

CARTHAGE COLLEGE

Kenosha, Wisconsin

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended June 30, 2019 and 2018

CARTHAGE COLLEGE

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Carthage College
Kenosha, Wisconsin

We have audited the accompanying financial statements of Carthage College (the "College"), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

Auditors' 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. 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 auditors' 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 Carthage College as of June 30, 2019 and 2018, 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.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
November 5, 2019

CARTHAGE COLLEGE

STATEMENTS OF FINANCIAL POSITION As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents (Note 2)	\$ 11,853,703	\$ 11,824,134
Student accounts receivable (less allowance for doubtful accounts of \$3,800,000 in 2019 and 2018)	3,213,983	3,653,702
Other receivables	315,915	313,355
Government grants receivable	1,167,154	674,482
Prepaid expenses and other assets	741,958	1,431,279
Interest rate swap asset (Note 13)	258,374	295,311
Investments (Note 7)	6,216,778	9,258,554
Endowment investments (Note 8)	121,476,201	119,411,719
Deposits	-	112,975
Student loans receivable, net (Note 9)	2,131,864	2,462,567
Funds held by others	54,094	65,087
Construction in progress (Note 10)	1,053,003	20,336,484
Property, plant and equipment, net (Note 11)	<u>175,606,046</u>	<u>155,300,115</u>
TOTAL ASSETS	<u>\$ 324,089,073</u>	<u>\$ 325,139,764</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 5,691,748	\$ 8,482,049
Deferred revenue	6,179,185	1,945,818
Deposits held in custody for others	749,921	442,831
Annuities payable	1,550,687	1,712,072
Asset retirement obligations (Note 1)	241,782	212,902
Obligation under capital lease (Note 14)	207,483	332,363
Notes payable	470,143	605,143
Bonds payable (Note 12)	50,060,000	52,250,000
Government grants refundable (Note 9)	<u>2,456,509</u>	<u>2,457,481</u>
Total Liabilities	<u>67,607,458</u>	<u>68,440,659</u>
NET ASSETS (Note 5)		
Without donor restrictions	160,079,847	163,168,610
With donor restrictions	<u>96,401,768</u>	<u>93,530,495</u>
Total Net Assets	<u>256,481,615</u>	<u>256,699,105</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 324,089,073</u>	<u>\$ 325,139,764</u>

See accompanying notes to financial statements.

CARTHAGE COLLEGE

STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Educational Activities	Investment Activities	Total Activities	Educational Activities	Investment Activities	Total Activities
NET ASSETS WITHOUT DONOR RESTRICTIONS (Board Controlled)						
Revenues, Gains and Other Support						
Tuition and fees	\$ 115,361,265	\$ -	\$ 115,361,265	\$ 110,359,171	\$ -	\$ 110,359,171
Less: Scholarships and grants	(65,719,587)	-	(65,719,587)	(61,853,397)	-	(61,853,397)
Endowed scholarships and governmental grants	(2,942,513)	-	(2,942,513)	(2,025,152)	-	(2,025,152)
Net tuition and fees	46,699,165	-	46,699,165	46,480,622	-	46,480,622
Government grants	613,911	-	613,911	461,643	-	461,643
Contributions	1,043,154	-	1,043,154	888,611	-	888,611
Endowment income	-	577,011	577,011	-	465,410	465,410
Other investment income	79,350	351,690	431,040	413,942	11,027	424,969
(Loss) gain on interest rate swap	(36,937)	-	(36,937)	276,861	-	276,861
Realized (losses) gains on investments	(21,097)	70,289	49,192	(45,326)	191,918	146,592
Unrealized gains on investments	1,022	824,246	825,268	44,944	2,413,472	2,458,416
Sales and services of auxiliary enterprises	22,806,626	-	22,806,626	22,161,464	-	22,161,464
Other sources	446,328	15,575	461,903	1,283,628	-	1,283,628
Matured deferred gifts	1,898	(1,898)	-	38,723	(38,723)	-
Adjustment of actuarial liability for annuities payable	-	(140,824)	(140,824)	-	10,716	10,716
Appropriation of endowment assets for expenditure	1,084,969	(1,084,969)	-	835,134	(835,134)	-
	72,718,389	611,120	73,329,509	72,840,246	2,218,686	75,058,932
Net assets released from restrictions - (Note 6)						
Operations	3,508,652	(236,403)	3,272,249	2,682,937	-	2,682,937
Capital	1,049,890	-	1,049,890	261,488	-	261,488
Endowment	3,544,108	-	3,544,108	2,539,486	-	2,539,486
Total Revenues, Gains and Other Support	80,821,039	374,717	81,195,756	78,324,157	2,218,686	80,542,843
Expenses						
Program						
Instruction	31,820,991	-	31,820,991	32,011,775	-	32,011,775
Academic support	5,990,756	-	5,990,756	5,252,119	-	5,252,119
Public service	129,783	-	129,783	160,035	-	160,035
Student services	13,243,636	-	13,243,636	13,234,778	-	13,234,778
Auxiliary enterprises	14,723,550	-	14,723,550	15,061,544	-	15,061,544
Support expenses						
Institutional support	18,359,513	16,290	18,375,803	17,051,931	20,666	17,072,597
Allocable expenses						
Operation and maintenance of plant	8,101,581	-	8,101,581	7,216,658	-	7,216,658
Depreciation and accretion	6,706,753	-	6,706,753	6,969,722	-	6,969,722
Interest	1,459,029	-	1,459,029	934,145	-	934,145
Less allocated expenses	(16,267,363)	-	(16,267,363)	(15,120,525)	-	(15,120,525)
Total Operating Expenses	84,268,229	16,290	84,284,519	82,772,182	20,666	82,792,848
Change in Net Assets Without Donor Restrictions	(3,447,190)	358,427	(3,088,763)	(4,448,025)	2,198,020	(2,250,005)
Endowment transfer	(90,000)	90,000	-	(630,318)	630,318	-
Change in Net Assets Without Donor Restrictions after Transfer to Endowment	(3,537,190)	448,427	(3,088,763)	(5,078,343)	2,828,338	(2,250,005)

See accompanying notes to financial statements.

CARTHAGE COLLEGE

STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Educational Activities	Investment Activities	Total Activities	Educational Activities	Investment Activities	Total Activities
NET ASSETS WITH DONOR RESTRICTIONS						
Contributions	\$ 1,675,394	\$ 799,939	\$ 2,475,333	\$ 1,022,676	\$ 511,396	\$ 1,534,072
Governmental grants	2,131,301	-	2,131,301	1,398,974	-	1,398,974
Other grants	-	-	-	118,357	-	118,357
Endowment income	-	2,391,576	2,391,576	-	1,714,840	1,714,840
Realized gains on investments	-	203,891	203,891	-	531,867	531,867
Unrealized gains on investments	-	2,466,051	2,466,051	-	6,546,067	6,546,067
Adjustment of actuarial liability	-	300,224	300,224	-	113,618	113,618
Matured deferred gifts	193,521	(193,521)	-	16,855	(16,855)	-
Other income	-	3,166	3,166	-	16	16
Other investment income	-	598	598	-	1,636	1,636
Other sources	765,380	-	765,380	(10,284)	-	(10,284)
	<u>4,765,596</u>	<u>5,971,924</u>	<u>10,737,520</u>	<u>2,546,578</u>	<u>9,402,585</u>	<u>11,949,163</u>
Net assets released from restrictions - (Note 6)						
Operations	(3,272,249)	-	(3,272,249)	(2,682,937)	-	(2,682,937)
Capital	(1,049,890)	-	(1,049,890)	(261,488)	-	(261,488)
Endowment	-	(3,544,108)	(3,544,108)	-	(2,539,486)	(2,539,486)
	<u>443,457</u>	<u>2,427,816</u>	<u>2,871,273</u>	<u>(397,847)</u>	<u>6,863,099</u>	<u>6,465,252</u>
Change in Net Assets With Donor Restrictions						
	<u>443,457</u>	<u>2,427,816</u>	<u>2,871,273</u>	<u>(397,847)</u>	<u>6,863,099</u>	<u>6,465,252</u>
CHANGE IN TOTAL NET ASSETS	(3,093,733)	2,876,243	(217,490)	(5,476,190)	9,691,437	4,215,247
NET ASSETS - Beginning of Year	<u>138,633,415</u>	<u>118,065,690</u>	<u>256,699,105</u>	<u>144,109,605</u>	<u>108,374,253</u>	<u>252,483,858</u>
NET ASSETS - END OF YEAR	<u>\$ 135,539,682</u>	<u>\$ 120,941,933</u>	<u>\$ 256,481,615</u>	<u>\$ 138,633,415</u>	<u>\$ 118,065,690</u>	<u>\$ 256,699,105</u>

See accompanying notes to financial statements.

CARTHAGE COLLEGE

STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (217,490)	\$ 4,215,247
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and accretion	6,706,753	6,969,722
Amortization of notes payable	(135,000)	(135,225)
Actuarial adjustment for annuities payable	38,672	141,606
(Increase) decrease in allowance for student accounts receivable	-	(1,829,000)
Loan cancellations and write-offs	3,620	7,638
Contributions restricted for long-term investment and plant	(1,761,163)	(875,727)
Interest and dividends restricted for reinvestment	(29,013)	(20,272)
Gain on endowment investments	(3,246,115)	(9,043,793)
Gain on investments	(298,287)	(734,397)
Loss (gain) on interest rate swap	36,937	(276,861)
Contribution of non-cash investment	-	(333,362)
Contribution of non-cash property, plant and equipment	(55,200)	(30,000)
Changes in operating assets and liabilities		
Student accounts receivable	439,719	3,328,698
Government grants receivable	(492,672)	9,394
Other receivables	(2,560)	498,940
Prepaid expenses and other assets	689,321	(763,660)
Deposits	112,975	540,289
Funds held by others	10,993	(1,131)
Accounts payable and accrued liabilities	(1,100,087)	(676,056)
Deferred revenue	4,233,367	692,883
Deposits held in custody for others	307,090	(20,994)
Net Cash Flows from Operating Activities	<u>5,241,860</u>	<u>1,663,939</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(7,742,951)	(3,955,197)
Sales of investments	10,985,063	8,112,209
Purchases of endowment investments	(8,468,290)	(9,489,529)
Sales of endowment investments	9,747,874	6,665,315
Proceeds from sale of fixed assets	650	11,576
Purchases of property, plant and equipment	(9,335,987)	(22,073,271)
Loans advanced to students	-	(343,854)
Principal collections on loans to students	327,083	401,895
Net Cash Flows from Investing Activities	<u>(4,486,558)</u>	<u>(20,670,856)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	(124,880)	(110,027)
Payments on bonds payable	(2,190,000)	(3,000,000)
Contributions received restricted for long-term investment and plant	1,761,163	875,727
Receipts of interest and dividends restricted for reinvestment	29,013	20,272
Payments to annuitants	(200,057)	(206,073)
Increase (decrease) in government grants refundable	(972)	(10,065)
Net Cash Flows from Financing Activities	<u>(725,733)</u>	<u>(2,430,166)</u>
Net Change in Cash and Cash Equivalents	29,569	(21,437,083)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>11,824,134</u>	<u>33,261,217</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 11,853,703</u>	<u>\$ 11,824,134</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Interest paid, net of capitalized interest of \$105,633 in 2019 and \$537,547 in 2018	\$ 1,459,028	\$ 967,206
Purchase of property, plant, and equipment included in accounts payable	348,295	2,038,509
Property, plant, and equipment acquired by capital lease	-	442,390
Donated property, plant and equipment	55,200	30,000

See accompanying notes to financial statements.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Carthage College (the "College") is a four-year liberal arts college affiliated with the Evangelical Lutheran Church in America. The accounting policies of the College reflect practices common to colleges and universities and conform to generally accepted accounting principles. The more significant accounting policies are summarized below:

Net Asset Classifications - For the purposes of financial reporting, the College classifies resources into two net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the College are classified in the accompanying financial statements in the categories that follow:

With Donor Restrictions- Net assets subject to donor-imposed stipulations that will be met by action of the College and/or the passage of time or maintained permanently by the College. Generally, the donors of assets held in perpetuity, permit the College to use all or part of the income earned on related investments for general or specific purposes.

Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Income earned on donor restricted funds is initially classified as net assets with donor restrictions and is reclassified as net assets without donor restrictions when expenses are incurred for their intended purpose.

Contributions are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues with donor restrictions; the restrictions are considered to be released at the time such long-lived assets are placed in service.

Gains and losses on investments of endowment funds created by a board designation of funds are classified as changes in net assets without donor restrictions.

Gains and losses on investments of endowment funds created by donor restricted funds are classified as changes in net assets with donor restrictions.

Tuition and Fees and Auxiliary Revenues - Tuition revenue is recognized in the period the classes are provided. Revenue from auxiliary enterprises is recognized when goods or services are provided. Financial assistance in the form of scholarships and grants that cover a portion of tuition, living and other costs is reflected as a reduction of tuition and fees revenues.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

Cash and Cash Equivalents - The College considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

Receivables - Student accounts receivable are carried at the unpaid balance of the original amount billed to students. Receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. The College does not charge interest on student accounts if payments are received as scheduled. However, the College will charge a fee for late receipt of a scheduled payment equal to 1% per month of the past due balance. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts receivable are written-off when deemed uncollectible. Recoveries of student accounts receivable previously written-off are recorded when received. Receivables are generally unsecured.

Property, Plant and Equipment - Physical plant assets are stated at cost at the date of acquisition less accumulated depreciation. The College depreciates its assets on the straight-line basis over the estimated useful lives of the assets, which range from 5 to 60 years. Prior to fiscal year 2019, the College capitalized additions of \$1,000 or more. In fiscal year 2019, the College increased the capitalization threshold to \$5,000. Normal repair and maintenance expenses are charged to operations as incurred.

Impairment of Long-Lived Assets - The College reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses recorded.

Deferred Revenue - Certain revenue related to education programs is deferred and recognized as revenue in the same period services are performed. Students are generally billed for courses prior to the start of the course.

Asset Retirement Obligations - The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the retirement obligation is capitalized by increasing the carrying value of the related asset. Over time, the liability is accreted to its present value each year and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities. The College reviews its estimates annually and adjusts the recorded liability as needed.

Substantially all of the College's asset retirement obligations relate to estimated costs to remove asbestos from campus facilities. The estimate of the losses that are probable for asbestos removal was calculated using the expected cash flow approach and based on an inventory of the College's long-lived assets combined with an estimate of the current market prices to remove the asbestos. The College utilized a credit-adjusted risk-free rate to discount the asset retirement obligation.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

Changes in the accrual for asset retirement obligations during the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Balance, Beginning of the year	\$ 212,902	\$ 184,022
Accretion expense	<u>28,880</u>	<u>28,880</u>
Balance, End of the year	<u>\$ 241,782</u>	<u>\$ 212,902</u>

Notes Payable - The College received a cash contribution by a third party vendor relating to various capital additions. This amount is being recognized as revenue over the life of the contract.

Government Grants Refundable - Funds provided by the United States Government under the Federal Perkins Loan Program were loaned to qualified students. These funds are ultimately refundable to the government and are included as liabilities in the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are recorded as receivables.

Unemployment Compensation - Educational institutions in certain states have the option of paying state unemployment tax at the rate in effect for the year on the applicable compensation of all employees or paying unemployment claims as they arise. The College has elected the latter. The State of Wisconsin requires the College to have a letter of credit which is based on the number of employees and salaries paid. The required letter of credit was \$332,239 at June 30, 2019 and 2018. The letter of credit has an interest rate of 4.33% and matures December 31, 2021. No payments were made under this letter of credit for either of the years ended June 30, 2019 and 2018.

Grants to Specified Students - Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the College.

Income Tax Status - The Internal Revenue Service has determined the College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the College is not subject to federal income taxes except to the extent it derives income from certain activities not substantially related to its tax-exempt purposes (unrelated trade or business activities). The College is also exempt from state income tax. At June 30, 2019 and 2018, the College had no obligation for unrelated business income tax.

The College follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the College for uncertain tax positions as of June 30, 2019 and 2018. The College's tax returns are subject to review and examination by federal and state authorities.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

Pledges - All pledge documents used by the College include the notation that pledged amounts are not considered by the College to be an enforceable obligation. Accordingly, all pledges are regarded as expressions of intent to contribute, rather than promises to pay, and therefore are not recorded as assets.

Fund-Raising Expenses - Fund-raising expenses totaled approximately \$1,985,000 and \$1,899,000 for the years ended June 30, 2019 and 2018, respectively.

Advertising Costs - Advertising costs are expensed as incurred.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Reclassifications - Certain amounts appearing in the 2018 financial statements have been reclassified to conform with the 2019 presentation. The reclassifications have no effect on reported amounts of total assets, total net assets or change in total net assets.

New Accounting Pronouncements Not Yet Effective - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. The ASU is effective for fiscal years beginning after December 15, 2018 (fiscal year 2020). The College is assessing the impact this new standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. The ASU is effective for fiscal years beginning after December 15, 2019 (fiscal year 2021). Early application is permitted for all entities. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The College is assessing the impact this standard will have on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Not-for-profit entities that do not have conduit debt should apply the amendments for fiscal years beginning after December 15, 2018 (fiscal year 2020). The College is assessing the impact this standard will have on its financial statements.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

New Accounting Pronouncement Adopted in Current Year - In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The College adopted the provisions of this new standard during the year ended June 30, 2019. The primary changes include presenting two classes of net assets versus the three categories previously required. The standard also provides for enhanced disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both natural and functional classification. This standard has been retrospectively applied to the prior period presented with certain transition provisions.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents held by the College for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018	Restriction
Operating cash	\$ 7,551,908	\$ 3,006,634	Without donor restrictions
Alternative loan cash	43,072	273,827	Donor restricted
Perkins loan cash	696,668	368,156	Donor restricted
Institutional loan cash	512,571	506,314	Donor restricted
Cash balances	<u>8,804,219</u>	<u>4,154,931</u>	
Johnson Trust investments	3,049,484	1,262,045	Donor restricted
U.S. Bank investments	-	6,407,158	Donor restricted for construction
Cash equivalent balances, end of year	<u>3,049,484</u>	<u>7,669,203</u>	
Total cash and cash equivalents	<u>\$ 11,853,703</u>	<u>\$ 11,824,134</u>	
Cash and cash equivalents without donor restrictions	\$ 7,551,908	\$ 3,006,634	
Cash and cash equivalents with donor restrictions	<u>4,301,795</u>	<u>8,817,500</u>	
Total cash and cash equivalents	<u>\$ 11,853,703</u>	<u>\$ 11,824,134</u>	

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair Value Hierarchy - Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 3 - FAIR VALUE MEASUREMENTS (cont.)

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.
- Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

Valuation Techniques and Inputs

Level 1 - Level 1 assets include:

- > Government obligations (consisting of U.S. Treasury securities), corporate obligations, and mutual funds for which quoted prices are readily available or that trade with sufficient frequency and volume to enable the College to obtain pricing information on an ongoing basis.

Level 2 - Level 2 assets include:

- > Short term investments (consisting primarily of money market funds) for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.
- > An interest rate swap asset as the fair value is based on observable inputs to a valuation model which take into account the present value of the estimated future cash flows and credit value adjustments.

Level 3 - Level 3 assets include:

- > Funds held by others consisting of the College's beneficial interest in irrevocable split interest agreements held or controlled by a third party for which quoted prices are not readily available. The fair values are estimated using an income approach by calculating the present value of the future distributions expected to be received over the term of the agreements based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows).

There have been no changes in the techniques and inputs used as of June 30, 2019 and 2018.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 3 - FAIR VALUE MEASUREMENTS (cont.)

The following table presents information about the College's assets measured at fair value on a recurring basis as of June 30, 2019 based on the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
ASSETS				
Short-term investments	\$ 5,587,188	\$ -	\$ 5,587,188	\$ -
Government obligations	179,835	179,835	-	-
Corporate obligations	349,913	349,913	-	-
Interest rate swap asset	258,374	-	258,374	-
Mutual funds - equity				
Domestic	65,608,319	65,608,319	-	-
Foreign	37,902,312	37,902,312	-	-
Real estate	6,062,049	6,062,049	-	-
Mutual funds - fixed income				
Domestic	14,269,204	14,269,204	-	-
Funds held by others	54,094	-	-	54,094
Total	\$ 130,271,288	\$ 124,371,632	\$ 5,845,562	\$ 54,094

Financial assets not measured at fair value included in statement of financial position amounts:

Certificates of deposit	597,992
Other assets	185,651
	\$ 131,054,931

Per Statement of Financial Position

Cash and cash equivalents (Note 2)	\$ 3,049,484
Interest rate swap asset	258,374
Investments	6,216,778
Endowment investments	121,476,201
Funds held by others	54,094
	\$ 131,054,931

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended June 30, 2019:

	Balance June 30, 2018	Realized and unrealized losses	Additions	Dispositions	Balance June 30, 2019
Assets					
Funds held by others	\$ 65,087	\$ (9,095)	\$ -	\$ (1,898)	\$ 54,094

The amount of total loss for the period included in change in net assets attributable to the change in unrealized losses relating to assets measured at fair value still held at June 30, 2019.

\$ (9,095)

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 3 - FAIR VALUE MEASUREMENTS (cont.)

The following table presents information about the College's assets measured at fair value on a recurring basis as of June 30, 2018 based on the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
ASSETS				
Short-term investments	\$ 7,697,050	\$ -	\$ 7,697,050	\$ -
Government obligations	3,425,514	3,425,514	-	-
Corporate obligations	1,722,477	1,722,477	-	-
Interest rate swap asset	295,311	-	295,311	-
Mutual funds - equity				
Domestic	67,494,894	67,494,894	-	-
Foreign	38,096,005	38,096,005	-	-
Real estate	5,323,440	5,323,440	-	-
Mutual funds - fixed income				
Domestic	11,800,020	11,800,020	-	-
Funds held by others	<u>65,087</u>	<u>-</u>	<u>-</u>	<u>65,087</u>
Total	135,919,798	<u>\$ 127,862,350</u>	<u>\$ 7,992,361</u>	<u>\$ 65,087</u>

Financial assets not measured at fair value included in statement of financial position amounts:

Certificates of deposit	594,426
Other assets	185,650
	<u>\$ 136,699,874</u>

Per Statement of Financial Position

Cash and cash equivalents (Note 2)	\$ 7,669,203
Interest rate swap asset	295,311
Investments	9,258,554
Endowment investments	119,411,719
Funds held by others	65,087
	<u>\$ 136,699,874</u>

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended June 30, 2018:

	Balance June 30, 2017	Realized and unrealized gains	Additions	Dispositions	Balance June 30, 2018
Assets					
Funds held by others	<u>\$ 63,956</u>	<u>\$ 1,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,087</u>

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains relating to assets measured at fair value still held at June 30, 2018.

\$ 1,131

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 4 - LIQUIDITY AND AVAILABILITY

The following reflects the College's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investment in the board-designated endowments that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or board designated endowment for general expenditures within one year of the statement of financial position date have not been subtracted as unavailable.

	2019	2018
Financial assets, at year-end	\$ 144,243,734	\$ 145,135,946
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Donor restricted endowment (Note 8)	(76,709,232)	(74,433,737)
Cash restricted by donors (Note 2)	(4,301,795)	(8,817,500)
Investments restricted by donors for plant (Note 7)	(597,992)	(594,426)
Government grants receivable - restricted by Federal regulations	(237,486)	(114,128)
Deferred gift annuity investments (Note 17)	(2,981,844)	(3,193,603)
Other donor restricted assets	(8,457,793)	(3,289,095)
Board designations		
Endowment funds	(34,786,572)	(34,546,399)
Amounts set aside for Tarble Aspire Center capital projects	(2,200,000)	-
Amounts set aside for Tarble Aspire Center launch expenses	(350,000)	-
Amounts designated as 5.5% spending rate - general	5,062,784	4,645,160
Amounts designated as 5.5% spending rate - Tarble	877,220	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 19,561,024	\$ 24,792,218

The College seeks to maintain financial assets on hand to meet 60 - 90 days of normal operating expenses, which is approximately \$21 million. Due to the majority of tuition dollars coming in the fall and spring, the liquidity reported above at June 30 is lower than at most other times during the year. The College has available \$34.8 million in Board designated funds that are available to cover operating expenses upon Board approval, if needed. In addition, the College has a line of credit with an available balance of \$10 million at June 30, 2019.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 5 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Net assets were allocated as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Without donor restrictions		
Operations and investment in plant	\$ 124,643,265	\$ 127,829,689
Student loan funds	452,519	452,309
Endowment funds	34,786,572	34,546,399
Annuity, life, income and similar funds	<u>197,491</u>	<u>340,213</u>
Totals without donor restrictions	<u>160,079,847</u>	<u>163,168,610</u>
With donor restrictions		
Purpose and time restricted		
Gifts and other unexpended revenues and gains available for:		
Scholarships, instruction and other support	2,524,079	1,618,128
Acquisition of land, buildings and equipment	<u>1,644,184</u>	<u>1,471,472</u>
	4,168,263	3,089,600
Table Aspire Center	13,730,289	14,365,495
Endowment funds – accumulated earnings	41,858,213	40,360,200
Annuity, life, income, and similar fund	<u>901,742</u>	<u>819,734</u>
Total purpose and time restricted	<u>60,658,507</u>	<u>58,635,029</u>
Held in perpetuity		
Endowment funds	34,851,019	34,073,537
Student loan funds	547,126	527,279
Annuity, life income and similar funds	<u>345,116</u>	<u>294,650</u>
Total held in perpetuity	<u>35,743,261</u>	<u>34,895,466</u>
Totals with donor restrictions	<u>96,401,768</u>	<u>93,530,495</u>
Total Net Assets	<u>\$ 256,481,615</u>	<u>\$ 256,699,105</u>

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions during the years ended June 30, 2019 and 2018 by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	<u>2019</u>	<u>2018</u>
Acquisition of land, buildings and equipment	\$ 1,049,890	\$ 261,488
Scholarships, instruction and other support	<u>6,816,357</u>	<u>5,222,423</u>
Totals	<u>\$ 7,866,247</u>	<u>\$ 5,483,911</u>

These net assets were reclassified to net assets without donor restrictions as follows:

Operations	\$ 3,272,249	\$ 2,682,937
Capital	1,049,890	261,488
Endowment	<u>3,544,108</u>	<u>2,539,486</u>
Totals	<u>\$ 7,866,247</u>	<u>\$ 5,483,911</u>

NOTE 7 - INVESTMENTS

The following summarizes the College's investments, which are recorded at fair value unless otherwise noted, at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Certificates of deposit (at cost)	\$ 597,992	\$ 594,426
Money market accounts	44,290	27,847
Mutual funds	4,965,999	3,409,540
Corporate obligations	349,912	1,722,477
Government obligations	179,835	3,425,514
Real estate	<u>78,750</u>	<u>78,750</u>
Totals	<u>\$ 6,216,778</u>	<u>\$ 9,258,554</u>

Included above are investment assets of \$597,992 and \$594,426 donor restricted for construction purposes as of June 30, 2019 and 2018, respectively.

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 8 - ENDOWMENT

The College's endowment consists of 325 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. In 2018, any accounts containing board designated funds were separated out into new accounts, segregating them from donor designated funds. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The College's governing board has interpreted the Wisconsin enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. See Note 1 for further information on net asset classifications.

Donor-restricted endowment funds are included in net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net asset composition by type of fund consists of the following as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions			Total Funds June 30, 2019
		Original Gift	Accumulated Gains	Total	
Board-designated endowment funds	\$ 34,786,572	\$ -	\$ -	\$ -	\$ 34,786,572
Donor-restricted endowment funds	-	34,851,019	41,858,213	76,709,232	76,709,232
Total endowment net assets	\$ 34,786,572	\$ 34,851,019	\$ 41,858,213	\$ 76,709,232	\$ 111,495,804

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 8 - ENDOWMENT (cont.)

Endowment net asset composition by type of fund consists of the following as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions		Total	Total Funds June 30, 2018
		Original Gift	Accumulated Gains		
Board-designated endowment funds	\$ 34,546,399	\$ -	\$ -	\$ -	\$ 34,546,399
Donor-restricted endowment funds	-	34,073,537	40,360,200	74,433,737	74,433,737
Total endowment net assets	\$ 34,546,399	\$ 34,073,537	\$ 40,360,200	\$ 74,433,737	\$ 108,980,136

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	\$ 34,546,399	\$ 74,433,737	\$ 108,980,136
Investment return	1,235,142	5,061,518	6,296,660
Contributions		774,168	774,168
Appropriation of endowment assets for expenditure	(1,084,969)	(3,560,191)	(4,645,160)
Other changes:			
Transfer from restricted funds	90,000	-	90,000
Endowment net assets, June 30, 2019	\$ 34,786,572	\$ 76,709,232	\$ 111,495,804

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2017	\$ 32,331,784	\$ 67,612,597	\$ 99,944,381
Investment return	2,419,431	8,792,773	11,212,204
Contributions	-	435,500	435,500
Other sources - Matured deferred gifts	-	144,192	144,192
Appropriation of endowment assets for expenditure	(835,134)	(2,551,325)	(3,386,459)
Other changes:			
Transfer from operations to Board Designated	586,459	-	586,459
Transfer from restricted funds	43,859	-	43,859
Endowment net assets, June 30, 2018	\$ 34,546,399	\$ 74,433,737	\$ 108,980,136

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2019 and 2018.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 8 - ENDOWMENT (cont.)

Return Objectives and Risk Parameters - The College had 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 College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that exceed the spending rate plus inflation while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide an average nominal rate of return of approximately 9% annually. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the College 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 College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How Investment Objectives Relate to Spending Policy - For the years ended June 30, 2019 and 2018, the College appropriated for distribution 5.5% and 4.5%, respectively, of its endowment fund's average fair value over the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow at an average real rate of 6.0% annually. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment Investments - The following summarizes the College's endowment investments, which are recorded at fair value unless otherwise noted, and a reconciliation to endowment net assets at June 30, 2019 and 2018:

	2019	2018
Mutual funds	\$ 121,369,301	\$ 119,304,819
Preferred stocks (at cost)	100,000	100,000
Other investments (at cost)	6,900	6,900
Endowment investments	121,476,201	119,411,719
Donor gift pending board designated endowment	(6,000,000)	(6,000,000)
Income without donor restrictions on pending endowment	(1,987,450)	(1,566,368)
Due (to) from operations - endowment draw	(2,800,003)	(2,800,003)
Due (to) from operations	807,056	(65,212)
Total endowment net assets	\$ 111,495,804	\$ 108,980,136

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

All interfund balances have been eliminated in the financial statements.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 9 - CREDIT QUALITY OF STUDENT LOAN RECEIVABLES

The College issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. At both June 30, 2019 and 2018, student loans represented approximately 1.0% of total assets.

At June 30, student loans consisted of the following:

	2019	2018
Perkins Federal government programs	\$ 2,649,816	\$ 2,978,355
Institutional programs	47,048	49,212
	2,696,864	3,027,567
Less allowance for doubtful accounts		
Beginning of year	(565,000)	(565,000)
Increases/Decreases	-	-
End of year	(565,000)	(565,000)
Student loans receivable, net	\$ 2,131,864	\$ 2,462,567

Funds advanced by the Federal government of \$2,456,509 and \$2,457,481 at June 30, 2019 and 2018, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position.

The Extension Act amended section 461 of the Higher Education Act to end the College's authority to make new Perkins Loans after June 30, 2018. The College is not required to assign the outstanding Perkins Loans to the Department of Education or liquidate their Perkins Loan Funds due to the wind-down of the Perkins Loan Program. However, the College may choose to liquidate at any time in the future. As of June 30, 2019, the College continues to service the Perkins Loan Program.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student loans receivable and is recognized as it is charged. Student loans receivable through the loan programs are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late charges are charged and recognized. The Federal Perkins Loan Program receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education.

At June 30, 2019 and 2018, the following amounts were past due under student loan programs:

June 30	Amounts Past Due			
	1-60 days	60-90 days	90+ days	Total
2019	\$ 1,197	\$ 3,047	\$ 777,761	\$ 782,005
2018	1,312	3,495	761,946	766,753

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 10 - CONSTRUCTION IN PROGRESS

The College has ongoing construction projects. The cost of these projects incurred is included in the statements of financial position as construction in progress. Retainages are included in accounts payable.

At June 30, 2019, the following construction projects were in progress:

	<u>Costs to Date</u>	<u>Estimated Total Cost</u>	<u>Funding Plan</u>
Dormitory Electric Upgrade	\$ 399,652	\$ 380,000	Operations
TWC Boiler	132,108	350,000	Operations
Various Deferred Maintenance	<u>521,243</u>	<u>895,000</u>	Operations
Totals	<u>\$ 1,053,003</u>	<u>\$ 1,625,000</u>	

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 763,535	\$ 763,535
Land improvements	18,823,871	18,439,956
Buildings and improvements	183,632,357	159,636,128
Equipment	45,050,420	42,508,071
Library books and nondepreciable assets	<u>1,780,219</u>	<u>1,874,405</u>
	250,050,402	223,222,095
Less: Accumulated depreciation	<u>(74,444,356)</u>	<u>(67,921,980)</u>
Totals	<u>\$ 175,606,046</u>	<u>\$ 155,300,115</u>

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 12 - BONDS PAYABLE

Bonds payable at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series D was paid in full in May 2019. Interest was payable on a semi-annual basis in May and November and accrued daily on the outstanding principal amount. Interest on the Series D bonds was determined based on a fixed rate of 5.95%.	\$ -	\$ 1,250,000
Wisconsin Health and Educational Facilities Authority Revenue Refunding Bonds, Series 2015, has a tender date of April 30, 2025. Interest is payable monthly. The interest rate is variable based on a LIBOR adjusted rate and was 2.99% at June 30, 2019 and 2018.	10,250,000	10,250,000
Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2017A, has a tender date of June 21, 2027. Interest is payable monthly. The interest rate is variable based on a LIBOR adjusted rate and was 2.86% at June 30, 2019 and 2018.	20,850,000	21,250,000
Wisconsin Health and Educational Facilities Authority Revenue Refunding Bonds, Series 2017B, has a tender date of June 21, 2027. Interest is payable monthly. The interest rate is variable based on a LIBOR adjusted rate and was 3.07% and 2.72% and June 30, 2019 and 2018, respectively. There is an interest rate swap agreement in place to convert effectively to a fixed rate (Note 13)	14,460,000	15,000,000
Wisconsin Health and Educational Facilities Authority Revenue Refunding Bonds, Series 2017C, has a tender date of June 21, 2020. The College has undertaken discussions with the lender to extend the maturity date. Interest is payable monthly. The interest rate is variable based on a LIBOR adjusted rate and was 2.710% and 2.355% at June 30, 2019 and 2018, respectively.	4,500,000	4,500,000
Totals	\$ 50,060,000	\$ 52,250,000

On May 5, 1999, the Wisconsin Health and Educational Facilities Authority issued \$25,000,000 of tax-exempt revenue bonds on behalf of Carthage College to Morgan Guaranty Trust Company of New York. These bonds are unsecured and were issued for the purposes of renovating and equipping the College's facilities and to repay the 1988 series bonds. The bonds were retired in May 2019.

On April 30, 2015, the Wisconsin Health and Educational Facilities Authority issued \$10,250,000 of tax-exempt revenue bonds on behalf of Carthage College to BMO Harris Bank N.A. These bonds are unsecured and were issued to redeem \$4,000,000 of the 1995 series bonds and refinance \$6,250,000 of the 1999 series A bonds.

On June 21, 2017, the Wisconsin Health and Educational Facilities Authority issued \$21,250,000 of tax-exempt revenue bonds on behalf of Carthage College to BMO Harris Bank N.A. These bonds are unsecured and were issued for the purpose of financing construction of The Tower Residence Hall.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 12 - BONDS PAYABLE (cont.)

On June 21, 2017, the Wisconsin Health and Educational Facilities Authority issued \$15,000,000 of tax-exempt revenue bonds on behalf of Carthage College to BMO Harris Bank N.A. These bonds are unsecured and were issued to refinance the remaining outstanding balance of the 2013 series revenue bond issues.

On June 21, 2017, the Wisconsin Health and Educational Facilities Authority issued \$6,250,000 of tax-exempt revenue bonds on behalf of Carthage College to BMO Harris Bank N.A. These bonds are unsecured and were issued to refinance the remaining outstanding balance of the 2012 revenue bonds.

The bonds issued under the Wisconsin Health and Educational Facilities Authority also are subject to various restrictive covenants which include the requirement that the College maintain a certain level of liquid assets and meet debt service coverage ratios. The College obtained a covenant waiver subsequent to year end.

Certain of the bonds payable are due on demand, but if no demand is made, scheduled maturities of the bonds payable for the five years subsequent to June 30, 2019 are:

<u>Year</u>	<u>Principal</u>
2020	\$ 6,505,000
2021	2,045,000
2022	2,085,000
2023	2,130,000
2024	2,175,000
Thereafter	<u>35,120,000</u>
	<u>\$ 50,060,000</u>

NOTE 13 - INTEREST RATE SWAP

In June 2017, the Wisconsin Health and Educational Facilities Authority issued \$15,000,000 of tax-exempt revenue bonds on behalf of Carthage College to BMO Harris Bank N.A. Interest rate on the bonds is variable, with an initial rate of 1.585%. The College swapped 100% of its variable rate cash flow exposure on this bond series for fixed rate cash flows by entering into receive-variable, pay-fixed interest rate swap. Under the interest rate swap, the College receives variable-rate interest rate payments and makes fixed interest rate payments, thereby creating substantially fixed interest rate payments on the related debt obligation.

In November 2017, the College novated a 10-year swap to PNC Bank, at an annual fixed rate of 1.557%. The notional amount at June 30, 2019 and 2018 was equal to \$14,460,000 and \$15,000,000, respectively. The College's variable rate receipts are tied to a percentage of one-month LIBOR. Over the ten years, it is anticipated that additional biannual principal payments of \$1,500,000 are made beginning in 2020, bringing the notional amount down to \$6,000,000 by 2026. Any unpaid principal payments not paid as anticipated would be subject to the variable interest rate in place at that time. If payments exceed this schedule or the loan is paid off, this swap is allowed to be applied to another debt issue.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 13 - INTEREST RATE SWAP (cont.)

Derivative instruments are reported in the statements of financial position at fair value as of June 30, 2019 and 2018 as follows:

Derivatives Not Designated as Hedging Instruments	Statements of Financial Position Location	Derivative	
		Fair Value	
		2019	2018
Interest rate swap	Interest rate swap asset	\$ 258,374	\$ 295,311

The effect of derivative instruments is reported in the statements of activities as follows:

Derivatives Not Designated as Hedging Instruments	Location of (Loss)Gain on Derivatives Recognized in the Statements of Activities	Amount of Gain on Derivatives Recognized in the Statements of Activities	
		2019	2018
		Interest rate swap	(Loss)gain on interest rate swap

Providing the College holds the swaps to maturity, the value of the derivative will be zero. These swapping transactions can be terminated at market rates at any time during the term of the swap.

NOTE 14 - CAPITAL LEASE OBLIGATIONS

During fiscal 2018, the college entered into a master lease agreement for personal property, including computer equipment and software totaling \$442,390. There are two separate sub-schedules under this master lease agreement beginning August and September 2017. These leases have monthly payments of \$5,715 and \$5,648 for a period of 36 and 48 months, respectively. Amortization expense for the year ended June 30, 2019 and 2018 was \$128,956 and \$126,717, respectively and is included in depreciation expense. Accumulated amortization totaled \$255,673 and \$126,717 on these assets as of June 30, 2019 and 2018, respectively.

Future minimum lease payments under these leases are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 130,148	\$ 6,205	\$ 136,353
2021	71,707	1,784	73,491
2022	5,628	20	5,648
	<u>\$ 207,483</u>	<u>\$ 8,009</u>	<u>\$ 215,492</u>

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 15 - RETIREMENT PLANS

The College has certain defined contribution retirement plans for substantially all personnel. Contributions for these employees are based on a percentage of annual compensation. The cost of the retirement plans is paid currently and approximated \$2,583,000 and \$2,294,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE 16 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, marketable securities, other investments and accounts and notes receivable. Cash and cash equivalents in excess of federally insured limits are subject to the usual risks of balances in excess of those limits. The majority of the College's cash and cash equivalents are on deposit with a single bank. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. At June 30, 2019, the College's had approximately 97% of the total investments with one fund manager and 53% in two individual investments. Student notes and receivables and other receivables are due from a variety of sources concentrated primarily in the Midwestern United States. In addition, the College's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities.

NOTE 17 - DEFERRED GIFT AGREEMENTS

The College has arrangements with donors classified as charitable remainder trusts, charitable annuity trusts, charitable gift annuities and pooled life income funds. In general, under these arrangements the College receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. The College invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the College as net assets with or without donor restrictions or distributed to third-party beneficiaries.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the College or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age of the donor. The College uses the applicable IRS interest rate in making the calculations.

Investment assets held by the College under deferred gift agreements totaled \$2,981,844 and \$3,193,603 at June 30, 2019 and 2018, respectively, and are included in investments on the statements of financial position. New gifts received for the years ended June 30, 2019 and 2018 were \$25,771 and \$75,897, respectively.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 18 - CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE DEPRECIATION AND ACCRETION

The following is an analysis of the increase in net assets without donor restrictions before depreciation expense and accretion for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Revenues, gains and other support from total activities	\$ 81,195,756	\$ 80,542,843
Expenses and losses (excluding depreciation and accretion) from total activities	<u>(77,577,766)</u>	<u>(75,823,126)</u>
Change in Net Assets Without Donor Restrictions Before Depreciation and Accretion	<u>\$ 3,617,990</u>	<u>\$ 4,719,717</u>

NOTE 19 - LINE-OF-CREDIT AGREEMENT

In November 2018, the College renewed an unsecured line of credit totaling \$10,000,000 for operating purposes. This agreement expires in November 2019, and is payable on demand. The agreement has a stated interest rate of 1.9% over the 30-day LIBOR. At June 30, 2019 and 2018, the College had no borrowings outstanding under this agreement.

NOTE 20 - RELATED PARTY TRANSACTIONS

Gifts from board members and officers totaled \$544,226 and \$711,051 for the years ended June 30, 2019 and 2018, respectively.

NOTE 21 - COMMITMENTS AND CONTINGENCIES

In order to participate in the various Federal Title IV financial aid programs, the U.S. Department of Education requires private nonprofit institutions to demonstrate financial responsibility by meeting certain ratio requirements.

The College is contingently liable in connection with claims and contracts, including those currently in litigation arising in the normal course of its activities. In the opinion of management, the results of these matters will not have a significant impact on the financial statements.

CARTHAGE COLLEGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 22 - EXPENSES BY NATURE AND FUNCTION

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the College. These expenses include depreciation and amortization, interest, and facilities operations and maintenance. Depreciation and amortization is allocated based on total expense distribution. Interest is allocated based on the purpose of the bonds and usage of space. Operations and maintenance is allocated based on the percentage of actual expense for the year.

Expenses for the year ended June 30, 2019, are as follows:

	Instruction and Academic Support	Student Services	Public Service	Auxiliaries	Administrative Support	Operations and maintenance	Fundraising	Total Expenses
Salaries and wages	\$ 21,099,037	\$ 5,687,877	\$ -	\$ 1,905,888	\$ 3,249,574	\$ 1,936,837	\$ 1,016,266	\$ 34,895,479
Employee benefits	5,610,769	1,958,420	-	540,650	3,367,399	628,042	338,092	12,443,372
Services, supplies, and other	5,646,700	3,761,680	129,783	6,427,514	6,373,458	2,719,184	579,603	25,637,922
Utilities, minor equipment and repairs	457,689	90,086	-	288,962	92,549	2,161,354	51,324	3,141,964
Depreciation and accretion	2,901,130	1,013,323	-	714,739	1,421,397	656,164	-	6,706,753
Interest	-	-	-	600,022	859,007	-	-	1,459,029
Operation and maintenance	2,096,422	732,250	-	4,245,775	1,027,134	(8,101,581)	-	-
Total expenses	<u>\$ 37,811,747</u>	<u>\$ 13,243,636</u>	<u>\$ 129,783</u>	<u>\$ 14,723,550</u>	<u>\$ 16,390,518</u>	<u>\$ -</u>	<u>\$ 1,985,285</u>	<u>\$ 84,284,519</u>

NOTE 23 - SUBSEQUENT EVENTS

The College has evaluated subsequent events through November 5, 2019 which is the date that the financial statements were approved and available to be issued.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees
Carthage College
Kenosha, Wisconsin

We have audited the financial statements of Carthage College (the "College") as of and for the years ended June 30, 2019 and 2018 and have issued our report thereon dated October ____, 2019, which contained an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules 1 and 2 are presented for purposes of additional analysis and are 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.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
November 5, 2019

CARTHAGE COLLEGE*Schedule 1***OPERATING REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS**
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
TUITION AND FEES		
Academic year	\$ 111,571,642	\$ 105,714,685
Adult education	1,020,770	1,473,869
Graduate programs	2,252,553	2,516,400
Student fees	516,300	602,724
Entrance fees	-	34,228
Transcripts	-	17,265
Total Tuition and Fees	<u>115,361,265</u>	<u>110,359,171</u>
Less: Scholarships and grants		
Scholarships and grants, without donor restrictions	(65,719,587)	(61,853,397)
Endowed scholarships and government grants	<u>(2,942,513)</u>	<u>(2,025,152)</u>
	<u>(68,662,100)</u>	<u>(63,878,549)</u>
Net Tuition and Fees	<u>46,699,165</u>	<u>46,480,622</u>
GOVERNMENT GRANTS		
Federal work-study program	386,655	288,633
Pell grants administrative cost allowance	4,135	4,155
Federal supplemental educational opportunity grants	<u>223,121</u>	<u>168,855</u>
Total Government Grants	<u>613,911</u>	<u>461,643</u>
CONTRIBUTIONS		
Gifts for completed construction	136,307	212,720
Other contributions	<u>906,847</u>	<u>675,891</u>
Total Contributions	<u>1,043,154</u>	<u>888,611</u>
ENDOWMENT INCOME	<u>577,011</u>	<u>465,410</u>
OTHER INVESTMENT INCOME	<u>431,040</u>	<u>424,969</u>
(LOSS) GAIN ON INTEREST RATE SWAP	<u>(36,937)</u>	<u>276,861</u>
GAINS ON INVESTMENTS	<u>874,460</u>	<u>2,605,008</u>
SALES AND SERVICES OF AUXILIARY ENTERPRISES		
Athletic camps and services	124,273	151,613
Residency	20,906,514	19,772,025
College store	160,949	179,492
Commissions	107,709	81,195
Conferences and workshops	1,367,374	1,454,065
College center	<u>139,807</u>	<u>523,074</u>
Total Sales and Services of Auxiliary Enterprises	<u>22,806,626</u>	<u>22,161,464</u>

CARTHAGE COLLEGE*Schedule 1***OPERATING REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS**
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OTHER SOURCES		
Athletics fundraising	\$ -	\$ 763,891
Interest on loans receivable	6,934	6,313
Service cancellation recoveries	8,641	10,742
Miscellaneous	446,328	502,682
Total Other Sources	<u>461,903</u>	<u>1,283,628</u>
ADJUSTMENT OF ACTUARIAL LIABILITY FOR ANNUITIES PAYABLE	<u>(140,824)</u>	<u>10,716</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Operations	3,272,249	2,682,937
Capital	1,049,890	261,488
Endowment	3,544,108	2,539,486
Total Net Assets Released From Restrictions	<u>7,866,247</u>	<u>5,483,911</u>
OPERATING REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	<u>\$ 81,195,756</u>	<u>\$ 80,542,843</u>

CARTHAGE COLLEGE*Schedule 2***OPERATING EXPENSES**
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
PROGRAM EXPENSES		
Instruction		
Academic Divisions		
Humanities and fine arts	\$ 9,475,215	\$ 9,788,806
Natural and social sciences	10,647,246	10,631,876
Professional studies	5,209,162	5,065,764
Academic Programs and Other Instructional Expenses		
Adult education	496,120	560,030
Graduate education	189,774	325,945
January interim	1,140,210	1,384,339
Other instructional expenses	455,322	663,662
Allocation of depreciation and accretion	2,442,753	2,233,726
Allocation of operation and maintenance of plant	<u>1,765,189</u>	<u>1,357,627</u>
Total Instruction	<u>31,820,991</u>	<u>32,011,775</u>
Academic Support		
Library	1,155,533	1,144,902
Provost	1,411,830	1,748,213
Infrastructure and systems	1,410,057	1,095,748
Academic computing	868,741	842,462
Other academic support	354,985	110,100
Allocation of depreciation and accretion	458,377	196,755
Allocation of operation and maintenance of plant	<u>331,233</u>	<u>113,939</u>
Total Academic Support	<u>5,990,756</u>	<u>5,252,119</u>

CARTHAGE COLLEGE

Schedule 2

OPERATING EXPENSES
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
PROGRAM EXPENSES (cont.)		
Public Service	\$ 129,783	\$ 160,035
Student Services		
Admissions	2,631,800	2,566,680
Athletics	5,055,171	5,559,398
Athletic Recruiting	165,752	-
Registrar	370,498	307,992
Student financial planning	471,121	548,994
Health service	279,310	226,280
Student support	610,983	515,541
Advising and placement	1,166,753	1,185,823
Student activities	224,881	203,605
Dean of the chapel	183,364	185,186
Dean of students	338,430	448,732
Allocation of depreciation and accretion	1,013,323	923,801
Allocation of operation and maintenance of plant	732,250	562,746
Total Student Services	<u>13,243,636</u>	<u>13,234,778</u>
Auxiliary Enterprises		
Residency	9,914,578	10,213,957
College store	-	11,686
College center	1,705,984	1,768,550
Athletic camps	103,509	189,923
Conferences and workshops	639,153	347,844
Dormitory - general	174,782	196,555
TARC	354,296	403,323
Interest allocated	600,022	331,244
Allocation of depreciation and accretion	714,739	852,348
Allocation of operation and maintenance of plant	516,487	746,114
Total Auxiliary Enterprises	<u>14,723,550</u>	<u>15,061,544</u>
SUPPORT EXPENSES		
Institutional Support		
General Administration		
Board of trustees	64,908	335,650
Strategic initiatives	221	15,409
President	2,340,565	2,879,044
Business office	1,790,645	2,270,588
Human Resources	420,423	259,327
Administrative services	228,867	249,974
Allocation of depreciation and accretion	427,530	241,733
Allocation of operation and maintenance of plant	308,943	143,141
Total General Administration	<u>5,582,102</u>	<u>6,394,866</u>

CARTHAGE COLLEGE

Schedule 2

OPERATING EXPENSES For the Years Ended June 30, 2019 and 2018

	2019	2018
SUPPORT EXPENSES (cont.)		
Institutional Support (cont.)		
Public Relations and Development		
Alumni	\$ 176,211	\$ 154,527
Development	1,726,072	1,633,803
Planned giving	52,534	39,843
Capital campaign	29,909	40,742
Public relations	1,810,223	1,517,549
Church relations	21,131	27,951
Celebrations	390,485	306,352
Allocation of depreciation and accretion	370,724	184,131
Allocation of operation and maintenance of plant	267,894	109,032
Total Public Relations and Development	4,845,183	4,013,930
General Institutional		
Dues and subscriptions	123,637	145,491
Campus security	985,071	991,726
Collection costs	134,401	178,706
Bad debts	391,184	1,769,306
Insurance	925,130	756,393
Audit and legal	311,494	181,233
Taxes	34,837	33,631
Telecommunications	705,088	463,717
Pension	78,103	-
Educational assistance	2,350,771	-
Life and disability	5,693	-
Student insurance	406,805	417,213
Interest	859,007	602,901
Loan cancellations and write-offs	516	1,901
Administrative and collection costs	15,760	18,765
Miscellaneous	605,529	342,328
Allocation of depreciation and accretion	623,143	1,012,100
Allocation of operation and maintenance of plant	450,297	599,309
Total General Institutional	9,006,466	7,514,720
Total Institutional Support Before		
Allocation to Auxiliary Enterprises	19,433,751	17,923,516
Expenses allocated to auxiliary enterprises	(1,057,948)	(850,919)
Total Institutional Support	18,375,803	17,072,597

CARTHAGE COLLEGE*Schedule 2***OPERATING EXPENSES**
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ALLOCABLE EXPENSES		
Operation and Maintenance of Plant		
Operation of buildings	\$ 2,431,243	\$ 2,471,317
Maintenance of buildings	2,479,045	2,250,388
Grounds	110,631	244,627
General Capital	319,262	-
Environmental services	1,916,014	1,554,357
Student parking shuttle	81,093	103,106
Public Safety	108,129	-
Allocation of depreciation and accretion	<u>656,164</u>	<u>592,863</u>
Total Operation and Maintenance of Plant Before		
Allocation to Auxiliary Enterprises and Other Programs	8,101,581	7,216,658
Expenses allocated to auxiliary enterprises	(3,729,288)	(3,584,749)
Allocation of operation and maintenance of plant	<u>(4,372,293)</u>	<u>(3,631,909)</u>
Total Operation and Maintenance of Plant	<u>-</u>	<u>-</u>
Depreciation and Accretion	6,706,753	6,969,722
Allocation to other programs	<u>(6,706,753)</u>	<u>(6,969,722)</u>
Total Depreciation and Accretion	<u>-</u>	<u>-</u>
Interest	1,459,029	934,145
Allocation to other programs	<u>(1,459,029)</u>	<u>(934,145)</u>
Total Interest	<u>-</u>	<u>-</u>
TOTAL UNRESTRICTED OPERATING EXPENSES	<u>\$ 84,284,519</u>	<u>\$ 82,792,848</u>