

WILLIAM CAREY UNIVERSITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2020 and 2021

WILLIAM CAREY UNIVERSITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
William Carey University
Hattiesburg, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of William Carey University (a Mississippi nonprofit corporation), which comprise the statements of financial position as of June 30, 2020 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



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To the Board of Trustees
William Carey University
Hattiesburg, Mississippi

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of William Carey University as of June 30, 2020 and 2021, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Schedule 1, as required by the Department of Education Title IV Financial Responsibility Standards, and Schedule 2, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal*

To the Board of Trustees
William Carey University
Hattiesburg, Mississippi

Awards (Uniform Guidance), 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, Schedule 1 and Schedule 2 are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2021, on our consideration of William Carey University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of William Carey University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering William Carey University's internal control over financial reporting and compliance.


Hattiesburg, Mississippi
September 13, 2021

EXHIBIT A

WILLIAM CAREY UNIVERSITY

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
ASSETS			
Cash and cash equivalents	\$ 28,354,755	\$ 4,405,718	\$ 32,760,473
Receivables, net	6,698,605	2,168,390	8,866,995
Prepaid expenses	14,250	-	14,250
Endowment investments	-	22,412,127	22,412,127
Other assets	1,532,314	-	1,532,314
Deferred compensation asset	1,865,324	-	1,865,324
Right of use - finance lease	175,768	-	175,768
Property, plant and equipment, net	182,559,966	-	182,559,966
Total assets	\$ 221,200,982	\$ 28,986,235	\$ 250,187,217
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 2,131,260	\$ -	\$ 2,131,260
Accrued liabilities	363,301	-	363,301
Deferred compensation liability	1,865,324	-	1,865,324
Deferred revenue and student refunds	5,314,679	535,829	5,850,508
Line of credit	2,750,018	-	2,750,018
Lease obligations - finance lease	179,174	-	179,174
Notes and bonds payable	47,602,584	-	47,602,584
Total liabilities	60,206,340	535,829	60,742,169
NET ASSETS	160,994,642	28,450,406	189,445,048
Total liabilities and net assets	\$ 221,200,982	\$ 28,986,235	\$ 250,187,217

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

EXHIBIT B

WILLIAM CAREY UNIVERSITY

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
ASSETS			
Cash and cash equivalents	\$ 25,642,194	\$ 4,028,598	\$ 29,670,792
Receivables, net	6,391,764	1,617,351	8,009,115
Prepaid expenses	122,788	-	122,788
Endowment investments	-	27,225,423	27,225,423
Other assets	1,559,088	-	1,559,088
Deferred compensation asset	2,462,817	-	2,462,817
Right of use - finance lease	132,202	-	132,202
Property, plant and equipment, net	188,951,382	-	188,951,382
Total assets	\$ 225,262,235	\$ 32,871,372	\$ 258,133,607
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 1,986,247	\$ -	\$ 1,986,247
Accrued liabilities	662,581	-	662,581
Deferred compensation liability	2,462,817	-	2,462,817
Deferred revenue and student refunds	4,590,988	-	4,590,988
Lease obligations - finance lease	136,737	-	136,737
Notes and bonds payable	46,171,032	-	46,171,032
Total liabilities	56,010,402	-	56,010,402
NET ASSETS	169,251,833	32,871,372	202,123,205
Total liabilities and net assets	\$ 225,262,235	\$ 32,871,372	\$ 258,133,607

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

EXHIBIT C

WILLIAM CAREY UNIVERSITY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES			
Tuition:			
Undergraduate	\$ 14,799,777	\$ 14,590	\$ 14,814,367
Graduate	9,656,301	-	9,656,301
College of Medicine & Master of Biomedical Sciences	17,544,871	-	17,544,871
Physical Therapy & Pharmacy	6,642,750	-	6,642,750
Student fees	3,401,038	18,861	3,419,899
Net tuition and fees	<u>52,044,737</u>	<u>33,451</u>	<u>52,078,188</u>
Gifts and grants	4,028,786	4,606,664	8,635,450
Auxiliary income	2,980,204	85,536	3,065,740
Net assets released from donor restrictions	1,606,479	(1,606,479)	-
Total operating revenues	<u>60,660,206</u>	<u>3,119,172</u>	<u>63,779,378</u>
OPERATING EXPENSES			
Program			
Instructional:			
Regular	16,603,845	-	16,603,845
College of Medicine & Master of Biomedical Sciences	9,541,173	-	9,541,173
Physical Therapy & Pharmacy	4,733,717	-	4,733,717
Support:			
Academic	1,079,895	-	1,079,895
Student	3,239,581	-	3,239,581
Auxiliary	4,602,741	-	4,602,741
Total program	<u>39,800,952</u>	<u>-</u>	<u>39,800,952</u>
Management and general:			
Institutional support	7,620,799	-	7,620,799
Facilities	4,964,452	-	4,964,452
Interest expense	1,237,022	-	1,237,022
Depreciation and amortization expense	9,312,198	-	9,312,198
Total management and general	<u>23,134,471</u>	<u>-</u>	<u>23,134,471</u>
Fundraising	<u>473,967</u>	<u>-</u>	<u>473,967</u>
Total operating expenses	<u>63,409,390</u>	<u>-</u>	<u>63,409,390</u>
<i>Increase (decrease) in net assets from operating activities</i>	<u>(2,749,184)</u>	<u>3,119,172</u>	<u>369,988</u>

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

EXHIBIT C
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WILLIAM CAREY UNIVERSITY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
NON-OPERATING REVENUES			
Investment return	\$ 131,384	\$ 846,019	\$ 977,403
Other income	155,166	1,113,628	1,268,794
Net assets released from donor restrictions	28,803	(28,803)	-
Total non-operating revenues	<u>315,353</u>	<u>1,930,844</u>	<u>2,246,197</u>
NON-OPERATING EXPENSES			
Management and general			
Other expense	110,396	-	110,396
Total non-operating expenses	<u>110,396</u>	<u>-</u>	<u>110,396</u>
<i>Increase in net assets from non-operating activities</i>	<u>204,957</u>	<u>1,930,844</u>	<u>2,135,801</u>
<i>Change in Net Assets before Transfers</i>	<u>(2,544,227)</u>	<u>5,050,016</u>	<u>2,505,789</u>
INTERFUND TRANSFERS	<u>2,258,925</u>	<u>(2,258,925)</u>	<u>-</u>
<i>Change in Net Assets</i>	<u>(285,302)</u>	<u>2,791,091</u>	<u>2,505,789</u>
NET ASSETS			
Beginning of year	165,271,849	25,659,315	190,931,164
Prior period adjustment	(3,991,905)	-	(3,991,905)
Beginning of year, as restated	<u>161,279,944</u>	<u>25,659,315</u>	<u>186,939,259</u>
End of year	<u>\$ 160,994,642</u>	<u>\$ 28,450,406</u>	<u>\$ 189,445,048</u>

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

EXHIBIT D

WILLIAM CAREY UNIVERSITY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES			
Tuition:			
Undergraduate	\$ 17,069,817	\$ 2,791	\$ 17,072,608
Graduate	13,957,314	-	13,957,314
College of Medicine & Master of Biomedical Sciences	20,011,526	-	20,011,526
Physical Therapy & Pharmacy	8,482,175	-	8,482,175
Student fees	4,565,984	18,173	4,584,157
Net tuition and fees	<u>64,086,816</u>	<u>20,964</u>	<u>64,107,780</u>
Gifts and grants	3,858,618	2,395,273	6,253,891
Auxiliary income	2,495,486	74,767	2,570,253
Net assets released from donor restrictions	1,495,231	(1,495,231)	-
Total operating revenues	<u>71,936,151</u>	<u>995,773</u>	<u>72,931,924</u>
OPERATING EXPENSES			
Program			
Instructional:			
Regular	18,222,670	-	18,222,670
College of Medicine & Master of Biomedical Sciences	11,340,225	-	11,340,225
Physical Therapy & Pharmacy	4,681,185	-	4,681,185
Support:			
Academic	1,054,871	-	1,054,871
Student	3,018,048	-	3,018,048
Auxiliary	4,724,397	-	4,724,397
Total program	<u>43,041,396</u>	<u>-</u>	<u>43,041,396</u>
Management and general			
Institutional support	8,001,215	-	8,001,215
Facilities	5,163,768	-	5,163,768
Depreciation and amortization expense	9,455,698	-	9,455,698
Total management and general	<u>22,620,681</u>	<u>-</u>	<u>22,620,681</u>
Fundraising	<u>483,843</u>	<u>-</u>	<u>483,843</u>
Total operating expenses	<u>66,145,920</u>	<u>-</u>	<u>66,145,920</u>
<i>Increase in net assets from operating activities</i>	<u>5,790,231</u>	<u>995,773</u>	<u>6,786,004</u>

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

EXHIBIT D
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WILLIAM CAREY UNIVERSITY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
NON-OPERATING REVENUES			
Investment return	\$ 94,575	\$ 4,974,543	\$ 5,069,118
Other income	5,087,048	688,945	5,775,993
Net assets released from donor restrictions	15,500	(15,500)	-
Total non-operating revenues	<u>5,197,123</u>	<u>5,647,988</u>	<u>10,845,111</u>
NON-OPERATING EXPENSES			
Management and general			
Other expense	3,915,659	-	3,915,659
Interest expense	1,037,299	-	1,037,299
Total non-operating expenses	<u>4,952,958</u>	<u>-</u>	<u>4,952,958</u>
<i>Increase in net assets from non-operating activities</i>	<u>244,165</u>	<u>5,647,988</u>	<u>5,892,153</u>
<i>Change in Net Assets before Transfers</i>	6,034,396	6,643,761	12,678,157
INTERFUND TRANSFERS	<u>2,222,795</u>	<u>(2,222,795)</u>	<u>-</u>
<i>Change in Net Assets</i>	8,257,191	4,420,966	12,678,157
NET ASSETS			
Beginning of year	<u>160,994,642</u>	<u>28,450,406</u>	<u>189,445,048</u>
End of year	<u>\$ 169,251,833</u>	<u>\$ 32,871,372</u>	<u>\$ 202,123,205</u>

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

EXHIBIT E

WILLIAM CAREY UNIVERSITY

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	<u>Total</u>	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>
Salaries and wages	\$ 31,176,370	\$ 26,518,691	\$ 4,379,981	\$ 277,698
Retirement	1,390,642	1,101,054	280,847	8,741
Other employee benefits	3,681,301	2,805,818	828,780	46,703
Payroll taxes	2,121,942	1,804,630	294,096	23,216
Advertising and promotion	246,181	162,682	80,395	3,104
Office expenses	91,265	76,021	13,106	2,138
Travel	502,433	480,209	21,135	1,089
Interest	1,237,024	-	1,237,024	-
Depreciation and amortization	9,312,198	-	9,312,198	-
Insurance	1,352,877	466,375	886,502	-
Unrelated business income tax	2,773	-	2,773	-
Other	12,404,780	6,385,472	5,908,030	111,278
Total	<u>\$ 63,519,786</u>	<u>\$ 39,800,952</u>	<u>\$ 23,244,867</u>	<u>\$ 473,967</u>

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

EXHIBIT F

WILLIAM CAREY UNIVERSITY

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	<u>Total</u>	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>
Salaries and wages	\$ 33,619,246	\$ 28,711,332	\$ 4,587,001	\$ 320,913
Retirement	1,422,536	1,136,687	274,711	11,138
Other employee benefits	3,629,398	2,755,475	828,421	45,502
Payroll taxes	2,281,466	1,952,354	302,544	26,568
Advertising and promotion	292,573	139,944	145,165	7,464
Office expenses	124,263	94,580	27,296	2,387
Travel	302,205	254,909	45,892	1,404
Interest	1,037,299	-	1,037,299	-
Depreciation and amortization	9,455,698	-	9,455,698	-
Insurance	1,731,444	571,338	1,160,106	-
Unrelated business income tax	11,108	-	11,108	-
Other	17,191,642	7,424,777	9,698,398	68,467
Total	\$ 71,098,878	\$ 43,041,396	\$ 27,573,639	\$ 483,843

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

EXHIBIT G

WILLIAM CAREY UNIVERSITY

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2021**

	<u>June 30,</u>	
	<u>2020</u>	<u>2021</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Change in net assets	\$ 2,505,789	\$ 12,678,157
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,328,125	9,471,661
Net gain on sales of long-term endowment investments	(452,442)	(1,199,446)
Loss on involuntary conversion of property, plant, and equipment	39,445	-
Gain on termination of lease	-	(202)
Unrealized loss (gain) on investments	293,779	(3,031,341)
Cash contributions restricted for long-term investment	(596,031)	(938,196)
(Increase) decrease in:		
Receivables	(3,346,228)	857,880
Prepaid expenses	74,886	(108,538)
Other assets	(154,158)	(26,774)
Deferred compensation asset	(179,542)	(597,493)
Increase (decrease) in:		
Accounts payable	581,617	(145,013)
Accrued liabilities	(903,341)	299,280
Deferred compensation liability	179,542	597,493
Deferred revenue and student refunds	1,461,674	(1,259,520)
Net cash provided by operating activities	<u>8,833,115</u>	<u>16,597,948</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Purchase of property and equipment	(10,673,361)	(15,796,054)
Purchase of endowment investments	(1,647,528)	(1,932,356)
Proceeds from sale of endowment investments	517,515	1,349,847
Proceeds from sale of property, plant, and equipment	8,238	-
Net cash used by investing activities	<u>(11,795,136)</u>	<u>(16,378,563)</u>

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

EXHIBIT G
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WILLIAM CAREY UNIVERSITY

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2021**

	June 30,	
	2020	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from gifts restricted for endowment	\$ 596,031	\$ 938,196
Proceeds from long-term debt	28,241,653	-
Payments on finance lease liabilities	(47,258)	(49,729)
Payments on long-term debt	(16,263,391)	(4,197,533)
Debt issuance costs	(160,470)	-
Net cash provided (used) by financing activities	<u>12,366,565</u>	<u>(3,309,066)</u>
NET INCREASE (DECREASE) IN CASH	9,404,544	(3,089,681)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>23,355,929</u>	<u>32,760,473</u>
CASH AND CASH EQUIVALENTS	<u>\$ 32,760,473</u>	<u>\$ 29,670,792</u>
Displayed as:		
Cash and cash equivalents, without donor restrictions	\$ 28,354,755	\$ 25,642,194
Cash and cash equivalents, with donor restrictions	<u>4,405,718</u>	<u>4,028,598</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 32,760,473</u>	<u>\$ 29,670,792</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 1,221,061</u>	<u>\$ 1,021,336</u>
Income taxes paid	<u>\$ 2,773</u>	<u>\$ 11,108</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Capitalization of interest	<u>\$ 40,050</u>	<u>\$ 240,300</u>
Contributed stock	<u>\$ 558</u>	<u>\$ -</u>
Leased assets obtained in exchange for new finance lease liabilities	<u>\$ -</u>	<u>\$ 21,894</u>

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

NOTES TO FINANCIAL STATEMENTS

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Principal Activity

Organization - William Carey University (the University) is a private, coeducational institution of higher learning which was founded in 1892. The University operates campuses in Hattiesburg, Mississippi, Biloxi, Mississippi and Baton Rouge, Louisiana. The majority of the University's revenues come from student tuition and fees. The University was incorporated as a not-for-profit corporation and is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code.

Significant Accounting Policies

Basis of Presentation - The University prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the University's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The University's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its organizational documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions - Net assets are subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Classification of Transactions - All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Cash and Cash Equivalents - The University considers available bank balances, money market accounts, and other highly liquid investments with original maturities of three months or less as cash or cash equivalents. Cash is classified as either with or without donor restrictions. Cash with donor restrictions includes financial aid monies that the University has received but not disbursed and monies restricted for educational programs.

Receivables - The University provides credit without collateral to students for charges such as tuition, books, fees, room, and board. These receivables are stated at unpaid balances less allowances for doubtful accounts. The University provides for losses using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of students to meet their obligations. Receivables are considered delinquent if full principal payments are not received in accordance with the contractual terms. It is the University's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Interest income is not accrued on outstanding accounts receivable.

Short Term Investments - The University invests cash in excess of its immediate needs in money market funds and U.S. Government and Government Agency issues. Short term investments are reported at fair value. The investment policy specific to these investments is monitored by the Committee on Budget, Finance, Investments, and Audit of the University's Board of Trustees.

Promises to Give - The University records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The University determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

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WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Property, Plant and Equipment - Property and equipment are carried at cost or, if donated, at the estimated fair market value at the date of donation. The University uses cost and asset durability as determining factors for capitalization. Depreciation is expensed over the estimated useful life of depreciable assets, which is 15 to 20 years for land improvements, 20 to 40 years for buildings and improvements, 5 to 7 years for equipment and furniture and 20 years for library collections, and is computed using the straight line method. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Maintenance and repairs are charged to operations and significant purchases and improvements are capitalized. Property, plant and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Consistent with the accepted practice of not depreciating land, the FASB has declared that individual works of art or historical treasures whose economic benefit or service potential is not estimable should not be depreciated. The amounts included in other assets for these non-depreciable items were \$1,437,262 and \$1,467,066 as of June 30, 2020 and 2021, respectively.

Though William Carey University holds collections of various types, it is not the University's practice to deaccession any of the collection items, and it is not anticipated that any will be sold in the foreseeable future.

Endowment and Long-term Investments - The University records purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return or loss is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Purchases and sales of investments are reported on the trade date. The investment and spending policies for the Endowment Fund are discussed in Note 5.

Endowment investments consist of investments purchased with the following resources:

- Donor-restricted perpetual endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the University's activities.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources.

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Tuition and Fee Revenue - The University recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Payment is due in full by the Thursday before the term starts. Institutional aid, in the form of scholarships and grants-in-aid, reduces the price of tuition for students receiving such aid. As such, institutional aid is referred to as a tuition discount and represents the difference between the stated charges for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Financial aid provided to students was \$11,953,056 in 2020 and \$12,712,839 in 2021.

The University's summer term consists of ten instructional weeks offered during portions of June, July, and August each year. Payments of tuition and housing for all of the summer terms are recognized as performance obligations are met. Because the academic term spans two reporting periods, a portion of the payments for the term is included in deferred revenue at June 30. Under Accounting Standards Codification (ASC) 606, contract liabilities are measured at the amount of consideration received from the student prior to services being delivered and are classified as deferred revenues (see Note 7).

Auxiliary Services Revenue - Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity.

Auxiliary services revenue includes revenues from contracts with customers to provide student housing and dining facilities, ticket sales for athletic and community events, a coffee house, and other miscellaneous activities. Payments for these services are due during the week prior to the start of the academic term. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, revenue from housing and dining services is recognized ratably as services are rendered. Ticket sales and coffee house revenue are recognized at the time of sale.

Accounting for Contributions - Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
PAGE FIVE
YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The University is a beneficiary under several donors' wills. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid and the University has an irrevocable right to the bequest.

Gifts-in-Kind Contributions - The University receives contributions other than cash or investments. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

The University benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the University's program operations. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. The University did not receive any volunteer services meeting requirements for recognition for the years ended June 30, 2020 and 2021.

Grant Revenue - Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants.

Functional Allocation of Expenses - The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs - Costs for advertising, including radio, television and newspaper advertisements, are expensed as incurred. Total advertising costs for the years ended June 30, 2020 and 2021, were \$76,996 and \$167,142, respectively.

Tax Status - The University is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as "other than a private foundation". However, income from certain activities not directly related to the University's tax-exempt purpose is subject to taxation as unrelated business income.

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deferred Financing Costs - Deferred financing costs are being amortized over the life of the debt instrument, using the straight-line method. Pursuant to ASU 2015-03, amortization costs are included in interest expense and debt is presented net of these costs. See Note 10 - Notes and Bonds Payable, for additional information.

Compensated Absences - Employees are entitled to paid vacations, sick days and personal days off depending on length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. It is the University's policy to recognize the cost of compensated absences when actually paid.

Changes in Accounting Principles - The University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions (that is, revenue from contracts with customers) or contributions. The ASU also assists entities in determining whether a contribution is conditional. The University adopted FASB ASU No. 2018-08 as of July 1, 2020, using the modified prospective basis. The University did not make any significant changes to the financial statements as a result of the adoption.

The University adopted FASB ASU No. 2018-13, Fair Value Measurement (Topic 820): *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which amends ASC 820, *Fair Value Measurement*. ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The University adopted FASB ASU No. 2018-13 as of July 1, 2020, using the modified prospective basis. The University did not make any significant changes to the financial statements as a result of the adoption.

The University adopted FASB ASU 2019-03, Not-for-Profit Entities (Topic 958): *Updating the Definition of Collections* which amends the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds when collection items are deaccessioned (that is, removed from a collection). The University adopted FASB ASU No. 2019-03 as of July 1, 2020, using the modified prospective basis. The University did not make any significant changes to the financial statements as a result of the adoption.

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NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Recent Accounting Pronouncements - In September 2020, FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard is effective for the year ending June 30, 2022. Management is currently evaluating the impact of this standard on the financial statements.

Reclassifications - Certain accounts in the prior year's financial statements have been reclassified to conform to the presentation of the current year financial statements.

Subsequent Events - In preparing the financial statements, management has evaluated and disclosed all material subsequent events up to September 13, 2021, which is the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets without donor or other restrictions available for general expenditure within one year of June 30, 2021 are:

Cash and cash equivalents	\$ 25,642,194
Receivables, net	<u>6,391,764</u>
Total	<u><u>\$ 32,033,958</u></u>

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WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 3 - RECEIVABLES

Receivables consist of the following:

	June 30,	
	2020	2021
Student accounts receivable	\$ 7,006,726	\$ 6,076,612
Less: Allowance for doubtful accounts	(725,981)	(419,699)
Student accounts receivable, net	<u>6,280,745</u>	<u>5,656,913</u>
Loans to students	141,207	118,631
Less: Allowance for doubtful accounts	(76,000)	(73,209)
Loans to students, net	<u>65,207</u>	<u>45,422</u>
Other receivables	<u>2,521,043</u>	<u>2,306,780</u>
Total receivables	<u><u>\$ 8,866,995</u></u>	<u><u>\$ 8,009,115</u></u>

For the year end June 30, 2020 and 2021, other receivables included grants of \$2,000,000 and \$1,897,418, respectively.

NOTE 4 - FAIR VALUE MEASUREMENTS

The University reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the primary, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 4 - FAIR VALUE MEASUREMENTS (Cont.)

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.
- Level 3 - Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of the University's investment assets are classified within Level 1 because they comprise funds with readily determinable fair values based on daily redemption values. The University also invests in fixed income securities primarily consisting of corporate bonds which are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rate, and market-rate assumptions and are classified within Level 2.

The following sets forth by level, within the fair value hierarchy, the University's assets at fair value:

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 267,879	\$ -	\$ -	\$ 267,879
Pooled cash and marketable securities	21,504,935	-	-	21,504,935
Fixed income securities	-	616,784	-	616,784
Cash portion of investments	22,529	-	-	22,529
Total assets at fair value	\$ 21,795,343	\$ 616,784	\$ -	\$ 22,412,127

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WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 4 - FAIR VALUE MEASUREMENTS (Cont.)

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 314,409	\$ -	\$ -	\$ 314,409
Pooled cash and marketable securities	26,252,661	-	-	26,252,661
Fixed income securities	-	632,042	-	632,042
Cash portion of investments	26,311	-	-	26,311
Total assets at fair value	\$ 26,593,381	\$ 632,042	\$ -	\$ 27,225,423

NOTE 5 - ACCOUNTING FOR ENDOWMENTS

Endowment - The University's endowment consists of approximately 286 donor-restricted individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, if any, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's Board of Trustees has interpreted the Mississippi Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2020 and 2021, there were no such donor stipulations. As a result of this interpretation, the University retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the University and the donor-restricted endowment funds, (3) general economic conditions, (4) the expected total return from income and the appreciation of investments, and (5) the University's investment policy.

The net asset composition of the University's perpetual endowments as of June 30, 2020 and 2021 are \$22,412,127 and \$27,225,423, respectively.

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 5 - ACCOUNTING FOR ENDOWMENTS (Cont.)

Endowment investments are comprised of the following:

<u>June 30, 2020</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain*</u>	<u>Unrealized Loss*</u>	<u>Other than Temporary Loss</u>
Equity securities	\$ 254,840	\$ 267,879	\$ 13,039	\$ -	\$ -
Pooled cash and marketable securities	20,836,066	21,504,935	668,869	-	-
Fixed income securities	589,281	616,784	27,503	-	-
Cash portion of investments	22,529	22,529	-	-	-
Total	<u>\$ 21,702,716</u>	<u>\$ 22,412,127</u>	<u>\$ 709,411</u>	<u>\$ -</u>	<u>\$ -</u>

* Unrealized gains and losses are shown net.

<u>June 30, 2021</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain*</u>	<u>Unrealized Loss*</u>	<u>Other than Temporary Loss</u>
Equity securities	\$ 231,131	\$ 314,409	\$ 83,278	\$ -	\$ -
Pooled cash and marketable securities	22,613,564	26,252,661	3,639,097	-	-
Fixed income securities	613,666	632,042	18,376	-	-
Cash portion of investments	26,311	26,311	-	-	-
Total	<u>\$ 23,484,672</u>	<u>\$ 27,225,423</u>	<u>\$ 3,740,751</u>	<u>\$ -</u>	<u>\$ -</u>

* Unrealized gains and losses are shown net.

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 5 - ACCOUNTING FOR ENDOWMENTS (Cont.)

The University has invested \$20,836,066 and \$22,613,564 as of June 30, 2020 and 2021, respectively, in pooled funds held at the Mississippi Baptist Foundation (the Foundation). The market value allocated to the University (\$21,504,935 and \$26,252,661 as of June 30, 2020 and 2021, respectively) for these pooled funds represents the University's portion of the cash and underlying market value of all securities in the pool. The Foundation is an agency of the Mississippi Baptist Convention (MBC) created to manage investment funds for Mississippi Baptist institutions.

When unfavorable market fluctuations cause the fair value of certain donor-restricted endowments to be less than the historical cost (original gift/book value) of such funds, the fund is considered to be underwater, and this deficiency is recorded in unrestricted net assets. As of June 30, 2020 and 2021, there were no endowments that were underwater.

Endowment Investment Policy - The overall investment objective of the University's endowment is to preserve capital while achieving an appropriate rate of return with some capital appreciation that supports the overall mission of the University. The particular mix of investments among stocks, bonds, and other financial instruments is determined by the fund's managers to achieve the overall investment objective as determined by the Committee on Budget, Finance, Investments, and Audit of the Board of Trustees.

Endowment Spending Policy - The University seeks an annual endowment distribution rate of 3%-5% of market value subject to the constraints of long-term capital preservation. As conditions dictate, the University may receive distributions from underwater endowments in order to provide consistent support for scholarships and programs.

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WILLIAM CAREY UNIVERSITY
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 5 - ACCOUNTING FOR ENDOWMENTS (Cont.)

Changes in endowment net assets are as follows:

	June 30,	
	2020	2021
<i>Endowment net assets, beginning of year</i>	\$ 21,123,451	\$ 22,412,127
Contributions	596,031	938,196
Investment income	669,776	733,300
Other revenue	7,369	2,267
Transfers	(133,280)	(1,085,798)
Net appreciation	158,503	4,230,412
Amounts appropriated for expenditure	(9,723)	(5,081)
<i>Endowment net assets, end of year</i>	<u>\$ 22,412,127</u>	<u>\$ 27,225,423</u>

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WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2021</u>
Property, plant and equipment not being depreciated:		
Land	\$ 14,804,290	\$ 14,869,290
Construction in process	7,515,771	11,592,398
Total property, plant and equipment not being depreciated	<u>22,320,061</u>	<u>26,461,688</u>
Property, plant and equipment being depreciated:		
Land improvements	6,131,407	6,202,338
Buildings and improvements	176,965,790	185,129,900
Equipment and furniture	28,695,832	31,961,958
Library collections	4,386,593	4,526,353
Total property, plant and equipment being depreciated	<u>216,179,622</u>	<u>227,820,549</u>
Less: Accumulated depreciation	<u>(55,939,717)</u>	<u>(65,330,855)</u>
Total property, plant and equipment being depreciated, net	<u>160,239,905</u>	<u>162,489,694</u>
Total	<u>\$ 182,559,966</u>	<u>\$ 188,951,382</u>

Total depreciation expense for the periods ended June 30, 2020 and 2021 was \$9,261,570 and \$9,404,636, respectively.

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WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 7 - DEFERRED REVENUE AND STUDENT REFUNDS

The activity and balances for deferred revenue and student refunds from contracts with customers for years ended June 31, 2020 and 2021 are shown in the following tables:

	Summer Tuition and Housing	Other Deferred Revenue	Total
Deferred revenue balance at June 30, 2019	\$ -	\$ 313,530	\$ 313,530
Revenue recognized	-	(313,530)	(313,530)
Payments received for future performance obligations	<u>4,729,552</u>	<u>399,513</u>	<u>5,129,065</u>
Deferred revenue balance at June 30, 2020	<u>4,729,552</u>	<u>399,513</u>	<u>5,129,065</u>
Student refunds	<u>-</u>	<u>721,443</u>	<u>721,443</u>
Total deferred revenue and student refunds	<u>\$ 4,729,552</u>	<u>\$ 1,120,956</u>	<u>\$ 5,850,508</u>
	Summer Tuition and Housing	Other Deferred Revenue	Total
Deferred revenue balance at June 30, 2020	\$ 4,729,552	\$ 399,513	\$ 5,129,065
Revenue recognized	(4,729,552)	(399,513)	(5,129,065)
Payments received for future performance obligations	<u>3,988,785</u>	<u>527,376</u>	<u>4,516,161</u>
Deferred revenue balance at June 30, 2021	<u>3,988,785</u>	<u>527,376</u>	<u>4,516,161</u>
Student refunds	<u>-</u>	<u>74,827</u>	<u>74,827</u>
Total deferred revenue and student refunds	<u>\$ 3,988,785</u>	<u>\$ 602,203</u>	<u>\$ 4,590,988</u>

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WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 8 - LINE OF CREDIT

The University has available one line of credit in the amount of \$3,000,079 for general operations which matures on April 23, 2023. The line of credit carries a variable rate of interest equal to 1.00% below the Wall Street Journal (WSJ) Prime Rate as reflected on the WSJ Market Page, on any outstanding principal balance adjusted daily. The line of credit is secured by real estate located in Hattiesburg and Gulfport, Mississippi and all of the University's present and after-acquired furniture, fixtures and equipment located at the Hattiesburg campus. All unpaid principal and interest is due at the date of maturity.

The available and outstanding balances under the University's line of credit were as follows:

	June 30,	
	2020	2021
Available balance	\$ 3,000,079	\$ 3,000,079
Outstanding balance	2,750,018	-

NOTE 9 - LEASES

The University has finance leases for equipment and vehicles used in operations. The University's leases have remaining lease terms from approximately 1 to 5 years, some of which include options to extend the leases. The exercise of lease renewal options is at management's sole discretion. Management has determined it is unlikely that the leases will be renewed.

The University recognizes a finance lease right-of-use asset and a finance lease obligation that represents the present value of the University's obligation to make payments over the lease terms. The present value of the lease payments is calculated using the incremental borrowing rate for finance leases, which was determined using a portfolio approach based on the rate of interest that the University would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term.

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WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 9 - LEASES (Cont.)

The University's lease cost consists of the following:

	June 30,	
	2020	2021
Lease cost:		
Amortization of right-of-use - finance lease	\$ 50,628	\$ 51,061
Interest on lease obligations - finance lease	8,207	6,518
Total lease cost	\$ 58,835	\$ 57,579

Other lease information is as follows:

	June 30,	
	2020	2021
Weighted-average remaining lease term - finance lease	3.59 years	2.89 years
Weighted-average discount rate - finance lease	4.00%	4.00%

The aggregate annual lease obligations are as follows:

Year Ending June 30,	Amount
2022	\$ 48,381
2023	47,274
2024	34,351
2025	4,659
2026	2,072
Total finance leases payable	\$ 136,737

Short-term and month-to-month rental agreements excluded from lease calculations amounted to \$350,412 and \$317,757, for the years ended June 30, 2020 and 2021, respectively.

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WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 10 - NOTES AND BONDS PAYABLE

Notes and bonds payable consist of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2021</u>
Note payable, due in monthly installments of \$81,250, including interest at a fixed rate of 2.89% to April 23, 2025, thereafter converting to a variable interest rate equal to 0.50% below the WSJ Prime Rate as reflected on the WSJ Market Page, on any outstanding principal balance adjusted daily, maturing April 23, 2040, and is secured by the University's Hattiesburg Campus, including all furnitures and fixtures.	\$ 14,651,204	\$ 14,097,997
Bond payable, due in monthly installments of \$56,392, including interest at a fixed rate of 2.84%, to December 26, 2026, with a final balloon payment of \$5,982,652. A prepayment penalty equal to 1.00% of the outstanding balance is required if paid within the first five years. The bond is secured by the Tradition Campus property, accounts with lender or lender's affiliate, Regions Bank, and all tangible personal property owned, acquired, created or placed on property for which bond proceeds are used.	8,940,529	8,512,188
Bond payable, due in monthly installments of \$63,865, including interest at a fixed rate of 2.84%, to June 26, 2028, with a final balloon payment of \$6,728,670. A prepayment penalty equal to 1.00% of the outstanding balance is required if paid within the first five years. The bond is secured by the Tradition Campus property, accounts with lender or lender's affiliate, Regions Bank, and all tangible personal property owned, acquired, created or placed on property for which bond proceeds are used.	10,790,332	10,324,365

(Table Continued on Next Page)

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
PAGE NINETEEN
YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 10 - NOTES AND BONDS PAYABLE (Cont.)

	<u>June 30,</u>	
	<u>2020</u>	<u>2021</u>
Bond payable, due in monthly installments of \$66,897, including interest at a fixed rate of 1.78%, to October 24, 2031, with a final balloon payment of \$7,415,624. Interest only payments began May 24, 2020 and end October 24, 2021. The bond is secured by the Tradition Campus property, accounts with lender or lender affiliate, Regions Bank, and all tangible personal property owned, acquired, created or placed on property for which bond proceeds are used.	\$ 13,500,000	\$ 13,500,000
	47,882,065	46,434,550
Less: Unamortized loan origination fees	<u>(279,481)</u>	<u>(263,518)</u>
Total notes and bond payable	<u><u>\$ 47,602,584</u></u>	<u><u>\$ 46,171,032</u></u>

Approximate maturities of the notes and bonds payable during the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 1,872,452
2023	2,112,682
2024	2,167,555
2025	2,222,355
2026	2,272,611
Thereafter	<u>35,786,895</u>
Total	46,434,550
Less: Unamortized loan origination fees	<u>(263,518)</u>
Total notes and bonds payable	<u><u>\$ 46,171,032</u></u>

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WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
PAGE TWENTY
YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 11 - COMPOSITE FINANCIAL INDEX

The University's Composite Financial Index consists of the following:

	June 30,	
	2020	2021
Primary reserve ratio	0.4601	0.4524
Strength factor	0.1330	0.1330
Weight	35.00%	35.00%
CFI score	<u>1.21</u>	<u>1.19</u>
Viability ratio	0.6106	0.6462
Strength factor	0.4170	0.4170
Weight	35.00%	35.00%
CFI score	<u>0.51</u>	<u>0.54</u>
Return on net assets ratio	0.0131	0.0669
Strength factor	0.0200	0.0200
Weight	20.00%	20.00%
CFI score	<u>0.13</u>	<u>0.67</u>
Return on revenue ratio	(0.0249)	0.0805
Strength factor	0.0070	0.0070
Weight	10.00%	10.00%
CFI score	<u>(0.36)</u>	<u>1.15</u>
Total CFI	<u><u>1.49</u></u>	<u><u>3.55</u></u>

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WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
PAGE TWENTY-ONE
YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 12 - NET ASSETS WITHOUT DONOR RESTRICTIONS EXCLUSIVE OF PLANT

Net assets without donor restrictions exclusive of plant consist of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2021</u>
Net assets without donor restrictions	\$ 160,994,642	\$ 169,251,833
Less: Non-depreciable plant	(1,437,262)	(1,467,066)
Property, plant, and equipment, net	(182,559,966)	(188,951,382)
Property, plant, and equipment related debt	47,781,758	46,307,769
Construction accounts payable	1,085,671	1,077,380
Total	<u>\$ 25,864,843</u>	<u>\$ 26,218,534</u>

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>June 30,</u>	
	<u>2020</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Building programs	\$ 2,662,900	\$ 1,931,415
Educational programs	2,457,450	3,106,618
Financial aid	917,929	607,916
Total subject to expenditure for specified purpose	<u>6,038,279</u>	<u>5,645,949</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
General use	4,020,540	4,858,114
Educational programs	8,019,931	10,216,853
Financial aid	10,371,656	12,150,456
Total endowments	<u>22,412,127</u>	<u>27,225,423</u>
Total net assets with donor restrictions	<u>\$ 28,450,406</u>	<u>\$ 32,871,372</u>

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WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
PAGE TWENTY-TWO
YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS (Cont.)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows:

	June 30,	
	2020	2021
Net assets released from donor restrictions		
Satisfaction of purpose restrictions:		
Educational programs	\$ 1,193,100	\$ 909,471
Financial aid	442,182	601,260
Total net assets released from donor restrictions	\$ 1,635,282	\$ 1,510,731

NOTE 14 - RETIREMENT PLAN

The University's employees participate in two 403(b) defined contribution retirement plans. Substantially all of the University's employees participate in one of these plans. The University contributes a percentage (3.00% to 15.00%) of participating employee's salaries depending on years of service. The University contributed \$1,390,642 and \$1,422,535, for the years ended June 30, 2020 and 2021, respectively, to these plans.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the University's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the University.

In fiscal year 1987, the University received a donation of land and timber located adjacent to the Hattiesburg campus, with a fair market value at the date of donation of \$445,000. The donation included a restriction that should the property ever cease to be used for University purposes, title to the property would revert to the donor. As a condition for donating the land, the donor is requiring that the University build a three-lane boulevard to the University and to additional property owned by the donor. Future plans for financing and construction of the boulevard have not been completed and require approval of the Board of Trustees.

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
PAGE TWENTY-THREE
YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Cont.)

The University works in cooperation with the Mississippi Baptist Convention (MBC) which provides funding through allocation to the University of gifts to the MBC. The amount of such gifts allocated is determined based on the number of student credit hours earned and other factors related to the University's service to the MBC. The University received gifts from the MBC of approximately \$2,588,753 and \$2,392,974 in fiscal years 2020 and 2021, respectively.

NOTE 16 - CONCENTRATIONS OF RISK

Financial instruments that potentially subject the University to concentrations of credit and market risk consist principally of bank deposit accounts and student accounts receivable. The University maintains its cash balances in financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The University had \$30,590,685 and \$27,687,612 over the FDIC federally insured limits as of June 30, 2020 and 2021, respectively. Cash equivalents, other securities, and limited amounts of cash held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account, with a limit of \$250,000 for claims of uninvested cash balances. Additional brokerage insurance, in addition to SIPC protection, is provided through private insurers. The SIPC insurance does not protect against market losses on investments.

Concentrations of credit risk with respect to student accounts receivable are limited due to the large number of students comprising the University's student base.

The University's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the University's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Although 96% of the total fair value of investments is held with the MBF, management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

NOTE 17 - RELATED PARTIES

Payments for information technology services were made to a vendor owned by a member of the Board of Trustees. Payments for the years ended June 30, 2020 and 2021 were \$63,494 and \$81,942, respectively.

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
PAGE TWENTY-FOUR
YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 17 - RELATED PARTIES (Cont.)

Payments for vehicle repairs were made to a vendor owned by a member of the Board of Trustees. Payments for the years ended June 30, 2020 and 2021 were \$-0- and \$1,650, respectively.

Payments for information technology services were made to a vendor owned by an employee of the University. Payments for the years ended June 30, 2020 and 2021 were \$2,310 and \$13,290, respectively.

NOTE 18 - FINANCIAL RESPONSIBILITY

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Federal Title IV regulations. The University has elected to report all leases as post-implementation leases.

<u>Property, Plant and Equipment, Net</u>	<u>Amount</u>
Ending balance for the year ended June 30, 2019	\$ 181,195,822
Less subsequent depreciation and disposals	<u>(19,153,000)</u>
Property, plant and equipment, including construction in progress, net of accumulated depreciation - pre-implementation	<u>162,042,822</u>
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation with outstanding debt for original purchase:	
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	<u>19,117,833</u>
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	<u>7,790,727</u>
Total property, plant and equipment, net	<u><u>\$ 188,951,382</u></u>

Construction in progress post-implementation totaled \$11,592,398 for the year ended June 30, 2021.

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
PAGE TWENTY-FIVE
YEARS ENDED JUNE 30, 2020 AND 2021

NOTE 18 - FINANCIAL RESPONSIBILITY (Cont.)

<u>Notes and Bonds Payable</u>	<u>Amount</u>
Ending balance for the year ended June 30, 2019	\$ 35,768,829
Less payments subsequent to June 30, 2019	<u>(17,051,371)</u>
Notes and bonds payable obtained for long-term purposes, net - pre-implementation	<u>18,717,458</u>
Notes and bonds payable acquired for long-term purposes	9,919,925
Notes and bonds payable acquired for construction in progress	<u>9,197,908</u>
Notes and bonds payable obtained for long-term purposes, net - post-implementation	<u>19,117,833</u>
Notes and bonds payable, net - acquired for future long-term capital projects	<u>8,327,717</u>
Amortization of bond issuance costs	<u>8,024</u>
<i>Total notes and bonds payable</i>	<u>\$ 46,171,032</u>
<u>Net Assets with Donor Restrictions: Restricted in Perpetuity</u>	<u>Amount</u>
Endowments, perpetual in nature, earnings from which are subject to endowment spending policy and appropriation	\$ 27,225,423
Other funds, restricted in perpetuity	<u>399,164</u>
<i>Total net assets with donor restrictions: restricted in perpetuity</i>	<u>\$ 27,624,587</u>

NOTE 19 - RISK AND UNCERTAINTIES

Since the beginning of the COVID-19 pandemic in March 2020, the University has adjusted its operations as needed in order to protect the safety and health of its constituents while continuing to provide the educational opportunities necessary for its students to progress in their programs of study. These safety measures have resulted in a sparser on-campus student population during the remaining 2019-2020 terms and all of the 2020-2021 terms. However, despite losses in auxiliary revenue, enrollment has remained very strong with the 2019-2020 and 2020-2021 fiscal years both seeing annual credit hour increases. The result has been stronger-than-expected operating results and financial position, even with significant COVID-19 related expenses.

WILLIAM CAREY UNIVERSITY

**NOTES TO FINANCIAL STATEMENTS
PAGE TWENTY-SIX
YEARS ENDED JUNE 30, 2020 AND 2021**

NOTE 19 - RISK AND UNCERTAINTIES (Cont.)

Allocations from state aid and several rounds of federal COVID-19 grant relief (HEERF I, II, III) have resulted in much-needed assistance for the University and its students during this difficult and uncertain period. The table below summarizes the amounts, uses, and remaining balances of those funds through June 30, 2021.

	<u>Award</u>	<u>Used</u>	<u>Balance</u>	<u>Use</u>
HEERF I Student	\$ 1,185,328	\$ 1,185,328	\$ -	Direct student aid
HEERF I Institutional	1,185,328	1,185,328	-	Student auxiliary refunds, COVID-19 expenses
HEERF I SIP	118,759	118,759	-	COVID-19 expenses
HEERF II Student	1,185,328	1,185,200	128	Direct student aid
HEERF II Institutional	3,530,657	2,770,050	760,607	Direct student aid, COVID-19 expenses, indirect cost recovery
HEERF II SIP	201,302	5,161	196,141	COVID-19 expenses
HEERF III Student	4,166,680	-	4,166,680	Direct student aid
HEERF III Institutional	4,054,868	-	4,054,868	Direct student aid, COVID-19 expenses, distance education improvements
HEERF III SIP	366,702	-	366,702	COVID-19 expenses
State Aid	1,904,928	1,904,928	-	COVID-19 expenses

The University administration continues to closely monitor conditions related to the pandemic and takes the appropriate actions to promote safety foremost as well as operational stability.

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SUPPLEMENTARY INFORMATION

WILLIAM CAREY UNIVERSITY

SCHEDULE 1

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
YEAR ENDED JUNE 30, 2021**

Ratio Element	Element Amount	Reference to Financial Statements and/or Notes
Primary Reserve Ratio		
<i>Expendable Net Assets</i>		
<u>Net Assets</u>		
Net assets without donor restrictions	\$ 169,251,833	Exhibit B
Net assets with donor restrictions	32,871,372	Exhibit B
Net assets with donor restrictions: restricted in perpetuity	(27,624,587)	Note 18
<u>Property, Plant and Equipment, net</u>		
Property, plant and equipment, including construction in progress - pre-implementation	(162,042,822)	Note 18
Property, plant and equipment, including construction in progress - post-implementation with outstanding debt for original purchase	(19,117,833)	Note 18
Property, plant and equipment, including construction in progress - post-implementation without outstanding debt for original purchase	(7,790,727)	Note 18
<u>Right of use - finance lease, net</u>		
Right of use - finance lease, net - pre-implementation	-	Not applicable
Right of use - finance lease, net - post-implementation	(132,202)	Exhibit B

See the independent auditor's report.

WILLIAM CAREY UNIVERSITY

SCHEDULE 1

PAGE TWO

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
YEAR ENDED JUNE 30, 2021**

<u>Ratio Element</u>	<u>Element Amount</u>	<u>Reference to Financial Statements and/or Notes</u>
<u>Notes and bonds payable obtained for long-term purposes</u>		
Notes and bonds payable obtained for long-term purposes, net - pre-implementation	\$ 18,717,458	Note 18
Notes and bonds payable obtained for long-term purposes, net - post-implementation	19,117,833	Note 18
<u>Lease Obligations</u>		
Lease obligations - pre-implementation	-	Not applicable
Lease obligations - post-implementation	136,737	Exhibit B
<u>Other Items</u>		
Intangible assets	-	Not applicable
Secured and unsecured related party receivables	-	Not applicable
Post-employment defined benefit pension liabilities	-	Not applicable
Annuities, term endowments, life income funds with donor restrictions	-	Not applicable
<i>Total expendable net assets</i>	<u>\$ 23,387,062</u>	
<u>Expenses and Losses</u>		
Total operating expenses without donor restrictions	\$ 66,145,920	Exhibit D
Total non-operating expenses without donor restrictions	4,952,958	Exhibit D
Net investment losses	-	Not applicable
Pension-related changes other than net periodic costs	-	Not applicable
<i>Total expenses and losses</i>	<u>\$ 71,098,878</u>	
Primary Reserve Ratio	0.3289	
Strength Factor Score: 10 x Ratio	3.2894	
Weighted Score: 40% of Strength Factor	1.3157	

See the independent auditor's report.

WILLIAM CAREY UNIVERSITY

SCHEDULE 1
PAGE THREE

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
YEAR ENDED JUNE 30, 2021**

Ratio Element	Element Amount	Reference to Financial Statements and/or Notes
Equity Ratio		
<i>Modified Net Assets</i>		
Net assets without donor restrictions	\$ 169,251,833	Exhibit B
Net assets with donor restrictions	32,871,372	Exhibit B
Intangible assets	-	Not applicable
Secured and unsecured related party receivables	-	Not applicable
Total modified net assets	\$ 202,123,205	
<i>Modified Assets</i>		
Total assets	\$ 258,133,607	Exhibit B
Right of use - finance lease, net - pre-implementation	-	Not applicable
Secured and unsecured related party receivables	-	Not applicable
Intangible assets	-	Not applicable
Lease obligations - pre-implementation	-	Not applicable
Total modified assets	\$ 258,133,607	
Equity Ratio	0.7830	
Strength Factor Score: 6 x Ratio	4.6981	
Weighted Score: 40% of Strength Factor	1.8792	
Net Income Ratio		
Change in net assets without donor restrictions	\$ 8,257,191	Exhibit D
Total revenue and gains without donor restrictions	\$ 77,133,274	Exhibit D
Net Income Ratio	0.1071	
Strength Factor Score: 1+(25 x Ratio)	3.6763	
Weighted Score: 20% of Strength Factor	0.7353	
Financial Responsibility Composite Score	3.0	

See the independent auditor's report.

WILLIAM CAREY UNIVERSITY

SCHEDULE 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Agency or Passthrough #</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TREASURY			
Pass-Through from Mississippi Department of Finance and Administration COVID-19 Coronavirus Relief Fund	21.019	IHL-WCU	\$ 1,904,928
Total U.S. Department of Treasury			<u>1,904,928</u>
U.S. DEPARTMENT OF EDUCATION			
Direct programs:			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants	84.007	--	411,406
Federal Work-Study Program	84.033	--	303,022
Federal Perkins Loan Program	84.038	--	113,551
Federal Pell Grant Program	84.063	--	5,373,976
Federal Direct Student Loans	84.268	--	64,167,598
Teacher Education Assistance for College and Higher Education (TEACH) Grants	84.379	--	147,858
Total Student Financial Aid Cluster			<u>70,517,411</u>

(Table Continued on Next Page)

WILLIAM CAREY UNIVERSITY

SCHEDULE 2
PAGE TWO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Agency or Passthrough #</u>	<u>Federal Expenditures</u>
<i>U.S. DEPARTMENT OF EDUCATION (Cont.)</i>			
Direct programs: (Cont.)			
COVID-19 Education Stabilization Fund	84.425E	--	\$ 1,185,200
COVID-19 Education Stabilization Fund	84.425F	--	2,770,050
COVID-19 Education Stabilization Fund	84.425M	--	123,920
Total COVID-19 Education Stabilization Fund			<u>4,079,170</u>
Total U.S. Department of Education			<u>74,596,581</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 76,501,509</u></u>

See the independent auditor's report.

WILLIAM CAREY UNIVERSITY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of William Carey University (the University) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - INDIRECT COST RATE

The University prepares an indirect cost rate proposal as needed subject to approval by the United States Department of Health and Human Services. For the year ended June 30, 2021, the approved final indirect cost rate for federally funded programs was 28.99% based upon the most recent Certificate of Indirect Cost dated November 26, 2019. The approved rate contained in the most recent Certificate of Indirect Cost is approved to be used through June 30, 2023.

NOTE 3 - LOANS OUTSTANDING

The University had the following loan balances outstanding at June 30, 2021. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA#</u>	<u>Amount</u>
Federal Perkins Loan Program	84.038	\$ 113,551

During the year ended June 30, 2021, there were no disbursements for new loans and miscellaneous expenses totaled \$4,053 for the Federal Perkins Loan Program.

NOTE 4 - FEDERAL PELL GRANT PROGRAM

During the year ended June 30, 2021, expenditures for the Federal Pell Grant Program totaled \$5,373,976, of which \$5,373,976 was disbursed to students.

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

To the Board of Trustees
William Carey University
Hattiesburg, Mississippi

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of William Carey University (a Mississippi nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 13, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered William Carey University's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of William Carey University's internal control. Accordingly, we do not express an opinion on the effectiveness of William Carey University's internal control.

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

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HATTIESBURG
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Hattiesburg, MS 39404-5099

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150 Old Highway 98 E
Columbia, MS 39429-6447

P. O. Box 609
Columbia, MS 39429-0609

GULFPORT
2019 23rd Avenue
Gulfport, MS 39501-2968

P. O. Box 1842
Gulfport, MS 39502-
1842

To the Board of Trustees
William Carey University
Hattiesburg, Mississippi

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

Compliance and Other Matters

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

Purpose of This Report

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


Hattiesburg, Mississippi
September 13, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Trustees
William Carey University
Hattiesburg, Mississippi

Report on Compliance for Each Major Federal Program

We have audited William Carey University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of William Carey University's major federal programs for the year ended June 30, 2021. William Carey University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of William Carey University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and



HATTIESBURG
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To the Board of Trustees
William Carey University
Hattiesburg, Mississippi

material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about William Carey University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, William Carey University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

William Carey University's response to the noncompliance finding identified in our audit is described in the accompanying Auditee Corrective Action Plan. William Carey University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

To the Board of Trustees
William Carey University
Hattiesburg, Mississippi

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

William Carey University's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee Corrective Action Plan. William Carey University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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


Hattiesburg, Mississippi
September 13, 2021

WILLIAM CAREY UNIVERSITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency identified not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency identified not considered to be material weakness?	Yes
Type of auditor's report issued on compliance for major program:	
Coronavirus Relief Fund	Unmodified
Student Financial Aid Cluster	Unmodified
Education Stabilization Fund	Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)?	Yes
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Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 Coronavirus Relief Program
84.007	Student Financial Aid Cluster: Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program

WILLIAM CAREY UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PAGE TWO

YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results (Cont.)

Identification of Major Programs (Cont.)

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063	Student Financial Aid Cluster (Cont.):
84.268	Federal Pell Grant Program
84.379	Federal Direct Student Loans
	Teacher Education Assistance for College and Higher Education (TEACH) Grants
84.425E	COVID-19 Education Stabilization Fund
84.425F	COVID-19 Education Stabilization Fund
84.425M	COVID-19 Education Stabilization Fund
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Awards Findings and Questioned Costs

Finding:

Finding # 2021-001 Special Test (N) (Return of Title IV Funds)

Finding Type: Significant Deficiency

Program Tested: Student Financial Aid Cluster

Criteria - According to 34 CFR 668.22(j)(1), a school must return unearned funds for which it is responsible as soon as possible but no later than 45 days from the determination of a student's withdrawal.

WILLIAM CAREY UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PAGE THREE

YEAR ENDED JUNE 30, 2021

Section III - Federal Awards Findings and Questioned Costs (Cont.)

Condition - The University's internal control procedures did not allow for compliance with the regulations for return of Title IV funds within the required 45 days.

Questioned Costs - Undetermined.

Effect - The University could fail to return unearned Title IV funds within the time required by 34 CFR 668.22(j)(1).

Cause - The University's internal control procedures did not ensure the timely return of Title IV funds for the Student Financial Aid Cluster programs.

Recommendation - The University should continue to implement its new control procedures to ensure compliance with the return of unearned funds in a timely manner.

Views of Management - See the Auditee Corrective Action Plan.

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Office of Business Affairs
Grant Guthrie, MA, MBA, CMA
Vice President and Chief Financial Officer

AUDITEE CORRECTIVE ACTION PLAN

The University respectfully submits the following corrective action plan.

Audit Period: June 30, 2021

The finding discussed below is numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

Corrective Action Plan for Federal Awards Findings and Questioned Costs

2021-001 Special Test (N) (Return of Title IV Funds)

The University has implemented a process that provides greater control over the return of any unearned funds following a student's withdrawal. The updated process and enhanced internal controls significantly decrease the likelihood of the University's failure to return funds within the time allowed by 34 CFR 668.22(j)(1).

A student may withdraw from the University via his/her online student portal or written letter of request. Email notifications are sent to the Refund Specialist, Student Account Director, and Controller when a student submits a withdrawal request using the online student portal. When a request is received, the Refund Specialist enters specific information in a worksheet. This information includes the following:

- Student's identifying information
- Term
- Date of request
- If student has completed 60% of the term
- If student has Pell Grant
- If student has Federal loans
- If the student is withdrawing or voiding
- Effective date in CAMS

When this information has been entered, the worksheet indicates if any financial aid should be returned to the Department of Education. The worksheet also tracks the number of days since the date of request and changes the color of a cell based upon this number; going from green to red as the 45 day mark approaches. The worksheet ceases counting when the date and amount of the return has been entered.

Each week the Student Account Director generates a report from the student management system that lists students with financial aid whose enrollment dropped below five credit hours compared to the prior week. The Student Account Director compares this report to the worksheet to ensure the correct tracking information is entered. Any discrepancies are investigated, and the worksheet is updated as necessary. The Student Account Director will also research any student who has funds to be returned.

Each term the Controller reviews the worksheet, the report of students with a change in hours, and a separate log of any paper requests received by the Registrar. The Controller tests random students to check accuracy of the date and amount returned to the Department of Education. Additionally, the Controller reviews several random withdrawal requests received throughout the term to ensure the request was completed and entered into the worksheet. Any anomalies are analyzed and corrected prior to the end of the 45 day period.

Instances of non-compliance span both the 2020 and 2021 fiscal years as a result of the implementation of the new controls described above in the Fall 2020 term following the 2020 audit finding.

Name of Responsible Person: Grant Guthrie, Vice President and Chief Financial Officer

Expected Date of Completion: Current

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Office of Business Affairs
Grant Guthrie, MA, MBA, CMA
Vice President and Chief Financial Officer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

Year Ended June 30, 2021

The following is an update of the prior audit finding.

2020-001

Condition - The University's internal control procedures did not result in compliance with the regulations for return of Title IV funds within the 45 days allowed.

Recommendation - The University should continue to implement its new control procedures to ensure compliance with the return of unearned funds in a timely manner.

Current Status - Over the course of fiscal year 2020-2021, the University invested great effort and time to implement the controls outlined in the auditee corrective action plan. Despite instances of non-compliance occurring before full implementation was complete, we firmly expect those controls to provide the needed process corrections that will ensure compliance and the administrative oversight necessary to detect and remedy issues as they arise. Management remains highly focused on this important objective and will monitor its status frequently for possible improvement.