

ST. CATHERINE UNIVERSITY
FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023



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**ST. CATHERINE UNIVERSITY
TABLE OF CONTENTS
YEARS ENDED MAY 31, 2024 AND 2023**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

Board of Trustees
St. Catherine University
St. Paul, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of St. Catherine University, which comprise the statement of financial position as of May 31, 2024, and the related statements of activities, and cash flows for the years ended May 31, 2024 and 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Catherine University as of May 31, 2024 and 2023, 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.

Report on Summarized Comparative Information

We have previously audited St. Catherine University's 2023 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated November 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of St. Catherine University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Catherine University's ability to continue as a going concern for a reasonable period of time.

Board of Trustees
St. Catherine University

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 23, 2024

ST. CATHERINE UNIVERSITY
STATEMENT OF FINANCIAL POSITION
MAY 31, 2024
(WITH SUMMARIZED COMPARATIVE TOTALS FOR MAY 31, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
ASSETS				
Cash and Cash Equivalents	\$ 5,066,766	\$ -	\$ 5,066,766	\$ 3,080,622
Receivables, Net of Allowance for Doubtful Accounts of \$1,800,000 for 2024 and 2023	4,561,264	587,492	5,148,756	4,383,051
Bookstore Inventories	161,095	-	161,095	160,435
Prepaid Expenses	622,723	165,592	788,315	820,640
Contributions Receivable, Net	8,305	3,166,595	3,174,900	2,730,226
Deposits with Bond Trustee	5,221,147	-	5,221,147	-
Loans to Students, Net of Allowance for Doubtful Accounts of \$450,000 for 2024 and 2023	4,663,368	-	4,663,368	5,119,746
Investments	81,457,766	165,211,843	246,669,609	230,956,340
Beneficial Interest in Perpetual Trusts	-	2,297,486	2,297,486	2,406,645
Lease Right of Use Asset - Financing	192,406	-	192,406	153,673
Property, Plant, and Equipment, Net	102,543,158	-	102,543,158	83,535,164
Total Assets	<u>\$ 204,497,998</u>	<u>\$ 171,429,008</u>	<u>\$ 375,927,006</u>	<u>\$ 333,346,542</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	\$ 5,166,857	\$ 1,083,566	\$ 6,250,423	\$ 3,821,487
Accrued Expenses	7,833,422	10,315	7,843,737	7,480,519
Deferred Revenue and Deposits	4,418,631	-	4,418,631	3,818,744
Funds Held for Others	1,029,673	-	1,029,673	905,184
Liability Under Split-Interest Agreements	-	71,400	71,400	77,564
Lease Liability - Financing	147,609	-	147,609	147,256
Bonds Payable	95,691,078	-	95,691,078	74,925,159
U.S. Government Grants Refundable	4,115,921	-	4,115,921	4,687,046
Total Liabilities	118,403,191	1,165,281	119,568,472	95,862,959
NET ASSETS				
Without Donor Restrictions	86,094,807	-	86,094,807	86,424,477
With Donor Restrictions	-	170,263,727	170,263,727	151,059,106
Total Net Assets	<u>86,094,807</u>	<u>170,263,727</u>	<u>256,358,534</u>	<u>237,483,583</u>
Total Liabilities and Net Assets	<u>\$ 204,497,998</u>	<u>\$ 171,429,008</u>	<u>\$ 375,927,006</u>	<u>\$ 333,346,542</u>

See accompanying Notes to Financial Statements.

ST. CATHERINE UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2024
(WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED MAY 31, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING REVENUE				
Tuition and Fees, Net of Discounts of \$42,139,844	\$ 63,819,335	\$ -	\$ 63,819,335	\$ 62,563,237
Grants	171,728	4,308,360	4,480,088	7,809,803
Contributions	4,851,116	2,871,837	7,722,953	5,231,882
Auxiliary Services	7,828,288	-	7,828,288	7,158,195
Investment Income, Net	1,376,778	-	1,376,778	1,032,976
Net Income (Loss) on Investments	4,362,294	-	4,362,294	(2,158,435)
Interest on Student Loans	17,513	-	17,513	17,858
Other	1,514,248	89,820	1,604,068	1,558,883
Net Assets Released from Restrictions	21,272,547	(21,272,547)	-	-
Total Operating Revenue	105,213,847	(14,002,530)	91,211,317	83,214,399
OPERATING EXPENDITURES				
Instruction and Other Services:				
Instructional	39,810,594	-	39,810,594	39,363,313
Library	3,795,396	-	3,795,396	3,724,402
Academic Support	4,950,125	-	4,950,125	5,082,312
Student Services	15,628,235	-	15,628,235	15,121,216
Auxiliary Enterprises	11,969,356	-	11,969,356	11,182,118
Sponsored Research	5,907,827	-	5,907,827	6,696,223
Total Instruction and Other Services	82,061,533	-	82,061,533	81,169,584
Management and General:				
Institutional Support	20,115,606	-	20,115,606	18,587,803
Development	2,300,553	-	2,300,553	2,451,901
Total Management and General	22,416,159	-	22,416,159	21,039,704
Total Expenses	104,477,692	-	104,477,692	102,209,288
CHANGE IN OPERATING NET ASSETS	736,155	(14,002,530)	(13,266,375)	(18,994,889)
NONOPERATING ACTIVITIES				
Contributions	-	3,172,119	3,172,119	4,275,854
Investment Income, Net	-	3,947,957	3,947,957	3,571,932
Net (Income) Loss on Investments	-	24,914,241	24,914,241	(4,801,787)
Change in Value of Split-Interest Agreements	-	(8,682)	(8,682)	(9,802)
Change in Fair Value of Beneficial Interest in Perpetual Trusts	-	115,691	115,691	(296,409)
CHANGE IN NONOPERATING NET ASSETS	-	32,141,326	32,141,326	2,739,788
CHANGE IN NET ASSETS	736,155	18,138,796	18,874,951	(16,255,101)
RECLASSIFICATION OF RESTRICTIONS	(1,065,825)	1,065,825	-	-
Net Assets - Beginning of Year	86,424,477	151,059,106	237,483,583	253,738,684
NET ASSETS - END OF YEAR	<u>\$ 86,094,807</u>	<u>\$ 170,263,727</u>	<u>\$ 256,358,534</u>	<u>\$ 237,483,583</u>

See accompanying Notes to Financial Statements.

ST. CATHERINE UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
Tuition and Fees, Net of Discounts of \$39,899,330	\$ 62,563,237	\$ -	\$ 62,563,237
Grants	605,470	7,204,333	7,809,803
Contributions	2,096,643	3,135,239	5,231,882
Auxiliary Services	7,158,195	-	7,158,195
Investment Income, Net	1,032,976	-	1,032,976
Net Loss on Investments	(2,158,435)	-	(2,158,435)
Interest on Student Loans	17,858	-	17,858
Other	1,474,111	84,772	1,558,883
Net Assets Released from Restrictions	21,850,868	(21,850,868)	-
Total Operating Revenue	94,640,923	(11,426,524)	83,214,399
OPERATING EXPENDITURES			
Instruction and Other Services:			
Instructional	39,363,313	-	39,363,313
Library	3,724,402	-	3,724,402
Academic Support	5,082,312	-	5,082,312
Student Services	15,121,216	-	15,121,216
Auxiliary Enterprises	11,182,118	-	11,182,118
Sponsored Research	6,696,223	-	6,696,223
Total Instruction and Other Services	81,169,584	-	81,169,584
Management and General:			
Institutional Support	18,587,803	-	18,587,803
Development	2,451,901	-	2,451,901
Total Management and General	21,039,704	-	21,039,704
Total Expenses	102,209,288	-	102,209,288
CHANGE IN OPERATING NET ASSETS	(7,568,365)	(11,426,524)	(18,994,889)
NONOPERATING ACTIVITIES			
Contributions	-	4,275,854	4,275,854
Investment Income, Net	-	3,571,932	3,571,932
Net Loss on Investments	-	(4,801,787)	(4,801,787)
Change in Value of Split-Interest Agreements	-	(9,802)	(9,802)
Change in Fair Value of Beneficial			
Interest in Perpetual Trusts	-	(296,409)	(296,409)
CHANGE IN NONOPERATING NET ASSETS	-	2,739,788	2,739,788
CHANGE IN NET ASSETS	(7,568,365)	(8,686,736)	(16,255,101)
Net Assets - Beginning of Year	93,992,842	159,745,842	253,738,684
NET ASSETS - END OF YEAR	<u>\$ 86,424,477</u>	<u>\$ 151,059,106</u>	<u>\$ 237,483,583</u>

See accompanying Notes to Financial Statements.

ST. CATHERINE UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 18,874,951	\$ (16,255,101)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	4,113,999	4,558,965
Unrealized (Gain) Loss on Investments	(17,933,576)	2,839,924
Realized (Gain) Loss on Investments	(11,289,101)	4,120,298
Private Gifts for Long-Term Investments	(3,051,305)	(4,831,963)
Change in Fair Value of Beneficial Interest in Perpetual Trusts	(115,691)	296,409
Adjustment of Actuarial Liability for Split-Interest Agreements	8,682	9,802
(Increase) Decrease in Assets:		
Receivables	(765,705)	3,339,921
Bookstore Inventories	(660)	(41,187)
Prepays	32,325	174,213
Loans to Students	456,378	248,020
Contributions Receivable	(444,674)	119,212
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	1,655,039	5,718
Deferred Revenue, Deposits, and Fund Held for Others	724,376	181,005
Net Cash Used by Operating Activities	<u>(7,734,962)</u>	<u>(5,234,764)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(98,638,793)	(26,913,736)
Proceeds from Sale of Investments	112,324,466	28,046,161
Purchase of Property, Plant, and Equipment	(22,656,548)	(6,601,194)
Change in Deposit with Bond Trustee	(5,221,147)	-
Change in Beneficial Interest in Perpetual Trust	224,850	72,246
Net Cash Used by Investing Activities	<u>(13,967,172)</u>	<u>(5,396,523)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Private Gifts for Long-Term Investment for Endowment	2,875,040	4,782,245
Proceeds from Long-Term Debt	21,398,856	-
Payments on Lease Obligations	353	(44,228)
Payments on Split-Interest Agreements	(11,078)	(11,078)
Change in Annuity and Unitrust Liability	(3,768)	(4,446)
U.S. Government Grants Repayable	(571,125)	(252,728)
Net Cash Provided by Financing Activities	<u>23,688,278</u>	<u>4,469,765</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,986,144	(6,161,522)
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	<u>3,080,622</u>	<u>9,242,144</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 5,066,766</u></u>	<u><u>\$ 3,080,622</u></u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITY		
Property, Plant, and Equipment Purchased through Accounts Payable	<u><u>\$ 1,137,115</u></u>	<u><u>\$ 2,075,305</u></u>
Cash Paid During the Year for Interest, Net of Amounts Capitalized	<u><u>\$ 2,245,972</u></u>	<u><u>\$ 2,619,952</u></u>

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

St. Catherine University (the University) was founded in Saint Paul, Minnesota, in 1905 by the Sisters of St. Joseph of Carondelet. Today the University is one of the largest Catholic universities primarily for women in the nation. In 1917, St. Catherine University earned full accreditation by the North Central Association of Colleges and Schools, and by 1937, the University became the first Catholic college or university in the United States, and the third Minnesota institution, to be awarded a Phi Beta Kappa chapter. As the nation's oldest and most prestigious undergraduate honors organization, Phi Beta Kappa recognizes achievement in the liberal arts.

The University previously maintained a campus in Minneapolis, Minnesota, which was originally founded in 1887 by the Sisters of St. Joseph of Carondelet as St. Mary's School of Nursing, later named St. Mary's Junior College. Operations at the Minneapolis campus were merged and were transferred to the Saint Paul campus in June 2020. In 1986, St. Mary's Junior College merged with what was then called the College of St. Catherine. This connection to St. Mary's School of Nursing makes the University the oldest healthcare educator in Minnesota. St. Catherine University became Minnesota's newest university on June 1, 2009. The change reflected the University's transformation into the comprehensive institution it is today — with four schools and three colleges — and vision to move from a regional presence to national and international pre-eminence.

The University offers traditional four-year liberal arts and professional programs as well as nontraditional evening, weekend, and online opportunities to pursue baccalaureate, associate and graduate degrees in the liberal arts, healthcare, and other professional programs. The University had a total enrollment of 3,543 for 2023-2024.

St. Catherine University's mission is to educate women to lead and influence. The University educates at all degree levels through valuing and integrating the liberal arts and professional education within the Catholic intellectual tradition, emphasizing scholarly inquiry and social justice teaching as lived by the Sisters of St. Joseph of Carondelet. The University welcomes a rich diversity of students, with a baccalaureate college for women at the heart of the University and graduate and adult colleges for women and men. Committed to excellence and opportunity, the University develops leaders who act with integrity. The University's mission is based on three core principles: Catholic, women and the liberal arts.

The University is an independent nonprofit 501(c)(3) corporation organized under the laws of the state of Minnesota. The University is sponsored by the Sisters of St. Joseph of Carondelet, also a nonprofit 501(c)(3) corporation. The Sisters of St. Joseph of Carondelet is a pontifical religious institute with headquarters in Saint Louis, Missouri.

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operation

In its statements of activities, the University includes in its definition of operations, all revenues and expenses that are an integral part of its programs and supporting activities. Nonoperating activity consists primarily of investment income, including net realized and unrealized gains and losses earned in excess of the University's aggregate authorized spending amount, change in value of split-interest agreements, and endowment and capital contributions to nonoperating activities or projects.

Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The University maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund.

For financial reporting purposes, resources are classified into net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Some of these amounts have been designated for specific purposes by action of the board of trustees.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that: a) restrict their use to a specific purpose and/or the passage of time; b) require they be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all, or part, of the income earned on related investments for general or specific purposes.

Contributions are recognized as revenue in the period received or unconditionally promised, whichever is earlier. They are recorded as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the financial statements of activities as net assets released from restrictions.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

**ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Cash and cash equivalents designated for long-term investment purposes are included as investments. At times, cash may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Bookstore Inventories

Inventories consisting of books, clothing, and other bookstore merchandise held for resale are carried at the lower of cost (first-in, first-out) or market.

Accounts Receivable

Receivables are stated at net realizable value and are unsecured. A current expected credit loss is recorded annually based on historical experience and management's evaluation of current and future impacts to receivables at the end of each year. Accounts past due more than 90 days are individually analyzed for collectability. When all collection efforts have been exhausted and no payments have been received, accounts are individually assessed for collectability and are written off against the related allowance. Amounts over 90 days were \$4,008,498 and \$3,331,901 at May 31, 2024 and 2023, respectively. All accounts, notes, and other receivables are collectible within one year.

Contributions Receivable

Unconditional promises-to-give are recognized in the period the promises are made. Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Student Loans

Student loans receivable consist of loans made to students under U.S. government loan programs.

Investments

Investments are carried at fair value, based upon quoted market prices. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur due to market fluctuation and that such changes could materially affect the amounts reported in the statements of net assets. Changes in quoted market value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are determined using the average cost method and are recorded on a trade-date basis.

**ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The University follows an accounting standard that defines fair value, establishes a fair value hierarchy based on the quality of the inputs used to measure fair value, and requires expanded disclosures about fair value measurements. The University accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. Certain financial assets and liabilities are accounted for at fair value in accordance with applicable standards.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments where it is practicable to estimate that value:

The carrying amounts of cash and cash equivalents, deposits with bond trustee, receivables, accounts payable, accrued expenses, and deferred revenue and deposits approximate fair value because of the short maturity of these financial instruments.

Contributions receivable and liability under split-interest agreements approximate fair value using appropriate discount rates. The discount rates used in the calculations are the rates applied when the receivable or liability was originally recorded. These rates are deemed to approximate fair value due to the relative current maturities and the narrow range of discount rates used which approximates the current discount rate. Investments are carried at fair value. The University's beneficial interest in perpetual trusts is recorded at fair value.

Student loans receivable consist of loans to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements. It is not practicable to estimate the fair value of these receivables since they contain federally mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. The fair value of loans receivable from students and the related U.S. government grants refundable under the University's loan programs approximate carrying value.

Fair Value Hierarchy

In accordance with accounting standards, the University has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for the identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Beneficial Interest in Perpetual Trusts

The University is the beneficiary of perpetual trusts held by third parties. Under the terms of the trusts, the University has the irrevocable right to receive the income generated by the trust in perpetuity, but never receive the corpus of the trust. The beneficial interest in the perpetual trusts is recorded at the University's proportional share of the fair value of the underlying trust assets.

Collections

The University does not deaccession artwork from the collections and their policy is to follow the Delegation of Spending Authority policy based on discretion and dollar amount.

Leases

The University determines if an arrangement is a lease at inception. Operating leases are included in *Right-of-Use Assets – Operating* and *Lease Liability – Operating*, and finance leases are included in *Lease Right of Use Asset – Financing* and *Lease Liability – Financing* in the statements of financial position.

Right-of-use (ROU) assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The University has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

**ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the University has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation less accumulated depreciation. Contributed items are recorded at fair market value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Buildings are estimated to have 50-year lives. All other assets are depreciated over lives ranging up to 20 years. All expenses that extend useful life and meeting University criteria by category are capitalized. Items purchased which do not meet the defined criteria are expensed. When applicable, interest is capitalized in connection with the construction of facilities. If capitalized interest is recorded, it is classified as part of the asset to which it relates and is amortized over the asset's useful life.

Government Contracts

Conditional government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each contract, are made. Funds received but not yet earned are shown as Deferred Revenue. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the final assessment is made.

A portion of the University's revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific contract or grant provisions. The University received cost reimbursable grants of \$4,538,543 that have not been recognized at May 31, 2024 because qualifying expenditures have not yet been incurred.

U.S. Government Grants Refundable

Funds provided by the United States government under the Federal Perkins Loan and Health Professions Student Loan programs are loaned to qualified students and may be re-loaned after collections. These funds are ultimately refundable to the United States government and are included as liability in the financial statements.

**ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split-Interest Agreements

The University's split-interest agreements include charitable remainder trusts and charitable gift annuities. The University recognizes the contribution from charitable trusts when the irrevocable trust is established and recognizes the contribution from the charitable annuity gifts when the agreement is executed. The contribution amount when the University is the trustee is the difference between the fair value of assets received and the present value of the future cash flows expected to be paid to the designated beneficiaries. The contribution amount when the University is not the trustee is the present value of expected future cash flows from the trust. The significant assumptions used to estimate the present value of the future cash flows include varying discount rates up to 14%, from the current mortality tables in Publication 590-B, and for charitable remainder unitrusts, an assumed rate of return on investments of 6%.

Tuition and Fees

Tuition and fees are presented net of student-funded aid, which consists of gifts, and endowment income used for scholarships of \$4,483,557 and \$4,111,348, and institutionally funded aid of \$37,656,287 and \$35,787,982 for the years ended May 31, 2024 and 2023, respectively.

Auxiliary Revenue

The University provides auxiliary services, primarily dining and residential living spaces. Revenue from these services is recognized in the year in which the services are provided. Students that withdraw from the University may receive a partial refund in accordance with the respective refund policies. Services are available to undergraduate and graduate student populations. Approximately 78% of students are from Minnesota and almost 40% of students select St. Paul campus residential living spaces.

Revenue Recognition and Disaggregation of Revenue

The University provides academic instruction toward baccalaureate and graduate degrees. Tuition and fee revenue is recognized over the period in which the academic courses are provided. Financial assistance in the form of institutional scholarships and grants awarded to students reduce the amount of tuition and fee revenue recognized. In addition, students who adjust their course load or withdraw completely may receive a partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Payments for services are due upon registration for each academic term.

The University also provides auxiliary services, such as residence and food services. Revenue from these services is recognized over the period in which the goods and services are provided. Students that withdraw from the University may receive a partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of auxiliary revenue recognized.

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue represents payments received prior to the start of the academic term. The following table depicts activities for deferred revenue related to tuition, fees, and auxiliary services:

	Balance May 31, 2023	Refunds Issued	Recognized Included in May 31, 2023 Balance	Cash Received in Advance of Performance	Balance May 31, 2024
Tuition and Auxiliary	\$ 2,758,025	\$ -	\$ (2,758,025)	\$ 2,727,799	\$ 2,727,799
Grants	2,722	-	(2,722)	-	-
Other	1,057,997	-	(1,057,997)	1,690,832	1,690,832
Total	<u>\$ 3,818,744</u>	<u>\$ -</u>	<u>\$ (3,818,744)</u>	<u>\$ 4,418,631</u>	<u>\$ 4,418,631</u>

	Balance May 31, 2022	Refunds Issued	Recognized Included in May 31, 2022 Balance	Cash Received in Advance of Performance	Balance May 31, 2023
Tuition and Auxiliary	\$ 3,002,472	\$ -	\$ (3,002,472)	\$ 2,758,025	\$ 2,758,025
Grants	2,722	-	-	-	2,722
Other	769,208	-	(769,208)	1,057,997	1,057,997
Total	<u>\$ 3,774,402</u>	<u>\$ -</u>	<u>\$ (3,771,680)</u>	<u>\$ 3,816,022</u>	<u>\$ 3,818,744</u>

The balance of deferred revenue at May 31, 2024 less any refunds will be recognized as revenue over the academic term as services are rendered. The University applies the practical expedient in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09 paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The University anticipates that students enrolled for the Fall semester will continue their studies in the Spring semester, and that students who receive their baccalaureate or graduate degree in December or May will be replaced by an equivalent number of new enrollees.

Accounts Receivable (Student)

Accounts receivable represents payments not yet received for academic terms already completed. The following table depicts activities for accounts receivable related to tuition, fees, and auxiliary services:

	2024	2023
Accounts Receivable - Beginning of Year	\$ 4,260,414	\$ 3,382,840
Payments Made	(126,900,050)	(119,364,659)
Charges for Tuition and Fees	<u>127,839,467</u>	<u>120,242,233</u>
Accounts Receivable - End of Year	<u>\$ 5,199,831</u>	<u>\$ 4,260,414</u>

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the University's tax-exempt purpose is subject to taxation as unrelated business income. The University utilizes the provisions of FASB *Accounting Standards Codification* 7 40-10, *Accounting for Uncertain Tax Positions*. The University continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The University's tax returns are subject to review and examination by federal, state, and local authorities.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs during 2024 and 2023 totaled \$2,449,415 and \$2,090,647, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 these estimates.

Liquidity

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University considers all expenditures related to its ongoing activities of teaching and public service as well as the conduct of services undertaken to support general institutional expenditures.

In addition to financial assets available to meet general expenditures, the University operates with a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of May 31, 2024 and 2023, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2024	2023
Cash and Cash Equivalents	\$ 5,066,766	\$ 3,080,622
Less Funds Held for Others	(1,029,673)	(905,184)
Accounts Receivable	2,154,969	2,361,090
Investments	81,457,766	85,160,751
Pledges Receivable	1,762,660	956,977
Total	<u>\$ 89,412,488</u>	<u>\$ 90,654,256</u>

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity (Continued)

The majority of the University's liquidity is provided by cash and cash equivalents. Student loan receivables are not included in the analysis, as principal and interest on these loans are used to make new loans and Perkins is restricted for payment of the governmental grants refundable liability. Included in the available investment balance above are board-designated endowment and reserve funds in the amount of \$12,022,695 and \$10,213,458 included in the University's statements of financial position at May 31, 2024 and 2023, respectively. Although the University does not intend to spend from the corpus of these funds, these amounts could be made available if deemed necessary.

Adoption of New Accounting Standards

The University has adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modified the measurement of expected credit losses. The University adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the University's financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

In connection with the preparation of the financial statements, the University has evaluated subsequent events and transactions for potential recognition or disclosure through October 23, 2024, the date the financial statements were issued.

NOTE 2 FAIR VALUE MEASUREMENTS

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the University measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the University's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of May 31, 2024 and 2023.

	2024				
	NAV**	Level 1	Level 2	Level 3	Total
Deposits with Bond Trustee	\$ -	\$ 5,221,147	\$ -	\$ -	\$ 5,221,147
Investments:					
Short-Term Investments	-	16,451,003	-	-	16,451,003
Bonds	-	-	51,442,228	-	51,442,228
Stocks	-	66,427,589	-	-	66,427,589
US Treasuries	-	9,695,595	-	-	9,695,595
Equities	-	1,719,092	-	-	1,719,092
Investments Held at NAV	98,846,758				98,846,758
Beneficial Interest in Perpetual Trusts (Not Trustee)	-	-	-	2,297,486	2,297,486
Total Assets	<u>\$ 98,846,758</u>	<u>\$ 99,514,426</u>	<u>\$ 51,442,228</u>	<u>\$ 2,297,486</u>	<u>\$ 252,100,898</u>

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

	2023				
	NAV**	Level 1	Level 2	Level 3	Total
Deposits with Bond Trustee	\$ -	\$ -	\$ -	\$ -	\$ -
Investments:					
Short-Term Investments	-	19,305,615	-	-	19,305,615
Bonds	-	-	-	-	-
Stocks - Domestic	-	40,742,690	-	-	40,742,690
Stocks - International	-	241,172	-	-	241,172
Investments Held at NAV	168,641,663				168,641,663
Beneficial Interest in Perpetual Trusts (Not Trustee)	-	-	-	2,406,645	2,406,645
Total Assets	<u>\$ 168,641,663</u>	<u>\$ 60,289,477</u>	<u>\$ -</u>	<u>\$ 2,406,645</u>	<u>\$ 231,337,785</u>

**In accordance with Subtopic 820-10, certain investments that are measured at fair value using the Net Asset Value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following tables present the University's activity for assets measured at fair value and a recurring basis using significant unobservable inputs (Level 3) as defined in Note 1 – Summary of Significant Accounting Policies for the years ended May 31, 2024 and 2023:

	Beneficial Interest in Perpetual Trusts
Balance - June 1, 2024	\$ 2,406,645
Unrealized Loss	115,691
Write-Off's	-
Transfers In	-
Transfers Out	-
Closed Out / Receipts	(224,850)
Balance - May 31, 2024	<u>\$ 2,297,486</u>

	Beneficial Interest in Perpetual Trusts
Balance - June 1, 2023	\$ 2,775,300
Unrealized Gain	(296,409)
Write-Off's	-
Transfers In	-
Transfers Out	-
Closed Out / Receipts	(72,246)
Balance - May 31, 2023	<u>\$ 2,406,645</u>

Below is additional information regarding the valuation of the Level 3 assets:

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs	Range (Weighted Average)
	2024	2023			
Beneficial Interest in Trusts	\$ 2,297,486	\$ 2,406,645	Percentage of Assets	Time Period of Trust	N/A

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

In situations where an investment mutual fund does not have a readily determinable fair value and meets other eligibility criteria, the University measures fair value based on the net asset value per share or its equivalent. The following table lists investment mutual funds by major category at net asset value as of:

May 31, 2024				
Strategy	Asset Category	Market Value	Redemption Frequency	Redemption Notice
SSgA	Stock Domestic	\$ 87,182,083	Daily	2 Days
Comerica	Equity	11,664,675	Daily	3 Days
		<u>\$ 98,846,758</u>		

May 31, 2023				
Strategy	Asset Category	Market Value	Redemption Frequency	Redemption Notice
SSgA	Stock Domestic	\$ 81,592,760	Daily	2 Days
Vulcan	Stock Domestic	9,987,619	Daily	3 Days
Vulcan	Stock International	6,774,076	Daily	3 Days
Payden	Bond	28,961,390	Daily	1 Day
CBIS	Bond	41,325,818	Daily	1 Day
		<u>\$ 168,641,663</u>		

For the years ended May 31, 2024 and 2023, the socially screened index investment mutual fund strategy (SSGA) is a privately offered commingled vehicle managed under socially responsible guidelines. The fund invests in the stocks of the S&P 500 Index which consists of domestic large capitalization stocks. The funds offer daily liquidity with varying redemption notice periods. There were no unfunded commitments at May 31, 2024 or 2023.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable are discounted at a rates ranging from 2.58% to 4.95% and are summarized as follows at May 31:

	2024	2023
Less Than One Year	\$ 1,922,831	\$ 1,071,277
One Year to Five Years	1,257,809	1,548,069
More Than Five Years	165,455	336,131
Total	<u>3,346,095</u>	<u>2,955,477</u>
Discount	<u>(171,195)</u>	<u>(225,251)</u>
Contributions Receivable, Net	<u>\$ 3,174,900</u>	<u>\$ 2,730,226</u>

Receivables from two contributors represent 62% of the balance in contributions receivable as of May 31, 2024. Receivables from two contributors represent 56% of the balance in contributions receivable as of May 31, 2023.

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 4 CREDIT QUALITY OF STUDENT LOANS RECEIVABLE

The University issues uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs. At May 31, 2024 and 2023, student loans represented 1.24% and 1.54% of total assets, respectively. At May 31, student loans consisted of the following:

	2024	2023
Federal Government Programs	\$ 5,113,368	\$ 5,569,746
Less: Allowance	(450,000)	(450,000)
Loans to Students	<u>\$ 4,663,368</u>	<u>\$ 5,119,746</u>

Outstanding loans cancelled under the program result in a reduction of the funds available for loan.

At May 31, 2024 and 2023 respectively, the following amounts were past due as defined by federal student loan programs:

	2024	2023
30-90 Days Past Due	\$ 26,437	\$ 10,991
91-180 Days Past Due	12,438	8,515
181-364 Days Past Due	356,615	74,673
1-2 Years Past Due	103,586	65,032
2 or More Years Past Due	416,093	421,071
Total	<u>\$ 915,169</u>	<u>\$ 580,282</u>

The University participates in the Perkins federal revolving loan program which is now closed. As loans are repaid, the federal portion is returned to the U.S. government. The University participates in the Health Professional Student Loan Program. The availability of funds for loans under these programs are dependent on reimbursements, plus interest, to the loan pool from repayments on outstanding loans. Funds advanced by the federal government of \$4,565,921 and \$5,137,046 at May 31, 2024 and 2023, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position.

A current expected credit loss is recorded annually based on historical experience and management's evaluation of current and future impacts to receivables at the end of each year. Amounts due under the Perkins loan program are guaranteed by the government and, therefore, no reserves are placed on any past due balances under the program. The University has an allowance of \$450,000 at May 31, 2024 and 2023 for the Health Professional Loan Program. The University does not authorize or disburse faculty and staff loans.

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 5 INVESTMENTS

The fair value of investments as of May 31, 2024 and 2023 is as follows:

	2024	2023
Common Stock - Domestic	\$142,992,930	\$ 132,323,069
Common Stock - International	\$698,901	7,015,248
Corporate Bonds	\$82,001,562	67,655,255
Bonds - International	\$2,437,869	2,631,953
Cash and Equivalents	\$16,633,707	19,305,490
Cash Surrender Value, Life Insurance Policies	\$2,088,325	2,025,325
Total	<u>\$ 246,853,294</u>	<u>\$ 230,956,340</u>

The University uses the total return method of accounting for income from its investments of endowment funds. Under this method, a rate of return is established which is considered to be a prudent return on investment, consisting of both yield (dividend and interest) and realized and unrealized gains.

Investment expenses, including custodial and management fees, totaled \$364,809 and \$422,628 for the years ended May 31, 2024 and 2023, respectively.

NOTE 6 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following at May 31:

	2024	2023
Land	\$ 2,752,582	\$ 2,752,582
Building and Improvements	138,718,657	136,512,104
Furniture and Equipment	30,702,233	30,070,686
Construction in Progress	26,752,508	5,836,225
Total	<u>198,925,980</u>	<u>175,171,597</u>
Less: Accumulated Depreciation	<u>(96,382,822)</u>	<u>(91,636,433)</u>
Total Property, Plant, and Equipment	<u>\$ 102,543,158</u>	<u>\$ 83,535,164</u>

As of May 31, 2024, the University has outstanding construction commitments of approximately \$8,082,000.

NOTE 7 ENDOWMENTS

The University endowment consists of approximately 370 individual endowments established for a variety of operating and scholarship purposes. The endowment includes both donor-restricted endowments and board-designated endowments (quasi). The University records the original value of the gifts, subsequent gifts, and any accumulated earnings as directed by donor agreement which are donor-restricted to the permanent endowment and the value of subsequent gifts to the permanent endowment.

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 7 ENDOWMENTS (CONTINUED)

In accordance with UPMIFA (Uniform Prudent Management of Institutional Funds Act), the University considers the following factors in making a determination of appropriate or accumulated donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the University

Endowment net asset composition by type of fund as of May 31, 2024 were:

	Without Donor Restriction	With Donor Restriction	Total
Donor-Restricted Endowment Funds	\$ -	\$ 144,131,646	\$ 144,131,646
Board-Designated Endowment Funds	12,022,695	-	12,022,695
Total Funds	<u>\$ 12,022,695</u>	<u>\$ 144,131,646</u>	<u>\$ 156,154,341</u>

Endowment related activities for the year ended May 31, 2024:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets, June 1, 2023	\$ 10,213,458	\$ 119,140,979	\$ 129,354,437
Investment Return:			
Investment Income	-	4,083,021	4,083,021
Net Realized and Unrealized Gain	1,809,237	24,153,530	25,962,767
Total Investment Return	<u>1,809,237</u>	<u>28,236,551</u>	<u>30,045,788</u>
Contributions	-	3,051,305	3,051,305
Reclassifications	-	944,780	944,780
Appropriations of Endowment Assets for Expenditure	-	(6,297,189)	(6,297,189)
Endowment Net Assets, May 31, 2024	<u>\$ 12,022,695</u>	<u>\$ 144,131,646</u>	<u>\$ 156,154,341</u>

Endowment net asset composition by type of fund as of May 31, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Donor-Restricted Endowment Funds	\$ -	\$ 119,140,979	\$ 119,140,979
Board-Designated Endowment Funds	10,213,458	-	10,213,458
Total Funds	<u>\$ 10,213,458</u>	<u>\$ 119,140,979</u>	<u>\$ 129,354,437</u>

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 7 ENDOWMENTS (CONTINUED)

Endowment related activities for the year ended May 31, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets, June 1, 2022	\$ 10,929,703	\$ 122,197,493	\$ 133,127,196
Investment Return:			
Investment Income	-	3,306,147	3,306,147
Net Realized and Unrealized Gain	(716,245)	(5,240,255)	(5,956,500)
Total Investment Return	(716,245)	(1,934,108)	(2,650,353)
Contributions	-	4,831,963	4,831,963
Appropriations of Endowment Assets for Expenditure	-	(5,954,369)	(5,954,369)
Endowment Net Assets, May 31, 2023	<u>\$ 10,213,458</u>	<u>\$ 119,140,979</u>	<u>\$ 129,354,437</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. As of May 31, 2024 and 2023, no deficiencies of this nature existed.

Investment Objectives and Strategies

The University's board of trustees has adopted a set of investment policies and guidelines to which it adheres to in order to minimize investment risks. To this end, the investment policies and guidelines mandate a diversified investment portfolio, and a committee of the board reviews and evaluates the investment objectives and performance periodically. Endowment funds are managed primarily by outside fund managers selected by the University. The University retains an investment consultant who works with the University on selecting outside fund managers. The University currently utilizes five fund types in diversifying our endowment portfolio. The University uses an asset allocation model, with target allocations approximating 60% of the endowment to equity investments and 40% of the endowment to fixed rate income investments. Income earned and appreciation, both realized and unrealized, are measured to calculate a total return. The investment subcommittee is charged with reviewing the allocation of endowment funds between equity investments and fixed rate income investments.

Spending Policy

The University uses the total return concept to manage its perpetually restricted endowment investments and certain other investments designated by the University as endowment. Under this concept, a spending rate is established which is considered to be prudent and is drawn from both yield (dividends and interest) and realized and unrealized gains. For the years ended May 31, 2024 and 2023, the maximum spending rate was 5.5% of the 36-month moving average fair value of such investments. For fiscal years May 31, 2024 and 2023, the effective payout percentage was 5% and the book entry appropriating endowment net assets for expenditure was \$6,297,189 and \$5,954,369, respectively. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow and maintain the purchasing power of the endowment assets held in perpetuity as well as provide real growth through new gifts and investment return.

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 8 BONDS PAYABLE

Bonds payable at May 31, 2024 and 2023 consists of the following:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Minnesota Higher Education Facilities Authority Revenue and Refunding Bonds, Series 2018A (St. Catherine University), bearing interest at rates ranging from 4.0% to 5.0%; due in varying annual installments 2024 through 2038, and term bonds commencing 2039 through 2045.	\$ 49,770,000	\$ 49,770,000
Minnesota Higher Education Facilities Authority Taxable Revenue Refunding Bonds, Series 2018B (St. Catherine University), bearing interest at 4.937%; due in term bonds commencing 2046 through 2050.	20,765,000	20,765,000
Minnesota Higher Education Facilities Authority Revenue Refunding Bonds, Series 2023 (St. Catherine University), bearing interest at rates ranging from 4.25% to 5.125% due in varying annual installments 2026 through 2052.	21,235,000	-
Total	91,770,000	70,535,000
Plus: Unamortized Premium	4,534,874	4,637,812
Less: Unamortized Deferred Financing Cost	(613,796)	(247,653)
Total Bonds Payable	<u>\$ 95,691,078</u>	<u>\$ 74,925,159</u>

On September 13, 2018, the Minnesota Higher Education Facilities Authority issued Revenue and Refunding Bonds, Series 2018A (St. Catherine University) on behalf of the University totaling \$49,770,000.

The Series 2018A Revenue and Refunding Bonds have interest rates ranging from 4.00% to 5.00% and mature in annual amounts ranging from \$1,295,000 to \$3,585,000 on October 1 in the years 2024 through 2045. The bonds are secured by a pledge of the loan repayments, the payment of which is a general obligation of the University.

Also, on September 13, 2018, the Minnesota Higher Education Facilities Authority issued Taxable Revenue Refunding Bonds, Series 2018B (St. Catherine University) on behalf of the University totaling \$20,765,000.

The Series 2018B Revenue Refunding Bonds have an interest rate of 4.937% and mature in annual amounts ranging from \$3,755,000 to \$4,570,000 on October 1 in the years 2046 through 2050. The bonds are secured by a pledge of the loan repayments, the payment of which is a general obligation of the University.

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 8 BONDS PAYABLE (CONTINUED)

On July 18, 2023, the Minnesota Higher Education Facilities Authority issued Taxable Revenue Refunding Bonds, Series 2023 (St. Catherine University) on behalf of the University totaling \$21,235,000.

The Series 2023 Revenue Refunding Bonds have an interest rates ranging from of 4.25% to 5.125% and mature in annual amounts ranging from \$205,000 to \$13,010,000 on October 1 in the years 2038 through 2052. The bonds are secured by a pledge of the loan repayments, the payment of which is a general obligation of the University.

Below are the scheduled maturities of bonds payable for each of the next five years and thereafter:

<u>Year Ending May 31,</u>	<u>Amount</u>
2025	\$ 1,295,000
2026	1,360,000
2027	1,635,000
2028	1,650,000
2029	1,810,000
Thereafter	84,020,000
Total	<u>\$ 91,770,000</u>

Total interest expense for the years ended May 31, 2024 and 2023, amounted to approximately \$4,113,290 and \$3,193,356, respectively.

NOTE 9 ENVIRONMENTAL REMEDIATION

The University owns several assets on campus that contain environment contaminants in various forms. At this time, the University plans to renovate or demolish certain buildings over their estimated remaining useful lives of 50-150 years. In addition to potential project work, in accordance with applicable standards, management has estimated the cost of any potential obligation to remove contaminants and annually undertakes abatement measures. The University used a future value rate assumption of 2.7% and brought that estimate back to present value using a risk-free rate of return of 5.0% in making this determination. The potential environmental remediation liability of \$305,000 and \$273,000 at May 31, 2024 and 2023 is recorded as an accrued liability on the statements of financial position.

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 10 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Donor-restricted nets assets not invested in perpetuity at May 31:

	2024	2023
Operations	\$ 81,450,014	\$ 59,288,372
Capital Expenditures	6,146,139	9,155,335
Programs	7,631,885	8,833,547
Scholarships	4,061,727	4,437,637
Faculty Chairs	-	2,567,392
Faculty and Staff Development	1,475,794	1,418,632
Total	<u>\$ 100,765,559</u>	<u>\$ 85,700,915</u>

Net assets released for time and purpose restrictions were \$21,272,547 and \$21,850,868 for the years ended May 31, 2024 and 2023, respectively.

Donor-restricted net assets invested in perpetuity. The purposes the income is expendable to support are as follows at May 31:

	2024	2023
Scholarships	\$ 44,310,809	\$ 41,347,561
Programs	12,915,850	11,831,640
Faculty Chairs	9,302,961	9,302,861
Faculty and Staff Development	2,968,548	2,876,129
Total	<u>\$ 69,498,168</u>	<u>\$ 65,358,191</u>

NOTE 11 EMPLOYEE BENEFITS

Contributory Savings Plan

The University participates in a discretionary individual retirement plan administered by Teachers Insurance and Annuity Association (TIAA) which covers substantially all faculty and administrative personnel. Effective May 10, 2020, the Employer matching contribution was suspended and then later reinstated effective December 17, 2021. The Employer matching contribution was reinstated on December 17, 2021 at 1.5% for those participants who elected to defer 3% of their regular salary, 2% for those who elected to defer 4% of their regular salary, and 4% for those who elected to defer 5% of their regular salary. Effective June 1, 2022, the Employer matching contribution was increased to 2.25% for those participants who elected to defer 3% of their regular salary, 3% for those who elected to defer 4% of their regular salary, and 6% for those who elected to defer 5% of their regular salary. Retirement plan expense was \$1,908,157 and \$1,986,479 for the years ended May 31, 2024 and 2023, respectively.

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 11 EMPLOYEE BENEFITS (CONTINUED)

Health Benefit Plan

The University has an Employee Health Benefits Plan (the Plan) to provide comprehensive health benefits for covered employees and their covered dependents, as defined in the Plan agreement. This Plan is self-insured and, as such, the University pays the benefits as claims for benefits and associated expenses are incurred subject to stop-loss limits of \$120,000 per claimant. There is also a group aggregate stop-loss limit, which is recalculated quarterly based on Plan enrollment. For the years ended May 31, 2024 and 2023, the aggregate stop-loss amount was \$6,106,468 and \$6,529,302, respectively. The employees are required to contribute to the cost of coverage under the Plan. The liability is reported as a component of accrued expenses on the statements of financial position.

NOTE 12 COMMITMENTS

Leases

The University leases instructional equipment and laundry equipment in residence halls on campus. The leases expire at various dates through 2029 and provide for renewal options ranging from month-to-month to four months. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning the University's leases.

	2024	2023
Lease Cost:		
Finance Lease Cost:	\$ 359,322	\$ 276,740
Amortization of Right-of-Use Assets	(162,211)	(119,641)
Interest on Lease Liabilities	(4,705)	(3,426)
Total Lease Cost	<u>\$ 192,406</u>	<u>\$ 153,673</u>
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	\$ 88,049	\$ 47,654
Financing Cash Flows from Financing Leases	88,049	47,654
Weighted-Average Remaining Lease Term - Financing Lease	2.97 Years	3.57 Years
Weighted-Average Discount Rate - Financing Leases	3.15%	2.94%

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 12 COMMITMENTS (CONTINUED)

Leases (Continued)

Future commitments for these leases are as follows:

<u>Year Ending May 31,</u>	<u>Financing Leases</u>
2025	\$ 57,281
2026	47,812
2027	43,083
2028	15,203
2029	8,826
Total	<u>172,205</u>
Amount Representing Interest	<u>(24,596)</u>
Total Lease Liability	<u><u>\$ 147,609</u></u>

NOTE 13 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION

In its statements of activities, the University reports expenditures in categories reflecting core operational objectives for higher education, as defined by Integrated Postsecondary Education Data System (IPEDS). During the year, expenses are directly coded to program (instruction, academic support, student services, auxiliary services, and sponsored programs) or support services (institutional support) whenever possible. Expenses which are not directly identifiable by program or support service including interest, depreciation, and facilities are allocated based on the best estimates of management.

Expenses reported by function on the statements of activities are summarized by natural classification for the year ended May 31:

	<u>2024</u>		
	<u>Program Services</u>	<u>Supporting Activities</u>	<u>Total</u>
Salaries, Benefits, and Taxes	\$ 52,221,742	\$ 9,723,890	\$ 61,945,632
Professional and Other Services	11,620,898	3,754,911	15,375,809
Office Expenses and Information Technology	5,584,388	4,083,751	9,668,139
Occupancy	673,970	1,336,108	2,010,078
Travel and Conferences	917,840	285,060	1,202,900
Interest	3,979,338	138,657	4,117,995
Depreciation (Excluding Amortization)	4,513,364	272,305	4,785,669
Insurance	10,083	1,098,524	1,108,607
Repairs and Maintenance	635,011	1,069,229	1,704,240
Other	1,904,899	653,724	2,558,623
Total Expenses by Function	<u><u>\$ 82,061,533</u></u>	<u><u>\$ 22,416,159</u></u>	<u><u>\$ 104,477,692</u></u>

ST. CATHERINE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

NOTE 13 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION (CONTINUED)

	2023		
	Program Services	Supporting Activities	Total
Salaries, Benefits, and Taxes	\$ 52,397,331	\$ 9,177,835	\$ 61,575,166
Professional and Other Services	11,636,242	4,213,528	15,849,770
Office Expenses and Information Technology	5,336,384	3,202,254	8,538,638
Occupancy	823,034	1,531,214	2,354,248
Travel and Conferences	945,327	198,095	1,143,422
Interest	3,075,066	121,716	3,196,782
Depreciation (Excluding Amortization)	4,491,840	271,006	4,762,846
Insurance	7,584	669,523	677,107
Repairs and Maintenance	535,875	911,520	1,447,395
Other	1,920,901	743,013	2,663,914
Total Expenses by Function	<u>\$ 81,169,584</u>	<u>\$ 21,039,704</u>	<u>\$ 102,209,288</u>

