263
Investments	27,929,326	26,991,707
Investment held in trust	3,465,737	3,537,541
Total financial assets	<u>44,765,061</u>	<u>43,684,228</u>
Less amounts not available to be used within one year:		
Donor-restricted endowment	23,895,782	23,343,457
Board-designated endowment	7,366,418	7,432,524
Reserves for capital projects	289,676	4,724,628
Long term pledges receivable	1,573,054	2,344,486
Student loans receivable (Federal Perkins loans), net	1,949,006	2,313,422
Other restricted assets	1,903,777	1,471,916
Total financial assets not available to be used within one year	<u>36,977,713</u>	<u>41,630,433</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,787,348</u>	<u>\$ 2,053,795</u>

**ST. THOMAS UNIVERSITY, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**4. ACCOUNTS AND LOANS RECEIVABLE, NET**

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

	<u>2020</u>	<u>2019</u>
Student accounts receivable, net	\$ 3,157,887	\$ 1,683,234
Student loans receivable (Federal Perkins loans), net	1,949,006	2,313,422
	<u>\$ 5,106,893</u>	<u>\$ 3,996,656</u>

Student accounts receivable are net of an allowance for doubtful accounts of approximately \$1,066,000 and \$741,000 at June 30, 2020 and 2019, respectively. The University participates in the Federal Perkins 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, 2020 and 2019, student loans receivable represent approximately 2.0% and 2.6%, respectively, of total assets.

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. Refundable federal student loans due as of June 30, 2020 and 2019 was \$2,746,557 and \$2,751,763, respectively.

The loan program was not renewed by Congress effective September 30, 2017. The University continues to service and collect loans that have been issued in prior years. Any loans collected are returned to the government and the University's operating fund proportionally.

Student loans receivable consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Student loans receivable	\$ 2,473,011	\$ 2,882,690
Less allowance for doubtful accounts:		
Beginning balance	569,268	644,808
Change in provision	(35,889)	(63,723)
Charge-offs	(9,374)	(11,817)
Ending balance	<u>524,005</u>	<u>569,268</u>
Student loans receivable, net	<u>\$ 1,949,006</u>	<u>\$ 2,313,422</u>

The following is an age analysis of past due student loans receivable At June 30:

	<u>2020</u>	<u>2019</u>
0-60 days past due	\$ 368,123	\$ 378,858
61-239 days past due	211,348	256,439
Greater than 239 days past due	<u>1,122,575</u>	<u>1,083,960</u>
Total past due	1,702,046	1,719,257
In grace period	<u>770,965</u>	<u>1,163,433</u>
Total student loans receivable	<u>\$ 2,473,011</u>	<u>\$ 2,882,690</u>

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.

**ST. THOMAS UNIVERSITY, INC.**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**5. PLEDGES RECEIVABLE, NET**

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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, the allowance for uncollectible pledges were approximately \$118,000 and \$104,000, as of June 30, 2020 and 2019, respectively.

Pledges receivable are expected to be realized in the following periods as of June 30:

	<b>2020</b>	<b>2019</b>
Less than one year	\$ 1,132,500	\$ 1,988,537
One to five years	3,915,219	4,383,738
More than five years	260,000	570,000
	5,307,719	6,942,275
Less present value discount	(545,240)	(717,878)
Less allowance for uncollectible pledges	(117,754)	(104,134)
	<b>\$ 4,644,725</b>	<b>\$ 6,120,263</b>

At June 30, 2020 and 2019, four donors accounted for approximately 80% and 70%, respectively, of pledges receivable.

**6. PROPERTY, PLANT AND EQUIPMENT, NET**

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

	<b>2020</b>	<b>2019</b>
Land and land improvements	\$ 3,841,663	\$ 3,841,663
Buildings and building improvements	62,746,234	62,623,645
Furniture, machinery, and equipment	14,944,708	14,352,359
Library materials	7,042,179	6,956,147
Other improvements	4,020,682	3,582,239
Building and equipment under capital leases	13,119,367	1,792,517
Construction in progress	13,321,820	3,409,943
	119,036,653	96,558,513
Less accumulated depreciation and amortization (including \$1,935,278 and \$1,682,689 for the years ended June 30, 2020 and 2019, respectively, related to capital leases)	(55,681,802)	(53,294,195)
	<b>\$ 63,354,851</b>	<b>\$ 43,264,318</b>

Depreciation and amortization expense amounted to \$3,085,269 and \$2,925,751 for the years ended June 30, 2020 and 2019, respectively.

Construction in progress of \$13,321,820 and \$3,409,943 as of June 30, 2020 and 2019, respectively, relates to planning and construction of the new Gus Machado School of Business. The estimated remaining cost to complete is approximately \$7,645,000 as of June 30, 2020. The building was partially opened in August 2020 with an official launch on October 16, 2020. Interest expense of \$21,743 was capitalized at June 30, 2020.

**ST. THOMAS UNIVERSITY, INC.**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**7. INVESTMENTS**

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

	<u>2020</u>	<u>2019</u>
Equities:		
Stock mutual funds	\$ 21,200,095	\$ 20,297,443
Fixed income:		
Bond mutual funds	<u>6,729,231</u>	<u>6,694,264</u>
	<b><u>\$ 27,929,326</u></b>	<b><u>\$ 26,991,707</u></b>

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, 2020 and 2019, investments have a cost basis of approximately \$23 million. 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, net are reflected below for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 685,137	\$ 746,731
Net realized and unrealized investment gains	<u>861,569</u>	<u>1,096,500</u>
	<b><u>\$ 1,546,706</u></b>	<b><u>\$ 1,843,231</u></b>

Income generated from investments restricted for scholarships and special purposes are classified as investment returns with donor restrictions. Income generated from all other investments are classified as investment returns without donor restrictions. The following represents investment return by restriction for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Investment return without donor restrictions	\$ 506,011	\$ 615,202
Investment return with donor restrictions	<u>1,040,695</u>	<u>1,228,029</u>
	<b><u>\$ 1,546,706</u></b>	<b><u>\$ 1,843,231</u></b>

Net realized and unrealized investment gains are shown net of investment management fees of approximately \$35,000 and \$46,000 for the years ended June 30, 2020 and 2019, respectively.

## ST. THOMAS UNIVERSITY, INC.

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

#### 8. INVESTMENT HELD IN TRUST

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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 donor-restricted 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 net assets with donor restrictions. The earnings are released at the discretion of the Catholic Community Foundation. The investment held in trust totaled \$3,465,737 and \$3,537,541 at June 30, 2020 and 2019, respectively.

#### 9. FAIR VALUE MEASUREMENTS

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The FASB Accounting Standards Codification ("ASC") 820, *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, 2020 and 2019.

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, 2020 AND 2019

**9. 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, 2020 for each of the fair value hierarchy levels:

	Fair Value 6/30/2020	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	\$ 16,935,942	\$ 16,935,942	\$ -	\$ -
International equities	4,264,153	4,264,153	-	-
Fixed income:				
Bond mutual funds	6,729,231	6,729,231	-	-
Total investment securities	<b>\$ 27,929,326</b>	<b>\$ 27,929,326</b>	<b>\$ -</b>	<b>\$ -</b>
Investment held in trust	<b>\$ 3,465,737</b>	<b>\$ 3,465,737</b>	<b>\$ -</b>	<b>\$ -</b>

The following table represents the University's financial instruments measured at fair value on a recurring basis at June 30, 2019 for each of the fair value hierarchy levels:

	Fair Value 6/30/2019	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	\$ 12,298,535	\$ 12,298,535	\$ -	\$ -
International equities	7,998,908	7,998,908	-	-
Fixed income:				
Bond mutual funds	6,694,264	6,694,264	-	-
Total investment securities	<b>\$ 26,991,707</b>	<b>\$ 26,991,707</b>	<b>\$ -</b>	<b>\$ -</b>
Investment held in trust	<b>\$ 3,537,541</b>	<b>\$ 3,537,541</b>	<b>\$ -</b>	<b>\$ -</b>

**ST. THOMAS UNIVERSITY, INC.**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

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

	<u>2020</u>	<u>2019</u>
Trade payable	\$ 1,147,354	\$ 555,968
Salary accrual	1,646,823	1,548,979
Student refunds	1,476,678	1,116,774
Vacation accrual	1,161,192	922,923
Online program fees	1,458,048	709,563
Textbooks	18,304	160,204
Other payables and accruals	1,030,101	900,454
Interest accrual	199,437	219,847
Student deposits	482,593	413,371
	<u>\$ 8,620,530</u>	<u>\$ 6,548,083</u>

**11. OBLIGATIONS UNDER CAPITAL LEASES**

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The University entered into several capital leases for the acquisition of equipment and vehicles expiring on various dates through fiscal year 2024. The interest rates related to the lease obligations range from 0.3% to 8.8%. The leased equipment is depreciated over the lower of the related lease terms or the estimated productive life. Depreciation of assets under these capital leases totaled approximately \$26,000 and \$42,000 for the years ended June 30, 2020 and 2019, respectively.

On March 14, 2019, the University entered into an agreement to lease land to a private corporation to renovate a student housing facility, which was completed in August 2019. The University has entered into an agreement to lease the facility for a period of 25 years, maturing on August 31, 2044. The University makes monthly principal and interest payments ranging from approximately \$43,000 to \$46,000. Total interest paid during the year ended June 30, 2020 in connection with this lease was \$134,034 and is based on an incremental borrowing rate of 1.42%. The assets under this capital lease are depreciated over the life of the lease. Depreciation expense totaled approximately \$227,000 during the year ended June 30, 2020.

Future minimum lease payments of all obligations under capital leases at June 30, 2020 are as follows for the years ending June 30:

2021	\$ 547,872
2022	548,819
2023	537,209
2024	525,917
2025	523,525
Thereafter	<u>10,343,245</u>
	13,026,587
Less interest	<u>(1,922,889)</u>
	<u>\$ 11,103,698</u>

**ST. THOMAS UNIVERSITY, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**12. BOND AND LINES OF CREDIT**

Bond and lines of credit consist of the following at June 30:

	Series	Final maturity	Interest rate	2020	2019
Higher Educational Facilities Financing Authority	2009	2034	4.85%	\$ 23,820,000	\$ 24,955,000
Line of credit		On demand / 2029	Variable	4,095,000	5,983,194
Line of credit - Construction		2029	Variable	5,500,000	-
				33,415,000	30,938,194
Less deferred loan costs				(256,285)	(286,481)
Total bond and lines of credit, net of deferred loan costs				<b>\$ 33,158,715</b>	<b>\$ 30,651,713</b>

Future principal payments for the bond and lines of credit at June 30, 2020 are as follows:

<u>For the years ending June 30,:</u>		
2021		\$ 5,534,000
2022		1,555,000
2023		1,625,000
2024		1,710,000
2025		1,785,000
Thereafter		21,206,000
		<b>\$ 33,415,000</b>

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, 2020, management believes the University was in compliance with the covenant.

During the years ended June 30, 2020 and 2019, the University maintained a \$10.0 million bank line of credit, with interest at the prime rate less 1%. The interest rate was 2.25% and 4.50% at June 30, 2020 and 2019, respectively. In July 2019, the line of credit was temporarily increased to \$16.0 million for the purpose of providing the University working capital. The line of credit reverted back to \$10 million on January 1, 2020. All other terms remained the same. The line of credit is secured by an assignment and perfected security interest in investments currently maintained in the St. Thomas University Endowment Fund.

In March 2019, the University obtained a \$10.0 million bank line of credit with another financial institution. The line of credit is guaranteed by the Archdiocese of Miami with interest based on the 30-day LIBOR rate plus 1.25% (3.62% and 1.42% at June 30, 2020 and 2019, respectively). This line of credit was established for the construction of the Gus Machado School of Business. The agreement was amended subsequent to year end, and the line was increased to \$13.0 million, with all other terms remaining the same. At June 30, 2020, the outstanding balance on the line of credit was \$5,500,000. Interest only payments are due monthly until the 18-month anniversary of the line of credit (conversion date). On the conversion date, the line of credit will convert to a term loan with monthly principal and interest payments due, based on a 20-year amortization, with final payment due on March 4, 2029. The University plans to repay the line of credit with proceeds from current and future pledges raised for the Gus Machado School of Business. As of June 30, 2019, there was no outstanding balance due on this line of credit.

**ST. THOMAS UNIVERSITY, INC.**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**13. RETIREMENT PLANS**

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The University has two defined contribution retirement programs, funded by individual annuity contracts, for academic and nonacademic personnel. The University's contribution was \$635,891 and \$694,676 for the years ended June 30, 2020 and 2019, respectively.

**14. NET ASSETS**

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Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Reserves for capital projects	\$ 289,676	\$ 4,724,628
Scholarships, education and general programs	19,216,536	18,341,158
Term endowments	2,636,654	2,551,017
Perpetual endowments	6,705,646	6,703,335
	<u><b>\$ 28,848,512</b></u>	<u><b>\$ 32,320,138</b></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. Net assets with donor restrictions include investments held in perpetuity, the income from which is expendable to support scholarships and general education operations (NOTE 15).

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>2020</u>	<u>2019</u>
Program restrictions accomplished - scholarships, education and general programs	\$ 1,090,247	\$ 2,458,277
Donor restrictions accomplished - capital projects	4,217,107	2,538,068
	<u><b>\$ 5,307,354</b></u>	<u><b>\$ 4,996,345</b></u>

Net assets without donor restrictions are available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
General operations	\$ 13,559,947	\$ 4,208,276
Board-designated endowment	7,366,418	7,432,524
	<u><b>\$ 20,926,365</b></u>	<u><b>\$ 11,640,800</b></u>

**15. ENDOWMENT**

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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.

**ST. THOMAS UNIVERSITY, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**15. ENDOWMENT (CONTINUED)**

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 perpetual gifts as net assets with donor restrictions: (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 not held in perpetuity is classified as net assets with donor restrictions 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, 2020 and 2019, the University has elected not to add appreciation for cost of living or other spending policies to its donor-restricted endowment for inflation and other economic conditions.

**Summary of Endowment Assets at June 30, 2020:**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Original donor restricted gifts in perpetuity	\$ -	\$ 6,705,646	\$ 6,705,646
Accumulated earnings, term endowments and similar gifts	-	17,190,136	17,190,136
Board-designated endowment funds	7,366,418	-	7,366,418
<b>Total endowment net assets</b>	<b>\$ 7,366,418</b>	<b>\$ 23,895,782</b>	<b>\$ 31,262,200</b>

**Summary of Endowment Assets at June 30, 2019:**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Original donor restricted gifts in perpetuity	\$ -	\$ 6,703,335	\$ 6,703,335
Accumulated earnings, term endowments and similar gifts	-	16,640,122	16,640,122
Board-designated endowment funds	7,432,524	-	7,432,524
<b>Total endowment net assets</b>	<b>\$ 7,432,524</b>	<b>\$ 23,343,457</b>	<b>\$ 30,775,981</b>

**ST. THOMAS UNIVERSITY, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**15. ENDOWMENT (CONTINUED)**

**Changes in endowment net assets for the year ended June 30, 2020:**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning	\$ 7,432,524	\$ 23,343,457	\$ 30,775,981
Interest and dividends	193,493	439,261	632,754
Net realized and unrealized investment gain	227,401	599,069	826,470
Released from restriction and expenditures	(487,000)	(674,006)	(1,161,006)
Contributions	-	188,001	188,001
Endowment net assets, ending	<b>\$ 7,366,418</b>	<b>\$ 23,895,782</b>	<b>\$ 31,262,200</b>

**Changes in endowment net assets for the year ended June 30, 2019:**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning	\$ 7,424,810	\$ 21,578,315	\$ 29,003,125
Interest and dividends	209,164	456,794	665,958
Net realized and unrealized investment gain	295,550	767,008	1,062,558
Released from restriction and expenditures	(497,000)	(1,086,464)	(1,583,464)
Contributions	-	1,627,804	1,627,804
Endowment net assets, ending	<b>\$ 7,432,524</b>	<b>\$ 23,343,457</b>	<b>\$ 30,775,981</b>

**Summary of Endowment Assets:**

Endowment assets are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Investments (NOTE 7)	\$ 25,913,157	\$ 24,983,524
Investment held in trust (NOTE 8)	3,465,737	3,537,541
Pledges receivable (NOTE 5)	1,753,281	2,137,999
Cash	130,025	116,917
	<b>\$ 31,262,200</b>	<b>\$ 30,775,981</b>

**Funds with Deficiencies**

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. There were no such deficiencies in the endowment funds as of June 30, 2020 and 2019.

**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.**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**15. ENDOWMENT (CONTINUED)**

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**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.

**16. TUITION AND OTHER FEES, NET**

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For the years ended June 30, 2020 and 2019, tuition and other fees revenue is reported in the fiscal year in which educational programs are primarily conducted, net of discount and scholarship allowances of \$26,234,244 and \$22,866,468, respectively.

Certain online programs are offered in conjunction with third party academic partners. The University records the amounts at gross or net based upon the criteria established by the FASB's ASC 605-45 regarding principal/agent considerations.

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.

**17. RELATED PARTY TRANSACTIONS**

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The University is 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 \$1,008,000 and \$983,000 in insurance premiums to the Archdiocese of Miami during the years ended June 30, 2020 and 2019, 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 \$1.4 million and \$2.3 million in insurance premiums to the Archdiocese of Miami Health Plan Trust during the years ended June 30, 2020 and 2019, respectively.

**18. COMMITMENTS AND CONTINGENCIES**

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**Operating Leases**

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

**ST. THOMAS UNIVERSITY, INC.**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**18. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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**Operating Leases (Continued)**

The rent expense under operating leases was approximately \$84,000 and \$103,000 for the years ended June 30, 2020 and 2019, respectively. The minimum required lease payments under these non-cancelable operating leases are as follows for the years ending June 30:

2021	\$	72,068
2022		53,780
		<hr/>
	\$	<b>125,848</b>

**Service Agreements**

The University entered into an agreement with an outside service organization to manage the University's security. During the years ended June 30, 2020 and 2019, approximately \$426,000 and \$652,000, respectively, was paid for these security services.

On June 10, 2019, the University entered into a five-year agreement with a vendor to provide information technology services. The total amount payable under this contract is approximately \$10.2 million, subject to an annual consumer price index adjustment. The agreement expires on June 9, 2024. During the year ended June 30, 2020, approximately \$1,725,000 was paid under this contract.

The University entered into an agreement with an outside service organization to provide food services for the University's resident students. This agreement expires on 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 \$1,357,000 and \$1,413,000 for the years ended June 30, 2020 and 2019, 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 in 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, 2020 and 2019, the University's share of net revenue from online programs offered through this partnership was approximately \$1,051,000 and \$1,726,000, 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 terms of the agreement with AP call for revenue sharing, net of scholarships. During the years ended June 30, 2020 and 2019, the University's share of net revenue from online programs offered through this partnership was approximately \$3,277,000 and \$1,246,000, respectively.

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.

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

#### 18. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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##### 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.

##### Legal Matters

In December 2018, the carrier of the University's student insurance filed for bankruptcy. The University incurred approximately \$661,000 in expenses due to this event, including payment of insurance premiums for January – August 2019 to the new insurance carrier, and payment of outstanding medical claims filed between May and December 2018. There was approximately \$451,000 in expenses incurred, net of administrative fees earned, during the year ended June 30, 2019, and is reported as other expense, net in the Statements of Activities. The University was not able to recover these costs from the carrier.

#### 19. CORONAVIRUS

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Since January 2020, the coronavirus (COVID-19) outbreak has caused substantial disruption in international and U.S. economies and markets. The coronavirus and fear of further spread of the coronavirus has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated the coronavirus outbreak a pandemic. Management and the Board of Trustees are evaluating the potential adverse effect this will have on their financial position, operations and cash flows. The full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date these financial statements were available to be issued.

In response to the COVID-19 pandemic, the University took certain measures to comply with recommended safety guidelines and ensure the wellbeing of students, faculty, and staff. At the onset of the pandemic, the University quickly transitioned to 100% online instruction for the duration of the spring and summer semesters. Team sports, travel, and campus events were canceled, and resident students were required to vacate the residence halls during this period. As a result, refunds were issued of approximately \$544,000 for room and board fees, covering the remainder of the spring semester. For fall 2021, the University is offering a hybrid instruction approach.

As part of the CARES Act passed by Congress in March 2020, the University was awarded approximately \$1.3 million from the Higher Education Emergency Relief Fund. Approximately \$650,000 was received and paid directly to students to provide financial relief during the pandemic. For the year ended June 30, 2020, approximately \$541,000 was disbursed to students and recorded in the Statements of Activities as gifts and grants, and approximately \$109,000 was deferred. No funds were expended or withdrawn from the institutional portion of the award.

**ST. THOMAS UNIVERSITY, INC.**

**SUPPLEMENTAL SCHEDULE OF FINANCIAL RESPONSIBILITY  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

Financial Statement Line Item or Footnote Disclosure		Financial Statement	Amount used for Ratio
<b>Primary Reserve Ratio</b>			
<b>Expendable Net Assets</b>			
Statements of Financial Position - net assets without donor restrictions	Net assets without donor restrictions		20,926,365
Statements of Financial Position - net assets with donor restrictions	Net assets with donor restrictions		28,848,512
Note 14 to financial statements - programs	Annuities with donor restrictions		58,399
Note 14 to financial statements	Term endowments with donor restrictions		2,636,654
N/A	Life income funds with donor restrictions		-
Note 14 to financial statements	Net assets with donor restrictions: restricted in perpetuity		6,705,646
N/A	Secured and unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
Statements of Financial Position - property and equipment, net	Property, plant and equipment, net, including construction in progress	63,354,851	
Note 6 to financial statements	Property, plant and equipment; pre-implementation, leases grandfathered		36,816,435
Note 6 to financial statements - building lease	implementation - with outstanding debt for acquisition		11,100,313
Statements of Cash Flows - capital expenditures less construction in progress	implementation - without outstanding debt for acquisition		2,116,283
Note 6 to financial statements	Construction in progress		13,321,820
N/A	Lease right of use assets, net	-	
N/A	Lease right of use assets; pre-implementation leases are grandfathered		-
N/A	Lease right of use assets; post-implementation		-
N/A	Intangible assets		-
N/A	Post-employment and pension liabilities		-
Note 11 and 12 to financial statements less line of credit	Long-term debt - for long term purposes	40,167,413	
Note 11 and 12 to financial statements - bond and other capital lease	Long-term debt - for long term purposes pre-implementation leases, debt grandfathered		23,636,569
Note 11 to financial statements - capital lease dorm	Long-term debt - for long term purposes post-implementation		11,030,844
Note 12 to financial statements	Line of credit for construction in progress		5,500,000
N/A	Right of use asset lease obligation	-	
N/A	Right of use asset lease obligation - pre-implementation leases are grandfathered		-
N/A	Right of use asset lease obligation - post-implementation		-
<b>Total Expendable Net Assets</b>			<b>17,186,740</b>

**ST. THOMAS UNIVERSITY, INC.**

SUPPLEMENTAL SCHEDULE OF FINANCIAL RESPONSIBILITY  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

Financial Statement Line Item or Footnote Disclosure		Financial Statement	Amount used for Ratio
<b>Total Expenses and Losses</b>			
Statements of Activities - total operating expenses	Total expenses without donor restrictions		55,274,768
N/A	Investment loss, net investment return appropriated for spending	-	
N/A	Other components of net periodic pension costs	-	
N/A	Change in value of split interest agreements	-	
N/A	Other losses	-	
N/A	Pension-related changes other than net periodic pension costs	-	
	Non-operating and net investment loss		-
	<b>Total Expenses and Losses</b>		<b>55,274,768</b>
Financial Statement Line Item or Footnote Disclosure		Financial Statement	Amount used for Ratio
<b>Equity Ratio</b>			
<b>Modified Net Assets</b>			
Statements of Financial Position - net assets without donor restrictions	Net assets without donor restrictions		20,926,365
Statements of Financial Position - net assets with donor restrictions	Net assets with donor restrictions		28,848,512
N/A	Intangible assets		-
N/A	Secured and unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
	<b>Total Modified Net Assets</b>		<b>49,774,877</b>
<b>Modified Assets</b>			
Statements of Financial Position - total assets	Total assets		109,354,722
N/A	Lease right-of-use asset pre-implementation leases grandfathered		-
N/A	Lease right-of-use liability pre-implementation, leases grandfathered		-
N/A	Intangible assets		-
N/A	Secured and unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
	<b>Total Modified Assets</b>		<b>109,354,722</b>
Financial Statement Line Item or Footnote Disclosure		Financial Statement	Amount used for Ratio
<b>Net Income Ratio</b>			
<b>Change in Net Assets Without Donor Restrictions</b>			
Statements of Activities - increase in net assets without donor restrictions	Change in net assets without donor restrictions		9,285,565
<b>Total Revenue and Gains</b>			
Statements of Activities - total operating revenue	Total revenue without donor restrictions, including net assets released from restrictions	64,560,333	
N/A	Change in value of split-interest agreements	-	
N/A	Other gains	-	
N/A	Pension-related changes other than net periodic pension	-	
	<b>Total Revenues and Gains Without Donor Restrictions</b>		<b>64,560,333</b>

**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**

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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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2020.

**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) as a basis for designing 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 the University'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 the University'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 financial statements. 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, Ariz & Fava*

Miami, Florida  
October 29, 2020