

WILLIAM CAREY UNIVERSITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2015, 2016, 2017 and 2018

WILLIAM CAREY UNIVERSITY

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| <i>INDEPENDENT AUDITOR'S REPORT</i> | 1 |
| <i>FINANCIAL STATEMENTS</i> | |
| Exhibit A - Statement of Financial Position - June 30, 2015 | 4 |
| Exhibit B - Statement of Financial Position - June 30, 2016 | 5 |
| Exhibit C - Statement of Financial Position - June 30, 2017 | 6 |
| Exhibit D - Statement of Financial Position - June 30, 2018 | 7 |
| Exhibit E - Statement of Activities - Year Ended June 30, 2015 | 8 |
| Exhibit F - Statement of Activities - Year Ended June 30, 2016 | 10 |
| Exhibit G - Statement of Activities - Year Ended June 30, 2017 | 12 |
| Exhibit H - Statement of Activities - Year Ended June 30, 2018 | 14 |
| Exhibit I - Statement of Functional Expenses - Year Ended June 30, 2015 | 16 |
| Exhibit J - Statement of Functional Expenses - Year Ended June 30, 2016 | 17 |
| Exhibit K - Statement of Functional Expenses - Year Ended June 30, 2017 | 18 |
| Exhibit L - Statement of Functional Expenses - Year Ended June 30, 2018 | 19 |
| Exhibit M - Statements of Cash Flows - Years Ended June 30, 2015, 2016, 2017 and 2018 | 20 |
| <i>NOTES TO FINANCIAL STATEMENTS</i> | 24 |
| <i>SUPPLEMENTARY INFORMATION</i> | |
| Schedule of Expenditures of Federal Awards | 52 |
| Notes to the Schedule of Expenditures of Federal Awards | 53 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 54 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance | 56 |
| Schedule of Findings and Questioned Costs | 59 |



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, 2015, 2016, 2017, and 2018 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.



HATTIESBURG
2 Southern Pointe Parkway, Suite 100
Hattiesburg, MS 39401-8025

P. O. Drawer 15099
Hattiesburg, MS 39404-5099

COLUMBIA
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

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, 2015, 2016, 2017, and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 52, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

To the Board of Trustees
William Carey University
Hattiesburg, Mississippi

(Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2018, 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
August 31, 2018

EXHIBIT A

WILLIAM CAREY UNIVERSITY

STATEMENT OF FINANCIAL POSITION

June 30, 2015

ASSETS

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|------------------------------------|----------------------|-----------------------------------|-----------------------------------|-----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 12,703,692 | \$ 3,899,063 | \$ 206,756 | \$ 16,809,511 |
| Receivables, net | 4,006,646 | 10,840 | 197,200 | 4,214,686 |
| Prepaid expenses | 15,951 | - | - | 15,951 |
| Endowment investments | - | - | 15,229,212 | 15,229,212 |
| Other assets | 575,847 | - | - | 575,847 |
| Deferred compensation asset | 993,163 | - | - | 993,163 |
| Property held for resale | 27,500 | - | - | 27,500 |
| Property, plant and equipment, net | 76,462,962 | - | - | 76,462,962 |
| Total assets | <u>\$ 94,785,761</u> | <u>\$ 3,909,903</u> | <u>\$ 15,633,168</u> | <u>\$ 114,328,832</u> |

LIABILITIES AND NET ASSETS

| | | | | |
|---|----------------------|---------------------|----------------------|-----------------------|
| LIABILITIES | | | | |
| Accounts payable | \$ 1,282,190 | \$ 20 | \$ - | \$ 1,282,210 |
| Accrued liabilities | 742,539 | - | - | 742,539 |
| Deferred compensation liability | 993,163 | - | - | 993,163 |
| Student deposits and refunds | 619,742 | - | - | 619,742 |
| Line of credit | 1,000 | - | - | 1,000 |
| Notes payable | 20,472,992 | - | - | 20,472,992 |
| Total liabilities | <u>24,111,626</u> | <u>20</u> | <u>-</u> | <u>24,111,646</u> |
| NET ASSETS | <u>70,674,135</u> | <u>3,909,883</u> | <u>15,633,168</u> | <u>90,217,186</u> |
| Total liabilities and net assets | <u>\$ 94,785,761</u> | <u>\$ 3,909,903</u> | <u>\$ 15,633,168</u> | <u>\$ 114,328,832</u> |

See accompanying notes to the financial statements.

EXHIBIT B

WILLIAM CAREY UNIVERSITY

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016**

ASSETS

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|------------------------------------|-----------------------|-----------------------------------|-----------------------------------|-----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 16,081,162 | \$ 4,004,628 | \$ 223,400 | \$ 20,309,190 |
| Receivables, net | 4,388,665 | 959 | 152,122 | 4,541,746 |
| Prepaid expenses | 50,650 | - | - | 50,650 |
| Endowment investments | - | - | 16,481,730 | 16,481,730 |
| Other assets | 628,006 | - | - | 628,006 |
| Deferred compensation asset | 1,167,723 | - | - | 1,167,723 |
| Property held for resale | 27,500 | - | - | 27,500 |
| Property, plant and equipment, net | 78,851,992 | - | - | 78,851,992 |
| Total assets | <u>\$ 101,195,698</u> | <u>\$ 4,005,587</u> | <u>\$ 16,857,252</u> | <u>\$ 122,058,537</u> |

LIABILITIES AND NET ASSETS

| | | | | |
|---|-----------------------|---------------------|----------------------|-----------------------|
| LIABILITIES | | | | |
| Accounts payable | \$ 982,238 | \$ - | \$ - | \$ 982,238 |
| Accrued liabilities | 481,636 | - | - | 481,636 |
| Deferred compensation liability | 1,167,723 | - | - | 1,167,723 |
| Student deposits and refunds | 646,508 | - | - | 646,508 |
| Line of credit | 1,000 | - | - | 1,000 |
| Notes payable | 20,476,575 | - | - | 20,476,575 |
| Total liabilities | <u>23,755,680</u> | <u>-</u> | <u>-</u> | <u>23,755,680</u> |
| NET ASSETS | <u>77,440,018</u> | <u>4,005,587</u> | <u>16,857,252</u> | <u>98,302,857</u> |
| Total liabilities and net assets | <u>\$ 101,195,698</u> | <u>\$ 4,005,587</u> | <u>\$ 16,857,252</u> | <u>\$ 122,058,537</u> |

See accompanying notes to the financial statements.

EXHIBIT C

WILLIAM CAREY UNIVERSITY

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

ASSETS

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|------------------------------------|-----------------------|-----------------------------------|-----------------------------------|-----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 20,802,973 | \$ 5,865,935 | \$ 240,990 | \$ 26,909,898 |
| Receivables, net | 25,563,027 | 1,709 | 146,371 | 25,711,107 |
| Prepaid expenses | 7,720 | - | - | 7,720 |
| Endowment investments | - | - | 18,140,574 | 18,140,574 |
| Other assets | 859,444 | - | - | 859,444 |
| Deferred compensation asset | 1,221,778 | - | - | 1,221,778 |
| Property, plant and equipment, net | 117,357,885 | - | - | 117,357,885 |
| Total assets | \$ 165,812,827 | \$ 5,867,644 | \$ 18,527,935 | \$ 190,208,406 |

LIABILITIES AND NET ASSETS

LIABILITIES

| | | | | |
|---------------------------------|--------------|------|------|--------------|
| Accounts payable | \$ 2,172,588 | \$ - | \$ - | \$ 2,172,588 |
| Accrued liabilities | 877,221 | - | - | 877,221 |
| Deferred compensation liability | 1,221,778 | - | - | 1,221,778 |
| Student deposits and refunds | 661,949 | - | - | 661,949 |
| Line of credit | 2,001,000 | - | - | 2,001,000 |
| Notes payable | 27,242,056 | - | - | 27,242,056 |
| Total liabilities | 34,176,592 | - | - | 34,176,592 |

NET ASSETS

**Total liabilities and net
assets**

| | | | |
|-----------------------|---------------------|----------------------|-----------------------|
| 131,636,235 | 5,867,644 | 18,527,935 | 156,031,814 |
| \$ 165,812,827 | \$ 5,867,644 | \$ 18,527,935 | \$ 190,208,406 |

EXHIBIT D

WILLIAM CAREY UNIVERSITY

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

ASSETS

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|------------------------------------|-----------------------|-----------------------------------|-----------------------------------|-----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 21,911,971 | \$ 8,498,981 | \$ 260,864 | \$ 30,671,816 |
| Receivables, net | 11,859,255 | 1,708 | 86,330 | 11,947,293 |
| Prepaid expenses | 154,222 | - | - | 154,222 |
| Endowment investments | - | - | 18,940,935 | 18,940,935 |
| Other assets | 1,341,826 | - | - | 1,341,826 |
| Deferred compensation asset | 1,442,535 | - | - | 1,442,535 |
| Property, plant and equipment, net | 169,664,872 | - | - | 169,664,872 |
| Total assets | \$ 206,374,681 | \$ 8,500,689 | \$ 19,288,129 | \$ 234,163,499 |

LIABILITIES AND NET ASSETS

| | | | | |
|---|-----------------------|---------------------|----------------------|-----------------------|
| LIABILITIES | | | | |
| Accounts payable | \$ 2,875,845 | \$ - | \$ - | \$ 2,875,845 |
| Accrued liabilities | 832,914 | - | - | 832,914 |
| Deferred compensation liability | 1,442,535 | - | - | 1,442,535 |
| Student deposits and refunds | 629,867 | - | - | 629,867 |
| Line of credit | 2,000,018 | - | - | 2,000,018 |
| Notes payable | 37,298,179 | - | - | 37,298,179 |
| Total liabilities | 45,079,358 | - | - | 45,079,358 |
| NET ASSETS | 161,295,323 | 8,500,689 | 19,288,129 | 189,084,141 |
| Total liabilities and net assets | \$ 206,374,681 | \$ 8,500,689 | \$ 19,288,129 | \$ 234,163,499 |

See accompanying notes to the financial statements.

EXHIBIT E

WILLIAM CAREY UNIVERSITY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| OPERATING REVENUES | | | | |
| Tuition: | | | | |
| Undergraduate | \$ 22,230,452 | \$ 29,204 | \$ 8,479 | \$ 22,268,135 |
| Graduate | 8,487,763 | - | - | 8,487,763 |
| College of Medicine & Master of Biomedical Sciences | 15,792,428 | - | - | 15,792,428 |
| Student fees | 3,290,321 | 27,364 | - | 3,317,685 |
| Less tuition waivers | (1,348,268) | - | - | (1,348,268) |
| Less student aid | (9,414,773) | - | - | (9,414,773) |
| Net tuition and fees | <u>39,037,923</u> | <u>56,568</u> | <u>8,479</u> | <u>39,102,970</u> |
| Private gifts and grants | 3,124,754 | 2,088,742 | 1,001,386 | 6,214,882 |
| Auxiliary income | 3,166,726 | 121,112 | - | 3,287,838 |
| Net assets released from restrictions | 1,906,831 | (1,891,271) | (15,560) | - |
| Total operating revenues | <u>47,236,234</u> | <u>375,151</u> | <u>994,305</u> | <u>48,605,690</u> |
| OPERATING EXPENSES | | | | |
| Instructional: | | | | |
| Regular | 12,905,504 | - | - | 12,905,504 |
| College of Medicine & Master of Biomedical Sciences | 8,179,545 | - | - | 8,179,545 |
| Physical Therapy & Pharmacy | 208,802 | - | - | 208,802 |
| Support: | | | | |
| Academic | 941,241 | - | - | 941,241 |
| Student | 2,169,890 | - | - | 2,169,890 |
| Institutional | 5,556,653 | - | - | 5,556,653 |
| Facilities | 3,845,712 | - | - | 3,845,712 |
| Auxiliary | 3,595,638 | - | - | 3,595,638 |
| Interest expense | 556,985 | - | - | 556,985 |
| Depreciation expense | 3,576,304 | - | - | 3,576,304 |
| Total operating expenses | <u>41,536,274</u> | <u>-</u> | <u>-</u> | <u>41,536,274</u> |
| <i>Increase in Net Assets from Operating Activities</i> | <u>5,699,960</u> | <u>375,151</u> | <u>994,305</u> | <u>7,069,416</u> |

See accompanying notes to the financial statements.

EXHIBIT E
PAGE TWO

WILLIAM CAREY UNIVERSITY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| NON-OPERATING REVENUES | | | | |
| Realized gains (losses) | \$ (19,321) | \$ (74,912) | \$ 371,593 | \$ 277,360 |
| Unrealized gains (losses) | (12,416) | - | (608,448) | (620,864) |
| Interest, dividends, royalties | 51,391 | 7,860 | 482,574 | 541,825 |
| Government grants and contracts | 52,503 | 756,967 | 2 | 809,472 |
| Other income | 119,471 | 469,368 | 16,193 | 605,032 |
| Net assets released from restrictions | 42,795 | (33,417) | (9,378) | - |
| Total non-operating revenues | <u>234,423</u> | <u>1,125,866</u> | <u>252,536</u> | <u>1,612,825</u> |
| NON-OPERATING EXPENSES | | | | |
| Other expense | 14,884 | - | - | 14,884 |
| Government grants & contracts | 33,417 | - | - | 33,417 |
| Total non-operating expenses | <u>48,301</u> | <u>-</u> | <u>-</u> | <u>48,301</u> |
| <i>Increase in Net Assets from Non-Operating Activities</i> | <u>186,122</u> | <u>1,125,866</u> | <u>252,536</u> | <u>1,564,524</u> |
| <i>Change in Net Assets before Transfers</i> | <u>5,886,082</u> | <u>1,501,017</u> | <u>1,246,841</u> | <u>8,633,940</u> |
| INTERFUND TRANSFERS | <u>242,072</u> | <u>209,642</u> | <u>(451,714)</u> | <u>-</u> |
| <i>Change in Net Assets</i> | <u>6,128,154</u> | <u>1,710,659</u> | <u>795,127</u> | <u>8,633,940</u> |
| NET ASSETS | | | | |
| Beginning of year | 65,382,460 | 2,199,224 | 14,838,041 | 82,419,725 |
| Prior period adjustment | (836,479) | - | - | (836,479) |
| Beginning of year, as restated | <u>64,545,981</u> | <u>2,199,224</u> | <u>14,838,041</u> | <u>81,583,246</u> |
| End of year | <u>\$ 70,674,135</u> | <u>\$ 3,909,883</u> | <u>\$ 15,633,168</u> | <u>\$ 90,217,186</u> |

See accompanying notes to the financial statements.

EXHIBIT F

WILLIAM CAREY UNIVERSITY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| OPERATING REVENUES | | | | |
| Tuition: | | | | |
| Undergraduate | \$ 23,801,473 | \$ 30,530 | \$ (22,231) | \$ 23,809,772 |
| Graduate | 9,233,032 | - | - | 9,233,032 |
| College of Medicine & Master of Biomedical Sciences | 16,560,526 | - | - | 16,560,526 |
| Student fees | 3,363,017 | 38,038 | - | 3,401,055 |
| Less tuition waivers | (1,151,927) | - | - | (1,151,927) |
| Less student aid | (9,926,853) | - | - | (9,926,853) |
| Net tuition and fees | <u>41,879,268</u> | <u>68,568</u> | <u>(22,231)</u> | <u>41,925,605</u> |
| Private gifts and grants | 2,703,274 | 1,236,449 | 991,223 | 4,930,946 |
| Auxiliary income | 3,314,564 | 106,534 | - | 3,421,098 |
| Net assets released from restrictions | 2,014,463 | (1,779,196) | (235,267) | - |
| Total operating revenues | <u>49,911,569</u> | <u>(367,645)</u> | <u>733,725</u> | <u>50,277,649</u> |
| OPERATING EXPENSES | | | | |
| Instructional: | | | | |
| Regular | 13,857,888 | - | - | 13,857,888 |
| College of Medicine & Master of Biomedical Sciences | 9,630,924 | - | - | 9,630,924 |
| Physical Therapy & Pharmacy | 451,240 | - | - | 451,240 |
| Support: | | | | |
| Academic | 955,156 | - | - | 955,156 |
| Student | 2,061,151 | - | - | 2,061,151 |
| Institutional | 5,801,965 | - | - | 5,801,965 |
| Facilities | 3,615,115 | - | - | 3,615,115 |
| Auxiliary | 3,608,834 | - | - | 3,608,834 |
| Interest expense | 740,827 | - | - | 740,827 |
| Depreciation expense | 3,607,425 | - | - | 3,607,425 |
| Total operating expenses | <u>44,330,525</u> | <u>-</u> | <u>-</u> | <u>44,330,525</u> |
| <i>Increase (Decrease) in Net Assets from Operating Activities</i> | <u>5,581,044</u> | <u>(367,645)</u> | <u>733,725</u> | <u>5,947,124</u> |

See accompanying notes to the financial statements.

EXHIBIT F
PAGE TWO

WILLIAM CAREY UNIVERSITY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| NON-OPERATING REVENUES | | | | |
| Realized gains (losses) | \$ - | \$ 729 | \$ (60,585) | \$ (59,856) |
| Unrealized gains (losses) | - | - | 257,373 | 257,373 |
| Interest, dividends, royalties | 49,198 | 12,595 | 488,006 | 549,799 |
| Government grants and contracts | 39,556 | 733,864 | - | 773,420 |
| Other income | 131,573 | 508,961 | 15,913 | 656,447 |
| Net assets released from restrictions | 38,636 | (29,294) | (9,342) | - |
| Total non-operating revenues | <u>258,963</u> | <u>1,226,855</u> | <u>691,365</u> | <u>2,177,183</u> |
| NON-OPERATING EXPENSES | | | | |
| Other expense | 9,342 | - | - | 9,342 |
| Government grants & contracts | 29,294 | - | - | 29,294 |
| Total non-operating expenses | <u>38,636</u> | <u>-</u> | <u>-</u> | <u>38,636</u> |
| <i>Increase in Net Assets from Non-Operating Activities</i> | <u>220,327</u> | <u>1,226,855</u> | <u>691,365</u> | <u>2,138,547</u> |
| <i>Change in Net Assets before Transfers</i> | 5,801,371 | 859,210 | 1,425,090 | 8,085,671 |
| INTERFUND TRANSFERS | <u>964,512</u> | <u>(763,506)</u> | <u>(201,006)</u> | <u>-</u> |
| <i>Change in Net Assets</i> | 6,765,883 | 95,704 | 1,224,084 | 8,085,671 |
| NET ASSETS | | | | |
| Beginning of year | <u>70,674,135</u> | <u>3,909,883</u> | <u>15,633,168</u> | <u>90,217,186</u> |
| End of year | <u>\$ 77,440,018</u> | <u>\$ 4,005,587</u> | <u>\$ 16,857,252</u> | <u>\$ 98,302,857</u> |

See accompanying notes to the financial statements.

EXHIBIT G

WILLIAM CAREY UNIVERSITY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| OPERATING REVENUES | | | | |
| Tuition: | | | | |
| Undergraduate | \$ 23,825,522 | \$ 28,259 | \$ 13,884 | \$ 23,867,665 |
| Graduate | 9,927,189 | - | - | 9,927,189 |
| College of Medicine & Master of Biomedical Sciences | 16,741,672 | - | - | 16,741,672 |
| Physical Therapy & Pharmacy | 817,500 | - | - | 817,500 |
| Student fees | 3,298,237 | 23,587 | - | 3,321,824 |
| Less tuition waivers | (1,214,184) | - | - | (1,214,184) |
| Less student aid | (10,094,819) | - | - | (10,094,819) |
| Net tuition and fees | <u>43,301,117</u> | <u>51,846</u> | <u>13,884</u> | <u>43,366,847</u> |
| Private gifts and grants | 4,928,160 | 2,334,437 | 1,257,072 | 8,519,669 |
| Auxiliary income | 3,141,885 | 90,272 | - | 3,232,157 |
| Net assets released from restrictions | <u>2,064,227</u> | <u>(1,958,905)</u> | <u>(105,322)</u> | <u>-</u> |
| Total operating revenues | <u>53,435,389</u> | <u>517,650</u> | <u>1,165,634</u> | <u>55,118,673</u> |
| OPERATING EXPENSES | | | | |
| Instructional: | | | | |
| Regular | 14,338,850 | - | - | 14,338,850 |
| College of Medicine & Master of Biomedical Sciences | 9,176,666 | - | - | 9,176,666 |
| Physical Therapy & Pharmacy | 1,284,750 | - | - | 1,284,750 |
| Support: | | | | |
| Academic | 900,837 | - | - | 900,837 |
| Student | 2,250,974 | - | - | 2,250,974 |
| Institutional | 6,385,589 | - | - | 6,385,589 |
| Facilities | 3,801,333 | - | - | 3,801,333 |
| Auxiliary | 3,785,616 | - | - | 3,785,616 |
| Interest expense | 700,257 | - | - | 700,257 |
| Depreciation expense | 3,940,296 | - | - | 3,940,296 |
| Total operating expenses | <u>46,565,168</u> | <u>-</u> | <u>-</u> | <u>46,565,168</u> |
| <i>Increase in Net Assets from Operating Activities</i> | <u>6,870,221</u> | <u>517,650</u> | <u>1,165,634</u> | <u>8,553,505</u> |

See accompanying notes to the financial statements.

EXHIBIT G
PAGE TWO

WILLIAM CAREY UNIVERSITY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|-----------------------|-----------------------------------|-----------------------------------|-----------------------|
| NON-OPERATING REVENUES | | | | |
| Realized gains (losses) | \$ 46,979,187 | \$ 34 | \$ 117,059 | \$ 47,096,280 |
| Unrealized gains (losses) | - | - | 255,675 | 255,675 |
| Interest, dividends, royalties | 85,228 | 15,522 | 490,087 | 590,837 |
| Government grants and contracts | 31,935 | 757,710 | 1,319 | 790,964 |
| Other income | 1,803,442 | 370,461 | 10,274 | 2,184,177 |
| Net assets released from restrictions | 82,301 | (31,250) | (51,051) | - |
| Total non-operating revenues | <u>48,982,093</u> | <u>1,112,477</u> | <u>823,363</u> | <u>50,917,933</u> |
| NON-OPERATING EXPENSES | | | | |
| Other expense | 1,711,231 | - | - | 1,711,231 |
| Government grants & contracts | 31,250 | - | - | 31,250 |
| Total non-operating expenses | <u>1,742,481</u> | <u>-</u> | <u>-</u> | <u>1,742,481</u> |
| <i>Increase in Net Assets from Non-Operating Activities</i> | <u>47,239,612</u> | <u>1,112,477</u> | <u>823,363</u> | <u>49,175,452</u> |
| <i>Change in Net Assets before Transfers</i> | 54,109,833 | 1,630,127 | 1,988,997 | 57,728,957 |
| INTERFUND TRANSFERS | <u>86,384</u> | <u>231,930</u> | <u>(318,314)</u> | <u>-</u> |
| <i>Change in Net Assets</i> | 54,196,217 | 1,862,057 | 1,670,683 | 57,728,957 |
| NET ASSETS | | | | |
| Beginning of year | <u>77,440,018</u> | <u>4,005,587</u> | <u>16,857,252</u> | <u>98,302,857</u> |
| End of year | <u>\$ 131,636,235</u> | <u>\$ 5,867,644</u> | <u>\$ 18,527,935</u> | <u>\$ 156,031,814</u> |

See accompanying notes to the financial statements.

EXHIBIT H

WILLIAM CAREY UNIVERSITY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| OPERATING REVENUES | | | | |
| Tuition: | | | | |
| Undergraduate | \$ 25,542,137 | \$ 25,880 | \$ 8,840 | \$ 25,576,857 |
| Graduate | 9,498,079 | - | - | 9,498,079 |
| College of Medicine & Master of Biomedical Sciences | 16,804,673 | - | - | 16,804,673 |
| Physical Therapy & Pharmacy | 1,676,550 | - | - | 1,676,550 |
| Student fees | 3,478,923 | 27,048 | - | 3,505,971 |
| Less tuition waivers | (1,495,939) | - | - | (1,495,939) |
| Less student aid | (10,272,684) | - | - | (10,272,684) |
| Net tuition and fees | <u>45,231,739</u> | <u>52,928</u> | <u>8,840</u> | <u>45,293,507</u> |
| Private gifts and grants | 4,097,591 | 1,583,053 | 580,633 | 6,261,277 |
| Auxiliary income | 3,294,718 | 115,739 | - | 3,410,457 |
| Net assets released from restrictions | 2,236,751 | (1,995,515) | (241,236) | - |
| Total operating revenues | <u>54,860,799</u> | <u>(243,795)</u> | <u>348,237</u> | <u>54,965,241</u> |
| OPERATING EXPENSES | | | | |
| Instructional: | | | | |
| Regular | 15,296,445 | - | - | 15,296,445 |
| College of Medicine & Master of Biomedical Sciences | 9,587,699 | - | - | 9,587,699 |
| Physical Therapy & Pharmacy | 2,945,243 | - | - | 2,945,243 |
| Support: | | | | |
| Academic | 1,018,984 | - | - | 1,018,984 |
| Student | 2,238,558 | - | - | 2,238,558 |
| Institutional | 6,953,477 | - | - | 6,953,477 |
| Facilities | 4,024,455 | - | - | 4,024,455 |
| Auxiliary | 4,377,159 | - | - | 4,377,159 |
| Interest expense | 1,022,425 | - | - | 1,022,425 |
| Depreciation expense | 6,297,055 | - | - | 6,297,055 |
| Total operating expenses | <u>53,761,500</u> | <u>-</u> | <u>-</u> | <u>53,761,500</u> |
| <i>Increase (decrease) in Net Assets from Operating Activities</i> | <u>1,099,299</u> | <u>(243,795)</u> | <u>348,237</u> | <u>1,203,741</u> |

See accompanying notes to the financial statements.

EXHIBIT H
PAGE TWO

WILLIAM CAREY UNIVERSITY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|-----------------------|-----------------------------------|-----------------------------------|-----------------------|
| NON-OPERATING REVENUES | | | | |
| Realized gains (losses) | \$ 29,579,370 | \$ - | \$ 1,382,888 | \$ 30,962,258 |
| Unrealized gains (losses) | - | - | (958,635) | (958,635) |
| Interest, dividends, royalties | 142,054 | 25,546 | 530,294 | 697,894 |
| Government grants and contracts | 34,519 | 670,308 | 2,827 | 707,654 |
| Other income | 558,938 | 488,293 | 13,105 | 1,060,336 |
| Net assets released from restrictions | 51,012 | (27,479) | (23,533) | - |
| Total non-operating revenues | <u>30,365,893</u> | <u>1,156,668</u> | <u>946,946</u> | <u>32,469,507</u> |
| NON-OPERATING EXPENSES | | | | |
| Other expense | 593,442 | - | - | 593,442 |
| Government grants & contracts | 27,479 | - | - | 27,479 |
| Total non-operating expenses | <u>620,921</u> | <u>-</u> | <u>-</u> | <u>620,921</u> |
| <i>Increase in Net Assets from Non-Operating Activities</i> | <u>29,744,972</u> | <u>1,156,668</u> | <u>946,946</u> | <u>31,848,586</u> |
| <i>Change in Net Assets before Transfers</i> | 30,844,271 | 912,873 | 1,295,183 | 33,052,327 |
| INTERFUND TRANSFERS | <u>(1,185,183)</u> | <u>1,720,172</u> | <u>(534,989)</u> | <u>-</u> |
| <i>Change in Net Assets</i> | 29,659,088 | 2,633,045 | 760,194 | 33,052,327 |
| NET ASSETS | | | | |
| Beginning of year | <u>131,636,235</u> | <u>5,867,644</u> | <u>18,527,935</u> | <u>156,031,814</u> |
| End of year | <u>\$ 161,295,323</u> | <u>\$ 8,500,689</u> | <u>\$ 19,288,129</u> | <u>\$ 189,084,141</u> |

See accompanying notes to the financial statements.

EXHIBIT I

WILLIAM CAREY UNIVERSITY

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015**

| | <u>Total</u> | <u>Program</u> | <u>Management & General</u> | <u>Fundraising</u> |
|-------------------------------|----------------------|----------------------|-------------------------------------|--------------------|
| Salaries and wages | \$ 21,366,482 | \$ 17,956,936 | \$ 3,192,330 | \$ 217,216 |
| Retirement | 1,048,620 | 838,078 | 204,131 | 6,411 |
| Other employee benefits | 1,984,369 | 1,452,107 | 514,705 | 17,557 |
| Payroll taxes | 1,443,242 | 1,223,216 | 203,976 | 16,050 |
| Advertising and promotion | 121,993 | 52,909 | 61,844 | 7,240 |
| Office expenses | 119,684 | 91,437 | 27,346 | 901 |
| Travel | 468,971 | 440,438 | 25,625 | 2,908 |
| Interest | 557,018 | - | 557,018 | - |
| Depreciation | 3,576,304 | - | 3,576,304 | - |
| Insurance | 599,705 | 217,928 | 381,777 | - |
| Unrelated business income tax | 21,175 | - | 21,175 | - |
| Other | 10,277,012 | 5,727,570 | 4,482,023 | 67,419 |
| Total | \$ 41,584,575 | \$ 28,000,619 | \$ 13,248,254 | \$ 335,702 |

EXHIBIT J

WILLIAM CAREY UNIVERSITY

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

| | <u>Total</u> | <u>Program</u> | <u>Management & General</u> | <u>Fundraising</u> |
|-------------------------------|----------------------|----------------------|-------------------------------------|--------------------|
| Salaries and wages | \$ 23,321,554 | \$ 19,747,740 | \$ 3,359,556 | \$ 214,258 |
| Retirement | 1,118,021 | 890,862 | 220,771 | 6,388 |
| Other employee benefits | 2,298,889 | 1,651,301 | 620,694 | 26,894 |
| Payroll taxes | 1,602,183 | 1,368,773 | 216,644 | 16,766 |
| Advertising and promotion | 241,886 | 94,178 | 132,463 | 15,245 |
| Office expenses | 137,825 | 98,145 | 38,772 | 908 |
| Travel | 578,584 | 521,748 | 53,938 | 2,898 |
| Interest | 740,903 | - | 740,903 | - |
| Depreciation | 3,607,425 | - | 3,607,425 | - |
| Insurance | 689,911 | 290,513 | 399,398 | - |
| Unrelated business income tax | 26,817 | - | 26,817 | - |
| Other | 10,005,163 | 5,901,932 | 4,044,973 | 58,258 |
| Total | \$ 44,369,161 | \$ 30,565,192 | \$ 13,462,354 | \$ 341,615 |

See accompanying notes to the financial statements.

EXHIBIT K

WILLIAM CAREY UNIVERSITY

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

| | <u>Total</u> | <u>Program</u> | <u>Management & General</u> | <u>Fundraising</u> |
|-------------------------------|----------------------|----------------------|-------------------------------------|--------------------|
| Salaries and wages | \$ 24,748,816 | \$ 20,848,545 | \$ 3,662,021 | \$ 238,250 |
| Retirement | 1,168,300 | 923,702 | 237,637 | 6,961 |
| Other employee benefits | 2,402,069 | 1,725,652 | 652,508 | 23,909 |
| Payroll taxes | 1,640,037 | 1,382,207 | 239,588 | 18,242 |
| Advertising and promotion | 248,529 | 110,174 | 134,498 | 3,857 |
| Office expenses | 166,414 | 97,830 | 66,797 | 1,787 |
| Travel | 696,038 | 652,575 | 41,175 | 2,288 |
| Interest | 700,266 | - | 700,266 | - |
| Depreciation | 3,940,296 | - | 3,940,296 | - |
| Insurance | 743,359 | 329,511 | 413,848 | - |
| Unrelated business income tax | 24,609 | - | 24,609 | - |
| Other | 11,828,916 | 5,667,496 | 6,074,108 | 87,312 |
| Total | \$ 48,307,649 | \$ 31,737,692 | \$ 16,187,351 | \$ 382,606 |

See accompanying notes to the financial statements.

EXHIBIT L

WILLIAM CAREY UNIVERSITY

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

| | <u>Total</u> | <u>Program</u> | <u>Management & General</u> | <u>Fundraising</u> |
|-------------------------------|----------------------|----------------------|-------------------------------------|--------------------|
| Salaries and wages | \$ 27,283,016 | \$ 23,231,416 | \$ 3,808,983 | \$ 242,617 |
| Retirement | 1,277,601 | 1,021,489 | 248,944 | 7,168 |
| Other employee benefits | 2,568,757 | 1,926,250 | 614,556 | 27,951 |
| Payroll taxes | 1,867,741 | 1,600,007 | 250,254 | 17,480 |
| Advertising and promotion | 273,700 | 141,321 | 125,002 | 7,377 |
| Office expenses | 147,616 | 97,261 | 48,809 | 1,546 |
| Travel | 692,893 | 656,427 | 32,185 | 4,281 |
| Interest | 1,022,474 | - | 1,022,474 | - |
| Depreciation | 6,297,055 | - | 6,297,055 | - |
| Insurance | 891,470 | 370,735 | 520,735 | - |
| Unrelated business income tax | 35,840 | - | 35,840 | - |
| Other | 12,024,258 | 6,419,181 | 5,534,267 | 70,810 |
| Total | <u>\$ 54,382,421</u> | <u>\$ 35,464,087</u> | <u>\$ 18,539,104</u> | <u>\$ 379,230</u> |

See accompanying notes to the financial statements.

EXHIBIT M

WILLIAM CAREY UNIVERSITY

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018**

| | <u>June 30,</u> | | | |
|---|-----------------|--------------|---------------|---------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| <i>CASH FLOWS FROM OPERATING ACTIVITIES</i> | | | | |
| Change in net assets | \$ 8,633,940 | \$ 8,085,671 | \$ 57,728,957 | \$ 33,052,327 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 3,576,304 | 3,607,425 | 3,948,236 | 6,304,995 |
| Net (gain) loss on sales of long-term endowment investments | (370,103) | 60,573 | (116,776) | (1,384,254) |
| (Gain) loss on involuntary conversion of property, plant, and equipment | - | - | (46,979,139) | (29,573,643) |
| Loss on sale of property held for resale | 18,000 | - | - | - |
| Unrealized (gain) loss on investments | 620,869 | (257,373) | (255,675) | 958,635 |
| Contributions of property and equipment | (299,344) | - | - | - |
| Cash contributions restricted for long-term investment | (992,278) | (989,796) | (1,258,395) | (580,633) |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in receivables | (748,717) | (327,060) | (2,499,564) | 280,353 |
| (Increase) decrease in prepaid expenses | 8,482 | (34,699) | 42,930 | (146,502) |
| (Increase) in other assets | (22,146) | (52,159) | (231,438) | (482,382) |
| (Increase) in deferred compensation asset | (132,394) | (174,560) | (54,055) | (220,757) |

See accompanying notes to the financial statements.

EXHIBIT M
PAGE TWO

WILLIAM CAREY UNIVERSITY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

| | <u>June 30,</u> | | | |
|--|-------------------|--------------------|---------------------|---------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| <i>CASH FLOWS FROM OPERATING ACTIVITIES (Cont.)</i> | | | | |
| Increase (decrease) in accounts payable | \$ 333,785 | \$ (299,972) | \$ 1,190,350 | \$ 703,257 |
| Increase (decrease) in accrued liabilities | (68,166) | (260,903) | 395,585 | (44,307) |
| Increase in deferred compensation liability | 132,394 | 174,560 | 54,055 | 220,757 |
| Increase (decrease) in student deposits and refunds | (70,280) | 26,766 | 15,441 | (32,082) |
| Net cash provided by operating activities | <u>10,620,346</u> | <u>9,558,473</u> | <u>11,980,512</u> | <u>9,055,764</u> |
| <i>CASH FLOWS FROM INVESTING ACTIVITIES</i> | | | | |
| Purchase of property and equipment | (7,064,686) | (5,996,455) | (14,211,347) | (15,546,938) |
| Purchase of endowment investments | (16,587,515) | (2,140,232) | (4,389,151) | (2,601,046) |
| Proceeds from sale of endowment investments | 26,896,588 | 1,084,514 | 3,102,758 | 2,226,304 |
| Proceeds from sale of property held for resale | 19,000 | - | 10,000 | - |
| Proceeds from sale of property, plant, and equipment | - | - | 92,000 | - |
| Net cash provided (used) by investing activities | <u>3,263,387</u> | <u>(7,052,173)</u> | <u>(15,395,740)</u> | <u>(15,921,680)</u> |

See accompanying notes to the financial statements.

EXHIBIT M
PAGE THREE

WILLIAM CAREY UNIVERSITY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

| | June 30, | | | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| <i>CASH FLOWS FROM FINANCING ACTIVITIES</i> | | | | |
| Proceeds from gifts restricted for endowment | \$ 992,278 | \$ 989,796 | \$ 1,258,395 | \$ 580,633 |
| Proceeds from long-term debt | 5,035,288 | 883,735 | 19,938,939 | 11,927,326 |
| Payments on long-term debt | (20,682,842) | (880,152) | (11,022,605) | (1,880,125) |
| Debt issuance costs | - | - | (158,793) | - |
| Net cash provided (used) by financing activities | <u>(14,655,276)</u> | <u>993,379</u> | <u>10,015,936</u> | <u>10,627,834</u> |
| <i>NET INCREASE (DECREASE) IN CASH</i> | (771,543) | 3,499,679 | 6,600,708 | 3,761,918 |
| <i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i> | <u>\$ 17,581,054</u> | <u>\$ 16,809,511</u> | <u>\$ 20,309,190</u> | <u>\$ 26,909,898</u> |
| <i>CASH AND CASH EQUIVALENTS, END OF YEAR</i> | <u><u>\$ 16,809,511</u></u> | <u><u>\$ 20,309,190</u></u> | <u><u>\$ 26,909,898</u></u> | <u><u>\$ 30,671,816</u></u> |
| Displayed as: | | | | |
| Cash and cash equivalents, unrestricted | \$ 12,703,692 | \$ 16,081,162 | \$ 20,802,973 | \$ 21,911,971 |
| Cash and cash equivalents, temporarily restricted | 3,899,063 | 4,004,628 | 5,865,935 | 8,498,981 |
| Cash and cash equivalents, permanently restricted | <u>206,756</u> | <u>223,400</u> | <u>240,990</u> | <u>260,864</u> |
| <i>CASH AND CASH EQUIVALENTS, END OF YEAR</i> | <u><u>\$ 16,809,511</u></u> | <u><u>\$ 20,309,190</u></u> | <u><u>\$ 26,909,898</u></u> | <u><u>\$ 30,671,816</u></u> |

See accompanying notes to the financial statements.

EXHIBIT M
PAGE FOUR

WILLIAM CAREY UNIVERSITY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

| | June 30, | | | |
|--|---------------------|-------------------|-------------------|------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| <i>SUPPLEMENTAL DISCLOSURE</i> | | | | |
| Interest paid | \$ 556,985 | \$ 740,827 | \$ 692,319 | \$ 1,014,485 |
| Income taxes paid | \$ 21,175 | \$ 26,817 | \$ 24,609 | \$ 35,840 |
| <i>NONCASH INVESTING AND FINANCING ACTIVITIES</i> | | | | |
| Land donation | \$ 299,344 | \$ - | \$ - | \$ - |
| Capitalization of interest | 36,310 | 191,258 | 164,984 | 72,642 |
| Contributed stock | 1,089,496 | 42,009 | 174,869 | 3,810 |
| Total noncash investing and financing activities | <u>\$ 1,425,150</u> | <u>\$ 233,267</u> | <u>\$ 339,853</u> | <u>\$ 76,452</u> |

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 1 - 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements of the University have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements of Not-for-Profit Entities*. FASB ASC 958-205 requires the reporting of total assets, liabilities and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents in a statement of cash flows. FASB ASC 958-205 also requires that net assets, revenues, gains, expenses and losses be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees, and accordingly includes "quasi" endowment investments.

Temporarily Restricted - Net assets whose use by the University is subject to donor-imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time, such as campaign pledges receivable.

Permanently Restricted - Net assets subject to donor-imposed restrictions that the assets be maintained permanently by the University. Permanently restricted assets are primarily comprised of the original endowment gift given to the University by donors. Generally, the donors of these assets permit the University to use all or part of the income from these assets.

Under FASB ASC 958-205, expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE TWO

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Use of Estimates - Financial statements prepared in accordance with accounting principles generally accepted in the United States of America require the use of management estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates included in these financial statements relate to the estimated reserves for uncollectible accounts receivable and loans to students, the economic lives of the property and equipment, and the fair value of investments. Actual results could differ from these estimates.

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 unrestricted, temporary restricted or permanently restricted based on the presence or absence of donor restrictions.

Accounts Receivable - 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.

Investments - The University accounts for investments in accordance with FASB ASC 958-320 *Accounting for Investments Held by Not-for-Profit Entities*. Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 7 for discussion of fair value measurements.

Unconditional Promises to Give - The University adopted FASB ASC 605-10, *Accounting for Contributions Received and Made*, effective July 1, 1995. FASB ASC 605-10 requires the University to record certain promises to give as revenue when the promise is made.

Conditional Promises and Indications of Intentions to Give - Pursuant with University policy and in conformity with FASB ASC 605-10, the University does not recognize conditional promises as revenue until the condition is met or the pledges are received.

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE THREE

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Contributed Services - The University receives contributed services related to general legal counsel. These services have not been recorded in the statement of activities, as they do not meet the requirements for recognition under FASB ASC 958-605.

Property, Plant and Equipment - Property is stated at cost at date of acquisition or fair value at date of donation in the case of gifts. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. FASB ASC 958-360, "Recognition of Depreciation by Not-for-Profit Organizations" as promulgated by the FASB, requires the University to recognize the cost of using the future economic benefits of its long-lived assets by recording depreciation.

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 \$480,892, \$531,590, \$762,130 and \$1,244,352 as of June 30, 2015, 2016, 2017 and 2018, respectively.

FASB ASC 958-360 allowed the University to establish net asset lives based on the useful life to date of adoption plus an estimate of the remaining useful life of the asset. Depreciation expense has been computed over the following estimated useful lives of the assets utilizing the straight-line method.

| | |
|----------------------------|---------------|
| Land improvements | 15 - 20 years |
| Buildings and improvements | 20 - 40 years |
| Equipment and furniture | 5 - 7 years |
| Library collections | 20 years |

Maintenance and repairs are expensed as incurred. Betterments are capitalized. The costs and related accumulated depreciation of assets sold or retired are removed from the accounts and any resulting gain or loss is reflected in the accompanying statements of activities.

Fair Value of Financial Instruments - The carrying amounts at June 30, 2015, 2016, 2017 and 2018 for cash, receivables, accounts payable and accrued liabilities are a reasonable estimate of their fair values.

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE FOUR

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

Advertising Costs - Costs for advertising, including radio, television and newspaper advertisements, are expensed as incurred. Total advertising costs for the years ended June 30, 2015, 2016, 2017 and 2018, were \$58,810, \$124,927, \$133,735, and \$120,246, respectively.

Income Taxes - William Carey University is a non-profit organization that 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.

Deferred Financing Costs - Deferred financing costs are being amortized over the life of the note, 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 11 - Notes Payable, for additional information.

New Accounting Standards - In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which the University adopted and implemented for the fiscal year ended June 30, 2018.

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

NOTE 3 - PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2015, a prior period adjustment was made in the amount of \$836,479 to adjust the beginning balances of accumulated depreciation for property, plant and equipment due to a change in estimate. No prior period adjustments were necessary for the fiscal years ended June 30, 2016, 2017 or 2018.

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE FIVE

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 4 - RECEIVABLES

Receivables consist of the following:

| | June 30, | | | |
|---------------------------------------|---------------------|---------------------|----------------------|----------------------|
| | 2015 | 2016 | 2017 | 2018 |
| Student accounts receivable | \$ 3,814,784 | \$ 4,348,820 | \$ 5,101,684 | \$ 5,391,737 |
| Less: Allowance for doubtful accounts | (113,776) | (243,349) | (200,000) | (243,428) |
| Student accounts receivable, net | <u>3,701,008</u> | <u>4,105,471</u> | <u>4,901,684</u> | <u>5,148,309</u> |
| Loans to students | 297,282 | 275,761 | 256,126 | 187,245 |
| Less: Allowance for doubtful accounts | (101,408) | (123,639) | (109,755) | (100,915) |
| Loans to students, net | <u>195,874</u> | <u>152,122</u> | <u>146,371</u> | <u>86,330</u> |
| Other receivables | <u>317,804</u> | <u>284,153</u> | <u>20,663,052</u> | <u>6,712,654</u> |
| Total receivables | <u>\$ 4,214,686</u> | <u>\$ 4,541,746</u> | <u>\$ 25,711,107</u> | <u>\$ 11,947,293</u> |

For the year ended June 30, 2017 and 2018, other receivables included \$18,878,895 and \$5,395,434, respectively, from the University's insurance carrier for new construction of totaled buildings due to tornado damage incurred on January 21, 2017.

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE SIX

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 5 - ENDOWMENT INVESTMENTS

Endowment investments are comprised of the following:

| June 30, 2015 | Cost | Market Value | Unrealized Gain* | Unrealized Loss* | Other than Temporary Loss |
|---------------------------------------|----------------------|----------------------|-------------------------|-------------------------|----------------------------------|
| Equity securities | \$ 362,285 | \$ 409,717 | \$ 47,432 | \$ - | \$ - |
| Corporate bonds | 26,750 | 26,306 | - | 444 | - |
| Pooled cash and marketable securities | 14,042,957 | 14,318,919 | 275,962 | - | - |
| Fixed income securities | 442,427 | 440,940 | - | 1,487 | - |
| Cash portion of investments | 33,330 | 33,330 | - | - | - |
| Total | \$ 14,907,749 | \$ 15,229,212 | \$ 323,394 | \$ 1,931 | \$ - |

* Unrealized gains and losses are shown net.

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

**NOTES TO FINANCIAL STATEMENTS
PAGE SEVEN**

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 5 - ENDOWMENT INVESTMENTS (Cont.)

| <u>June 30, 2016</u> | <u>Cost</u> | <u>Market Value</u> | <u>Unrealized Gain*</u> | <u>Unrealized Loss*</u> | <u>Other than Temporary Loss</u> |
|---------------------------------------|----------------------|----------------------|-------------------------|-------------------------|----------------------------------|
| Equity securities | \$ 402,240 | \$ 448,837 | \$ 46,597 | \$ - | \$ - |
| Corporate bonds | 26,750 | 28,136 | 1,386 | - | - |
| Pooled cash and marketable securities | 15,029,407 | 15,559,285 | 529,878 | - | - |
| Fixed income securities | 432,119 | 433,094 | 975 | - | - |
| Cash portion of investments | <u>12,378</u> | <u>12,378</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 15,902,894</u> | <u>\$ 16,481,730</u> | <u>\$ 578,836</u> | <u>\$ -</u> | <u>\$ -</u> |

* Unrealized gains and losses are shown net.

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE EIGHT

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 5 - ENDOWMENT INVESTMENTS (Cont.)

| <u>June 30, 2017</u> | <u>Cost</u> | <u>Market Value</u> | <u>Unrealized Gain*</u> | <u>Unrealized Loss*</u> | <u>Other than Temporary Loss</u> |
|---------------------------------------|----------------------|----------------------|-------------------------|-------------------------|----------------------------------|
| Equity securities | \$ 299,624 | \$ 356,873 | \$ 57,249 | \$ - | \$ - |
| Corporate bonds | 128,204 | 126,447 | - | 1,757 | - |
| Pooled cash and marketable securities | 16,440,675 | 17,217,259 | 776,584 | - | - |
| Fixed income securities | 420,316 | 422,750 | 2,434 | - | - |
| Cash portion of investments | 17,245 | 17,245 | - | - | - |
| Total | <u>\$ 17,306,064</u> | <u>\$ 18,140,574</u> | <u>\$ 836,267</u> | <u>\$ 1,757</u> | <u>\$ -</u> |

* Unrealized gains and losses are shown net.

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
PAGE NINE
YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 5 - ENDOWMENT INVESTMENTS (Cont.)

| <u>June 30, 2018</u> | <u>Cost</u> | <u>Market Value</u> | <u>Unrealized Gain*</u> | <u>Unrealized Loss*</u> | <u>Other than Temporary Loss</u> |
|---------------------------------------|----------------------|----------------------|-------------------------|-------------------------|----------------------------------|
| Equity securities | \$ 315,160 | \$ 350,727 | \$ 35,567 | \$ - | \$ - |
| Corporate bonds | 125,743 | 121,861 | - | 3,882 | - |
| Pooled cash and marketable securities | 18,159,332 | 18,011,126 | - | 148,206 | - |
| Fixed income securities | 437,919 | 430,316 | - | 7,603 | - |
| Cash portion of investments | 26,905 | 26,905 | - | - | - |
| Total | <u>\$ 19,065,059</u> | <u>\$ 18,940,935</u> | <u>\$ 35,567</u> | <u>\$ 159,691</u> | <u>\$ -</u> |

* Unrealized gains and losses are shown net.

The University has invested \$14,042,957, \$15,029,407, \$16,440,675, and \$18,159,332 as of June 30, 2015, 2016, 2017 and 2018, respectively, in pooled funds held at the Mississippi Baptist Foundation (the Foundation). The market value allocated to the University (\$14,318,919, \$15,559,285, \$17,217,259, and \$18,011,126 as of June 30, 2015, 2016, 2017 and 2018, 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.

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE TEN

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 6 - INVESTMENT RETURN

The following summarizes the investment return and its classification in the statement of activities:

| Year Ended June 30, 2015 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------------------|---------------------|-------------------------------|-------------------------------|-------------------|
| Endowment income | \$ 1,466 | \$ - | \$ 3,882 | \$ 5,348 |
| Interest income | 51,391 | 7,860 | 482,574 | 541,825 |
| Realized (losses) gains | (1,671) | (74,912) | 371,593 | 295,010 |
| Unrealized (losses) gains | (12,416) | - | (608,448) | (620,864) |
| Fiduciary fees | (5,506) | - | (9,378) | (14,884) |
| Net investment return | \$ 33,264 | \$ (67,052) | \$ 240,223 | \$ 206,435 |

| Year Ended June 30, 2016 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------------------|---------------------|-------------------------------|-------------------------------|-------------------|
| Endowment income | \$ - | \$ - | \$ 4,571 | \$ 4,571 |
| Interest income | 49,198 | 12,595 | 488,006 | 549,799 |
| Realized (losses) gains | - | 729 | (60,585) | (59,856) |
| Unrealized (losses) gains | - | - | 257,373 | 257,373 |
| Fiduciary fees | - | - | (9,342) | (9,342) |
| Net investment return | \$ 49,198 | \$ 13,324 | \$ 680,023 | \$ 742,545 |

| Year Ended June 30, 2017 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------------------|---------------------|-------------------------------|-------------------------------|-------------------|
| Endowment income | \$ - | \$ - | \$ 1,323 | \$ 1,323 |
| Interest income | 85,228 | 15,522 | 490,087 | 590,837 |
| Realized (losses) gains | 48 | 34 | 117,059 | 117,141 |
| Unrealized (losses) gains | - | - | 255,675 | 255,675 |
| Distribution of earnings | - | - | (41,058) | (41,058) |
| Fiduciary fees | - | - | (9,993) | (9,993) |
| Net investment return | \$ 85,276 | \$ 15,556 | \$ 813,093 | \$ 913,925 |

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE ELEVEN

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 6 - INVESTMENT RETURN (Cont.)

| <u>Year Ended June 30, 2018</u> | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment income | \$ - | \$ - | \$ 2,181 | \$ 2,181 |
| Interest income | 142,054 | 25,546 | 530,294 | 697,894 |
| Realized (losses) gains | 5,727 | - | 1,382,888 | 1,388,615 |
| Unrealized (losses) gains | - | - | (958,635) | (958,635) |
| Distribution of earnings | - | - | 20,266 | 20,266 |
| Fiduciary fees | - | - | (11,655) | (11,655) |
| Net investment return | \$ 147,781 | \$ 25,546 | \$ 965,339 | \$ 1,138,666 |

NOTE 7 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board issued FASB ASC 820-10, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE TWELVE

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 7 - FAIR VALUE MEASUREMENTS (Cont.)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include Equity Securities, Corporate Bonds, Pooled Cash and Marketable Securities, Fixed Income Securities and Cash Portion of Investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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, 2015 | | | |
|---------------------------------------|---|----------------|----------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity securities | \$ 409,717 | \$ - | \$ - | 409,717 |
| Corporate bonds | 26,306 | - | - | 26,306 |
| Pooled cash and marketable securities | 14,318,919 | - | - | 14,318,919 |
| Fixed income securities | 440,940 | - | - | 440,940 |
| Cash portion of investments | 33,330 | - | - | 33,330 |
| Total assets at fair value | \$ 15,229,212 | \$ - | \$ - | \$ 15,229,212 |

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE THIRTEEN

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 7 - FAIR VALUE MEASUREMENTS (Cont.)

| Assets at Fair Value as of June 30, 2016 | | | | |
|---|----------------------|----------------|----------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity securities | \$ 448,837 | \$ - | \$ - | 448,837 |
| Corporate bonds | 28,136 | - | - | 28,136 |
| Pooled cash and marketable securities | 15,559,285 | - | - | 15,559,285 |
| Fixed income securities | 433,094 | - | - | 433,094 |
| Cash portion of investments | 12,378 | - | - | 12,378 |
| Total assets at fair value | \$ 16,481,730 | \$ - | \$ - | \$ 16,481,730 |

| Assets at Fair Value as of June 30, 2017 | | | | |
|---|----------------------|----------------|----------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity securities | \$ 356,873 | \$ - | \$ - | \$ 356,873 |
| Corporate bonds | 126,447 | - | - | 126,447 |
| Pooled cash and marketable securities | 17,217,259 | - | - | 17,217,259 |
| Fixed income securities | 422,750 | - | - | 422,750 |
| Cash portion of investments | 17,245 | - | - | 17,245 |
| Total assets at fair value | \$ 18,140,574 | \$ - | \$ - | \$ 18,140,574 |

| Assets at Fair Value as of June 30, 2018 | | | | |
|---|----------------------|----------------|----------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity securities | \$ 350,727 | \$ - | \$ - | 350,727 |
| Corporate bonds | 121,861 | - | - | 121,861 |
| Pooled cash and marketable securities | 18,011,126 | - | - | 18,011,126 |
| Fixed income securities | 430,316 | - | - | 430,316 |
| Cash portion of investments | 26,905 | - | - | 26,905 |
| Total assets at fair value | \$ 18,940,935 | \$ - | \$ - | \$ 18,940,935 |

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE FOURTEEN

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 8 - PROPERTY HELD FOR RESALE

The University is the recipient of various donations in the form of real estate. These properties are included in the financial statements at their appraised values on the dates of the gifts. Declines in market values which are determined to be permanent in nature are recognized in the year of the decline. Depending on the economic and real estate market conditions at the time of disposition, the values assigned to the properties at the date of the gifts may differ from the proceeds ultimately received.

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
PAGE FIFTEEN
YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

| | <u>June 30,</u> | | | |
|--|----------------------|----------------------|-----------------------|-----------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Property, plant and equipment not being depreciated: | | | | |
| Land | \$ 9,869,112 | \$ 10,600,421 | \$ 10,903,663 | \$ 11,448,289 |
| Construction in process | 4,202,993 | 2,688,422 | 29,741,872 | 12,549,259 |
| Total property, plant and equipment not being depreciated | <u>14,072,105</u> | <u>13,288,843</u> | <u>40,645,535</u> | <u>23,997,548</u> |
| Property, plant and equipment being depreciated: | | | | |
| Land improvements | 2,517,583 | 2,972,512 | 4,688,205 | 4,908,331 |
| Buildings and improvements | 76,116,049 | 80,392,318 | 79,996,270 | 151,840,093 |
| Equipment and furniture | 18,317,191 | 20,247,250 | 20,150,594 | 23,039,804 |
| Library collections | 3,946,195 | 4,064,656 | 4,099,870 | 4,179,504 |
| Total property, plant and equipment being depreciated | <u>100,897,018</u> | <u>107,676,736</u> | <u>108,934,939</u> | <u>183,967,732</u> |
| Less: Accumulated depreciation | <u>(38,506,161)</u> | <u>(42,113,587)</u> | <u>(32,222,589)</u> | <u>(38,300,408)</u> |
| Total property, plant and equipment being depreciated, net | <u>62,390,857</u> | <u>65,563,149</u> | <u>76,712,350</u> | <u>145,667,324</u> |
| Total | <u>\$ 76,462,962</u> | <u>\$ 78,851,992</u> | <u>\$ 117,357,885</u> | <u>\$ 169,664,872</u> |

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE SIXTEEN

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (cont.)

Total depreciation expense for the periods ended June 30, 2015, 2016, 2017 and 2018 was \$3,576,304, \$3,607,425, \$3,940,296 and \$6,297,055, respectively.

NOTE 10 - LINE OF CREDIT

The University has available one line of credit in the amount of \$3,000,000 for general operations which matures on April 5, 2019. Advances under the agreement are based upon a fluctuating rate equal to the 30 day LIBOR rate plus 1.450% per annum with a floor interest rate of 1.714% with interest payable monthly beginning May 5, 2018. The line of credit is secured by real estate and a first priority, perfected security interest in all of the University's present and after-acquired furniture, fixtures and equipment located at the Hattiesburg campus. All unpaid principal and interest shall be due at the date of maturity.

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

| | June 30, | | | |
|---------------------|-----------------|--------------|--------------|--------------|
| | 2015 | 2016 | 2017 | 2018 |
| Available balance | \$ 3,000,000 | \$ 3,000,000 | \$ 3,000,000 | \$ 3,000,000 |
| Outstanding balance | \$ 1,000 | \$ 1,000 | \$ 2,001,000 | \$ 2,000,018 |

NOTE 11 - NOTES PAYABLE

On January 14, 2015, the University refinanced a \$5,000,000 term loan secured by the University's Hattiesburg and beach front campus properties and all furniture and fixtures which extended the maturity date to January 15, 2020. This loan has a fixed rate of interest equal to 3.900% on the outstanding principal balance and requires monthly payments of \$30,594. The balance outstanding at June 30, 2015, 2016, 2017, and 2018, was \$4,063,100, \$3,853,512, \$3,635,089, and \$3,388,205, respectively.

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE SEVENTEEN

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 11 - NOTES PAYABLE (Cont.)

During fiscal year 2008, the Mississippi Business Finance Corporation, a public corporation organized and existing under and by virtue of the laws of the State of Mississippi, issued a Financing and Lease Agreement (Agreement) that provided for Regions Equipment Finance Corporation (the Lessor) a sum of an amount not to exceed \$13,952,000 for the construction and equipping of the University's Tradition Campus. The Tradition Campus lease was secured by collateral listed in the corresponding Guaranty Agreement, including the buildings, improvements, personal property and fixtures at the Tradition Campus. On March 26, 2012, the University repaid the outstanding Financing and Lease Agreement balance and executed a \$12,377,515 note payable with Regions Capital Advantage, Inc. The balance of this note at June 30, 2015 and 2016 was \$10,930,839 and \$10,447,623, respectively. The note was repaid in the year ending June 30, 2017.

On January 1, 2017, the University issued a bond through the Mississippi Business Finance Corporation in the amount of \$22,000,000 which is divided into two notes held by Regions Bank and secured by the Traditions 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. The first, in the amount of \$10,316,467, refinanced the original Tradition Campus construction loan. Under the terms of this note, the University began making monthly payments of \$56,392 on January 26, 2017 at an average rate of 2.840% with a final balloon payment of \$5,982,652 due on December 26, 2026. The second, in the amount of \$11,683,532, provides financing for the construction of a new classroom building and the new School of Pharmacy, both at Tradition. Under the terms of this note, the University began making monthly payments of \$63,865 on July 27, 2018 at an average rate of 2.840% with a final balloon payment of \$6,728,670 due on June 26, 2028. A prepayment penalty equal to 1% of the outstanding balance is required if paid within the first five years. The balance of this bond at June 30, 2017 and 2018, was \$10,661,211 and \$21,445,139, respectively.

On October 24, 2014, the University entered into a loan in the amount of \$5,500,000 for financing of a new residence hall. The loan is based on a fixed interest rate of 3.750% and is secured by real and personal property located on the Hattiesburg Campus. Monthly interest only payments were due through May 18, 2015. Principal and interest payments of \$32,609 began on June 18, 2015, and will be paid monthly thereafter based on a 20 year amortization. The note matures on November 18, 2023. The outstanding balance on this loan as of June 30, 2015, 2016, 2017 and 2018 was \$5,479,053, \$5,291,705, \$5,096,609, and \$4,876,898, respectively.

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE EIGHTEEN

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 11 - NOTES PAYABLE (Cont.)

On December 23, 2015, the University entered into an \$8,000,000 promissory note with Bancorp South for construction of a new athletic field house, volleyball facility, track & field complex, and biology lab. The terms of the agreement established a prepayment penalty of 3% in year one, 2% in year two, and 1% in year three if refinanced with another financial institution. This loan is secured by a deed of trust security interest and liens upon the University's Hattiesburg Campus property and furniture, fixtures and equipment. This loan is based on a fixed interest rate of 3.690%. Monthly interest only payments began on January 23, 2016 and continued for eighteen months. Principal and interest payments of \$47,189 will begin on July 23, 2017, and will be paid monthly thereafter based on a 20 year amortization. The note matures on December 23, 2020 with a final balloon payment of \$7,036,137. The outstanding balance on this loan as of June 30, 2015, 2016, 2017 and 2018 was \$-0-, \$883,735, \$8,000,000 (less \$150,853 in unamortized loan origination fees), and \$7,730,850 (less \$142,914 in unamortized loan origination fees), respectively.

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

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|---|-----------------------------|
| 2019 | \$ 1,572,722 |
| 2020 | 4,526,141 |
| 2021 | 8,261,028 |
| 2022 | 1,147,070 |
| 2023 | 1,182,203 |
| Thereafter | <u>20,751,929</u> |
| | <u>37,441,093</u> |
| Less: Unamortized loan origination fees | <u>(142,914)</u> |
| Total notes payable | <u>\$ 37,298,179</u> |

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE NINETEEN

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 12 - COMPOSITE FINANCIAL INDEX

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

| | June 30, | | | |
|----------------------------|--------------------|--------------------|---------------------|--------------------|
| | 2015 | 2016 | 2017 | 2018 |
| Primary reserve ratio | 0.4471 | 0.5200 | 0.9810 | 0.6883 |
| Strength factor | 0.133 | 0.133 | 0.133 | 0.133 |
| Weight | 35% | 35% | 35% | 35% |
| CFI score | <u>1.18</u> | <u>1.37</u> | <u>2.58</u> | <u>1.81</u> |
| Viability ratio | 0.9082 | 1.1267 | 1.7395 | 1.0035 |
| Strength factor | 0.417 | 0.417 | 0.417 | 0.417 |
| Weight | 35% | 35% | 35% | 35% |
| CFI score | <u>0.76</u> | <u>0.95</u> | <u>1.46</u> | <u>0.84</u> |
| Return on net assets ratio | 0.1058 | 0.0896 | 0.5873 | 0.2118 |
| Strength factor | 0.020 | 0.020 | 0.020 | 0.020 |
| Weight | 20% | 20% | 20% | 20% |
| CFI score | <u>1.06</u> | <u>0.90</u> | <u>5.87</u> | <u>2.12</u> |
| Net income ratio | 0.1207 | 0.1118 | 0.1286 | 0.0200 |
| Strength factor | 0.007 | 0.007 | 0.007 | 0.007 |
| Weight | 10% | 10% | 10% | 10% |
| CFI score | <u>1.72</u> | <u>1.60</u> | <u>1.84</u> | <u>0.29</u> |
| Total CFI | <u><u>4.72</u></u> | <u><u>4.82</u></u> | <u><u>11.75</u></u> | <u><u>5.06</u></u> |

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 13 - UNRESTRICTED NET ASSETS EXCLUSIVE OF PLANT

Unrestricted net assets exclusive of plant consist of the following:

| | June 30, | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2015 | 2016 | 2017 | 2018 |
| Unrestricted net assets | \$ 70,674,135 | \$ 77,440,018 | \$ 131,636,235 | \$ 161,295,323 |
| Less: Non-depreciable plant | (480,892) | (531,590) | (762,130) | (1,244,352) |
| Property held for resale | (27,500) | (27,500) | - | - |
| Property, plant, and equipment, net | (76,462,962) | (78,851,992) | (117,357,885) | (169,664,872) |
| Property, plant, and equipment related tornado insurance receivable | - | - | (18,878,895) | (5,395,434) |
| Property, plant, and equipment related debt | 20,472,992 | 20,476,575 | 27,242,056 | 37,298,179 |
| Construction accounts payable | 444,154 | - | 1,189,228 | 2,174,519 |
| Total | \$ 14,619,927 | \$ 18,505,511 | \$ 23,068,609 | \$ 24,463,363 |

NOTE 14 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

| | June 30, | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2015 | 2016 | 2017 | 2018 |
| Current Restricted Fund (pledges and other) | \$ 3,883,078 | \$ 3,981,547 | \$ 5,842,291 | \$ 8,438,215 |
| Title IV Grant Programs | 26,805 | 24,040 | 25,353 | 62,474 |
| Total temporarily restricted net assets | \$ 3,909,883 | \$ 4,005,587 | \$ 5,867,644 | \$ 8,500,689 |

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-ONE

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 15 - PERMANENTLY RESTRICTED NET ASSETS

The University maintains numerous endowed funds designated for the support of scholarships, University operations, and various academic and auxiliary programs. All of these funds are donor-restricted and perpetual in nature.

Net assets were permanently restricted for the following purposes:

| | June 30, | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2015 | 2016 | 2017 | 2018 |
| Perkins Loan Program | \$ 168,959 | \$ 137,763 | \$ 136,833 | \$ 84,471 |
| Pearson Loan Fund | 11,517 | 11,779 | 12,117 | 12,522 |
| Bass Loan Fund | 184,867 | 196,441 | 208,869 | 220,656 |
| Bobby Wingo Loan Fund | 4,396 | - | - | - |
| Otis Seal Loan Fund | 4,529 | - | - | - |
| Nursing Faculty Loan Program | 29,685 | 29,539 | 29,542 | 29,545 |
| Endowment Fund | 15,229,215 | 16,481,730 | 18,140,574 | 18,940,935 |
| Total permanently restricted net assets | \$ 15,633,168 | \$ 16,857,252 | \$ 18,527,935 | \$ 19,288,129 |

Endowment - William Carey University's endowment consists of approximately 285 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, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's Board of Trustees has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the University considers the following factors in making a determination to appropriate or

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-TWO

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 15 - PERMANENTLY RESTRICTED NET ASSETS (Cont.)

accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of 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.

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, 2015, 2016, 2017 and 2018, there were no endowments that were underwater.

Endowment Investment Policy - The University has adopted an investment and spending policy, approved by the Board of Trustees, for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowed funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix which includes cash, equity, and debt securities.

Endowment Spending Policy - The University has a policy of appropriating for distribution each year all interest and dividends, together with a minority of realized gains, earned over the four fiscal quarters immediately prior to distribution. In establishing this policy, the University considered the long-term expected return on its investment assets as well as the nature and duration of the individual endowment funds. The University expects the current spending policy to allow its endowment funds to grow while providing returns for designated scholarships and programs.

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-THREE

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 15 - PERMANENTLY RESTRICTED NET ASSETS (Cont.)

Changes in endowment net assets are as follows:

| | June 30, | | | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2015 | 2016 | 2017 | 2018 |
| <i>Permanently restricted net assets, beginning of year</i> | \$ 14,838,041 | \$ 15,633,168 | \$ 16,857,252 | \$ 18,527,935 |
| Contributions | 1,005,268 | 995,794 | 1,257,072 | 580,633 |
| Investment income | 482,573 | 488,005 | 490,087 | 530,293 |
| Other revenue | 12,313 | 11,345 | 11,593 | 15,930 |
| Transfers | (451,715) | (201,006) | (318,314) | (534,989) |
| Net appreciation (depreciation) | (236,855) | 196,788 | 372,734 | 424,253 |
| Amounts appropriated for expenditure | (16,457) | (266,842) | (142,489) | (255,926) |
| <i>Permanently restricted net assets, end of year</i> | <u>\$ 15,633,168</u> | <u>\$ 16,857,252</u> | <u>\$ 18,527,935</u> | <u>\$ 19,288,129</u> |

NOTE 16 - 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 (3.000% to 15.000%) of participating employee's salaries depending on years of service. The University contributed \$1,048,621, \$1,118,022, \$1,168,299 and \$1,277,602, for the years ended June 30, 2015, 2016, 2017 and 2018, respectively, to these plans.

NOTE 17 - OPERATING LEASES

During the normal course of conducting business, the University leases certain property and equipment under long-term, non-cancelable, month-to-month, cancelable, and temporary operating leases.

Total rental expenses paid for all operating leases amounted to \$288,690, \$291,690, \$681,273 and \$347,711, for the years ended June 30, 2015, 2016, 2017 and 2018, respectively.

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-FOUR

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 18 - COMMITMENTS AND CONTINGENCIES

The University receives grants under various federal and state sponsored programs. Specific requirements are to be met by the University concerning the grants, the most common being maintenance of a proper level of documentation. These programs are subject to audit by either the agency administering the program or another agency. If subjected to such an audit, the University could be liable for the amount of questioned costs discovered, if any.

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.

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 \$2,374,681, \$2,382,053, \$2,477,802 and \$2,456,804 in fiscal years 2015, 2016, 2017 and 2018, respectively.

NOTE 19 - CONCENTRATIONS OF CREDIT AND MARKET 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 \$15,085,286, \$19,367,469, \$25,256,706, and \$28,913,398 over the FDIC federally insured limits as of June 30, 2015, 2016, 2017 and 2018, respectively.

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.

Investments held by the University are subject to market risk. Although 95% of the total fair value of investments is held with the MBF, these holdings are not considered to have significant market risk since the Foundation maintains diversified holdings.

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-FIVE

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 20 - RELATED PARTIES

Payments for general construction were made to a construction company partially owned by a member of the Board of Trustees. Payments for the years ended June 30, 2015, 2016, 2017 and 2018 were \$-0-, \$833,735, \$8,592,569 and \$-0-, respectively.

NOTE 21 - TORNADO DAMAGE AND RECOVERY

The EF 3 tornado which directly struck the Hattiesburg campus of the University early on the morning of January 21, 2017 set into motion many events and efforts that would forever change the University. After initial assessments concluded that no lives had been lost and that only a small number of students had sustained injuries, administrators, faculty, and staff immediately began to focus on recovery from the disaster. That recovery took many forms: social, academic, physical, and financial. Though it is not within our scope to address all of the many activities which brought the University back from such a major catastrophe, each of these broad areas may be cursorily treated, with emphasis on the physical and fiscal.

Directly after the storm, the most vital priority was to reach out to all of the Carey family, connecting them with one another and with resources that would begin their personal recovery. Phone calls, meetings, social media, and planned events sought to reassure students and other stakeholders that they were not alone and that they were supported in their own individual difficulties. Additional counseling services were initiated to care for heightened psychological health needs. Donations began to arrive designated for direct assistance to affected students. Gift cards, clothing, toiletries, books, and other financial assistance were distributed in several stages, and needs were matched with the outpouring of assistance offered by a vast number of Carey supporters from our home in the Pine Belt to foreign countries.

The University's academic recovery proved daunting in the face of such destruction to buildings, housing, faculty offices, and classrooms. However, creativity among our academic administration, flexibility and resilience among our faculty, and generosity from multiple community partners provided the necessary foundation for the successful continuance of all programs. The remaining weeks of the winter term proceeded largely in online format. By the spring term, many partially damaged buildings on campus were readied for use, and locations at the University of Southern Mississippi and several churches housed various programs, including the College of Osteopathic Medicine, Physical Therapy, Music, and Language and Literature among others. These temporary academic homes provided much-needed time for more buildings to be repaired for the return of many programs in the summer and fall terms.

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-SIX

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 21 - TORNADO DAMAGE AND RECOVERY (Cont.)

The long physical recovery of the University began on the very day of the storm. Because of ongoing construction of existing projects, Hanco Construction used heavy equipment to clear debris and secure many areas of campus in order to provide a safe environment for the initial days of recovery. With this baseline established, the University administration, in coordination with our insurance company, architect, and contractor, planned for several broad recovery stages. The first was to repair as many dorms and academic buildings as possible in February for the beginning of the spring term. The second included demolition of buildings deemed total losses and the recovery of more badly damaged buildings so that more programs could reoccupy their permanent spaces. The third stage in the summer focused on permanent repairs to dorms and academic space after students had vacated. This stage also saw completion of the expanded anatomy building and a new academic building constructed in lieu of temporary trailers. Repairs and upgrades to heavily damaged structures continued with the goal of completing as many as possible for the fall term. The final stage encompasses reconstruction of buildings that were totally destroyed. This includes an academic building, theatre addition, and two dormitories, all of which are scheduled for completion in August of 2018 and the administration building which is expected to be completed by December 2018. At that time, the University believes that the full physical recovery of the campus will be accomplished with new, upgraded, and expanded facilities to meet the needs of future students, faculty, and staff.

Apart from the physical devastation, the tornado of January 21 profoundly affected the University's financial landscape, requiring innumerable activities, adjustments, and process changes to account for the damage and precipitate the recovery. These financial effects may be roughly divided into several categories: insurance, purchasing, and accounting, each of which are discussed briefly below.

The University has for many years maintained a robust insurance program, attempting to mitigate the various risk types inherent in higher education. The tornado triggered several policies, all of which were placed with GuideOne Insurance Company: property, business interruption (including extra expense), and auto. Because enrollment has remained stable, with even a modest increase, the University has submitted a small claim for loss of income under the business interruption policy. However, additional security, overtime wages, rental of temporary facilities, etc. have produced an "extra expense" claim under that policy. As of June 30, 2018, calculation and analysis continued in order to determine the final payment amount for those expenses. The auto claim was settled relatively quickly with the adjuster's amount being paid to the University in the 2016-2017 fiscal year. The property (building and contents) coverage and claim deserve further elucidation due to their complexity and extensive nature. GuideOne representatives were on site within 24 hours of the storm to assess the damage and begin the recovery process. Their unique methodology proved very beneficial to the University. Rather than placing a value on the damages and seeking a quick financial settlement with us as the insured, the Company itself contracted directly with

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-SEVEN

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 21 - TORNADO DAMAGE AND RECOVERY (Cont.)

our architect, general contractor, contents recovery specialists, and cleaning crews. For many months, these firms worked on a time and material basis and were paid directly by GuideOne. For obvious reasons, this arrangement assisted the University with its cash flow through a very uncertain period and continued for all recovery projects except for new construction of buildings totally destroyed. For these projects, the University is contracted directly with the architect and general contractor as would be typical for standard construction. In this ongoing stage, the University submits payment applications to GuideOne for reimbursement up to a negotiated settlement amount.

Following the storm, the University adjusted purchasing processes to manage and capture all relevant data related to the recovery. A separate Disaster Recovery department and general ledger accounts were established in which to expense all transactions so that reports could be easily generated for submission to the insurance company, auditors, governing bodies, and other stakeholders. Such segregation has allowed administrators to quickly access information regarding recovery costs and to pinpoint individual transactions for analysis as needed. Whether through our purchasing card program or traditional accounts payable system, the University has been able to track these transactions and properly group them in the financial statements.

After the immediate concerns of safety and initial decisions regarding the direction recovery would take, financial administrators began the process of research and analysis for the accounting entries necessary to reflect the impairment to physical assets and the capital investment that would be made by insurance proceeds to repair and replace those assets. Nearly all of the University's buildings were damaged or destroyed, and a great percentage of furniture and equipment was gone or damaged. The basis for impairment entries necessarily relied on the expertise of our insurance company, GuideOne, and their subsidiary, GC3. As a national expert in disaster recovery management, GC3 determined the extent of damage to each structure as a percentage (i.e. Building X was damaged 40%). The University then calculated the impairment amount based on the book value and accumulated depreciation for each, recording a capital loss for undepreciated damage amounts. Contents losses were based on values assigned by National Vendor which was engaged by GuideOne to extract and inventory all moveable equipment. Impairment losses were calculated using these values and average depreciation amounts for classes of equipment. These methods produced the most accurate and efficient calculations given the massive extent of damage and impossibility of assessing assets individually. Large capital gains were subsequently booked based on the amounts GuideOne reported that they had expended on capital repairs and reconstruction for all partially damaged buildings and on the negotiated amount that would be paid as reimbursements to the University for construction of totally destroyed buildings.

(This Space Intentionally Left Blank)

WILLIAM CAREY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

PAGE TWENTY-EIGHT

YEARS ENDED JUNE 30, 2015, 2016, 2017 AND 2018

NOTE 21 - TORNADO DAMAGE AND RECOVERY (Cont.)

Though the tornado and resulting damage to the campus and trauma to our students and employees have left many scars, the University truly believes that the experience has produced great strength and even tighter bonds among the University family. It has renewed a sense of mission and purpose to serve students in a caring Christian higher education community. The commitment of faculty and staff and determination of students give hope for a very bright future. Strong enrollment across numerous diverse programs, as well as sound decision-making before, during, and after the disaster, have strengthened a solid financial foundation that allows us to accept the next opportunities and challenges for the University.

NOTE 22 - SUBSEQUENT EVENTS

Subsequent Events - Management has evaluated subsequent events through August 31, 2018, which is the date the financial statements were available to be issued as follows:

- The University purchased additional real property in the amount of \$375,000.
- The Board has approved new construction contracts in the amount of \$1,317,613.
- An “extra expense” insurance claim resulting from the 2017 tornado was settled with the University’s insurance carrier in the amount of \$1,038,195.

(This Space Intentionally Left Blank)

SUPPLEMENTARY INFORMATION

WILLIAM CAREY UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

| <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 TREASURY</i> | | | |
| Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States | 21.015 | -- | \$ 871,814 |
| Total U.S. Department of Treasury | | | <u>871,814</u> |
| <i>U.S. DEPARTMENT OF EDUCATION</i> | | | |
| Direct programs: | | | |
| <i>Student Financial Aid Cluster</i> | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | -- | 204,567 |
| Federal Work-Study Program | 84.033 | -- | 415,579 |
| Federal Perkins Loan Program | 84.038 | -- | 159,599 |
| Federal Pell Grant Program | 84.063 | -- | 5,706,764 |
| Federal Direct Student Loans | 84.268 | -- | 53,482,124 |
| Teacher Education Assistance for College and Higher Education (TEACH) Grants | 84.379 | -- | 94,691 |
| Nurse Faculty Loan Program (NFLP) | 93.264 | -- | 10,325 |
| Total Student Financial Aid Cluster | | | <u>60,073,649</u> |
| <i>Total Expenditures of Federal Awards</i> | | | <u>\$ 60,945,463</u> |

See the independent auditor's report.

WILLIAM CAREY UNIVERSITY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

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 - LOANS OUTSTANDING

The University had the following loan balances outstanding at June 30, 2018. 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 | \$ 159,599 |
| Nurse Faculty Loan Program | 93.264 | 10,325 |

During the year ended June 30, 2018, there were no disbursements for new loans and miscellaneous revenues totaled \$1,494 for the Federal Perkins Loan Program. There were no disbursements for new loans or other miscellaneous expenses for the Nurse Faculty Loan Program during fiscal year 2018.

NOTE 3 - FEDERAL PELL GRANT PROGRAM

During the year ended June 30, 2018, expenditures for the Federal Pell Grant Program totaled \$5,706,764, of which \$5,706,764 was disbursed to students.

NOTE 4 - DE MINIMIS COST RATE

The University elected not to recover indirect costs using the 10% de minimis cost rate.

(This Space Intentionally Left Blank)



**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of William Carey University (a Mississippi nonprofit corporation) which comprise the statement of financial position as of June 30, 2018, 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 August 31, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.



HATTIESBURG
2 Southern Pointe Parkway, Suite 100
Hattiesburg, MS 39401-8025

P. O. Drawer 15099
Hattiesburg, MS 39404-5099

COLUMBIA
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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
August 31, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY 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, 2018. 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



HATTIESBURG
2 Southern Pointe Parkway, Suite 100
Hattiesburg, MS 39401-8025

P. O. Drawer 15099
Hattiesburg, MS 39404-5099

COLUMBIA
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

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 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, 2018.

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.

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

To the Board of Trustees
William Carey University
Hattiesburg, Mississippi

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
August 31, 2018

WILLIAM CAREY UNIVERSITY

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

Section I - Summary of Auditor's Results

Financial Statements

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

| | |
|---|------------|
| Type of auditor's report issued on compliance for major programs: | |
| Resources and Ecosystems Sustainability | |
| Tourist Opportunities, and Revived Economies of the Gulf Coast States | Unmodified |
| Student Financial Aid Cluster | 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)? | No |
|---|----|

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

21.015

Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States

WILLIAM CAREY UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PAGE TWO

YEAR ENDED JUNE 30, 2018

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

Identification of Major Programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 84.007 | Student Financial Aid Cluster: Federal Supplemental Educational Opportunity Grants |
| 84.033 | Federal Work-Study Program |
| 84.038 | Federal Perkins Loan Program |
| 84.063 | Federal Pell Grant Program |
| 84.268 | Federal Direct Student Loans |
| 84.379 | Teacher Education Assistance for College and Higher Education (TEACH) Grants |
| 93.264 | Nurse Faculty Loan Program (NFLP) |

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

No matters were reported.