



**Truett McConnell University**

**FINANCIAL STATEMENTS**

**June 30, 2022 and 2021**



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# REPORT





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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Truett McConnell University

### **Opinion**

We have audited the accompanying financial statements of Truett McConnell University (the University) (a non-profit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Truett McConnell University as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Report on 2021 Financial Statements**

The financial statements of Truett McConnell University as of June 30, 2021, were audited by other auditors whose report dated October 29, 2021, expressed an unmodified opinion on those statements.

### **Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial responsibility supplementary schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the University's internal control over financial reporting and compliance

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia  
February 2, 2023



# FINANCIAL STATEMENTS



**Truett McConnell University**  
**Statements of Financial Position**

<i>June 30,</i>	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 5,866,036	\$ 5,448,732
Funds held by bond trustee	2,166,371	3,266,622
Student receivables, net	313,939	308,357
Other receivables	208,365	242,299
Prepaid and other assets	282,923	439,208
Investments	2,517,254	2,479,273
Funds held in trust by foundations	3,894,595	4,809,495
Property, plant and equipment, net	37,746,347	37,658,983
<b>Total assets</b>	<b>\$ 52,995,830</b>	<b>\$ 54,652,969</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued liabilities	\$ 936,480	\$ 1,123,200
Unearned revenue	684,401	639,580
Notes and bonds payable, net of debt issuance costs	25,621,808	25,869,437
<b>Total liabilities</b>	<b>27,242,689</b>	<b>27,632,217</b>
<b>Net assets</b>		
Without donor restrictions	17,444,627	18,017,432
With donor restrictions	8,308,514	9,003,320
<b>Total net assets</b>	<b>25,753,141</b>	<b>27,020,752</b>
<b>Total liabilities and net assets</b>	<b>\$ 52,995,830</b>	<b>\$ 54,652,969</b>

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



**Truett McConnell University**  
**Statements of Activities**

<i><b>For the year ended June 30, 2022</b></i>	Without Donor Restrictions	With Donor Restrictions	<b>2022 Total</b>	2021 Summarized Total
<b>Operating Revenue and Other Support</b>				
Tuition and fees, net of student aid of \$8,172,317 and \$7,348,760	\$ 14,114,141	\$ -	<b>\$ 14,114,141</b>	\$ 14,585,196
Private gifts and grants -				
Georgia Baptist Mission Board	1,237,218	-	<b>1,237,218</b>	1,210,864
Paycheck Protection Program grant revenue	-	-	-	2,095,500
Federal COVID-19 relief grants	2,104,716	-	<b>2,104,716</b>	1,168,411
Other private gifts and grants	664,133	725,115	<b>1,389,248</b>	1,269,387
Investment return appropriated for operating activities	55,571	303,246	<b>358,817</b>	235,621
Sales and services of auxiliary enterprises	5,011,008	-	<b>5,011,008</b>	4,701,870
Other revenue	305,245	-	<b>305,245</b>	381,880
Net assets released from restrictions	815,144	(815,144)	-	-
<b>Total operating revenue and other support</b>	<b>24,307,176</b>	<b>213,217</b>	<b>24,520,393</b>	<b>25,648,729</b>
<b>Operating Expenses</b>				
<i>Program services</i>				
Instruction	6,445,183	-	<b>6,445,183</b>	6,571,376
Academic support	1,065,118	-	<b>1,065,118</b>	1,008,722
Student services	7,958,190	-	<b>7,958,190</b>	7,675,845
Grants to students	957,833	-	<b>957,833</b>	307,248
Auxiliary enterprises	4,181,719	-	<b>4,181,719</b>	4,058,889
<b>Total program services</b>	<b>20,608,043</b>	<b>-</b>	<b>20,608,043</b>	<b>19,622,080</b>
<i>Supporting services</i>				
Institutional support	4,279,844	-	<b>4,279,844</b>	4,017,622
<b>Total operating expenses</b>	<b>24,887,887</b>	<b>-</b>	<b>24,887,887</b>	<b>23,639,702</b>
Change in net assets from operations	(580,711)	213,217	<b>(367,494)</b>	2,009,027
<b>Non-Operating Activities</b>				
Private gifts and grants	-	149,373	<b>149,373</b>	74,383
Investment return, net of amounts appropriated for operating activities	-	(454,448)	<b>(454,448)</b>	689,330
Loss on disposal of property, plant and equipment	-	-	-	(670,025)
Net gain (loss) on funds held in trust	-	(595,042)	<b>(595,042)</b>	123,644
Non-operating net assets released from restrictions	7,906	(7,906)	-	-
<b>Total non-operating activities</b>	<b>7,906</b>	<b>(908,023)</b>	<b>(900,117)</b>	<b>217,332</b>
Change in net assets	(572,805)	(694,806)	<b>(1,267,611)</b>	2,226,359
Net assets at beginning of year	18,017,432	9,003,320	<b>27,020,752</b>	24,794,393
Net assets at end of year	\$ 17,444,627	\$ 8,308,514	<b>\$ 25,753,141</b>	\$ 27,020,752

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

**Truett McConnell University**  
**Statements of Activities (Continued)**

<i>For the year ended June 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Other Support</b>			
Tuition and fees, net of student aid of \$7,348,760	\$ 14,585,196	\$ -	\$ 14,585,196
Private gifts and grants - Georgia Baptist			
Mission Board	1,210,864	-	1,210,864
Paycheck Protection Program grant revenue	2,095,500	-	2,095,500
Federal COVID-19 relief grants	1,168,411	-	1,168,411
Other private gifts and grants	668,087	601,300	1,269,387
Investment return appropriated for operating activities	9,481	226,140	235,621
Sales and services of auxiliary enterprises	4,701,870	-	4,701,870
Other revenue	381,880	-	381,880
Net assets released from restrictions	787,590	(787,590)	-
<b>Total operating revenue and other support</b>	<b>25,608,879</b>	<b>39,850</b>	<b>25,648,729</b>
<b>Operating Expenses</b>			
<i>Program services</i>			
Instruction	6,571,376	-	6,571,376
Academic support	1,008,722	-	1,008,722
Student services	7,675,845	-	7,675,845
Grants to students	307,248	-	307,248
Auxiliary enterprises	4,058,889	-	4,058,889
<b>Total program services</b>	<b>19,622,080</b>	<b>-</b>	<b>19,622,080</b>
<i>Supporting services</i>			
Institutional support	4,017,622	-	4,017,622
<b>Total operating expenses</b>	<b>23,639,702</b>	<b>-</b>	<b>23,639,702</b>
Change in net assets from operations	1,969,177	39,850	2,009,027
<b>Non-Operating Activities</b>			
Private gifts and grants	-	74,383	74,383
Investment return, net of amounts appropriated for operating activities	-	689,330	689,330
Loss on disposal of property, plant and equipment	(670,025)	-	(670,025)
Net gain (loss) on funds held in trust	-	123,644	123,644
Non-operating net assets released from restrictions	100,528	(100,528)	-
<b>Total non-operating activities</b>	<b>(569,497)</b>	<b>786,829</b>	<b>217,332</b>
Change in net assets	1,399,680	826,679	2,226,359
Net assets at beginning of year	16,617,752	8,176,641	24,794,393
<b>Net assets at end of year</b>	<b>\$ 18,017,432</b>	<b>\$ 9,003,320</b>	<b>\$ 27,020,752</b>

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

**Truett McConnell University**  
**Statements of Functional Expenses**

*For the year ended June 30, 2022*

	Program Services						Supporting Services	2022 Total	2021 Summarized Total
	Instruction	Academic Support	Student Services	Grants to Students	Auxiliary Services	Programs Subtotal	Institutional Support		
Salaries and benefits	\$ 4,860,838	\$ 776,689	\$ 3,508,393	\$ -	\$ 652,544	\$ 9,798,464	\$ 2,704,166	\$ 12,502,630	\$ 12,648,773
Depreciation	285,747	53,472	468,909	-	823,309	1,631,437	120,524	1,751,961	1,654,980
Occupancy, repairs and maintenance	287,377	49,463	842,284	-	1,236,436	2,415,560	278,309	2,693,869	2,440,049
Interest	-	-	1,320,752	-	-	1,320,752	586	1,321,338	1,347,927
Food and dining services	-	-	-	-	1,205,005	1,205,005	-	1,205,005	1,300,117
Contracted services	507,560	46,019	352,387	-	-	905,966	256,416	1,162,382	1,198,225
Federal Coronavirus relief grants	-	-	-	957,833	-	957,833	-	957,833	307,248
Travel and entertainment	44,362	4,067	674,904	-	218	723,551	123,731	847,282	542,001
Supplies, postage, and office	200,080	81,798	67,561	-	938	350,377	297,709	648,086	668,985
Marketing and recruitment	4,099	520	176,262	-	-	180,881	258,889	439,770	481,895
Student supplies and materials	218,931	-	344,115	-	150,195	713,241	-	713,241	527,082
Professional services	-	-	53,358	-	99,000	152,358	93,742	246,100	231,919
Licensing and memberships	16,897	23,698	55,951	-	-	96,546	36,939	133,485	126,014
Other expenses	19,292	29,392	93,314	-	14,074	156,072	108,833	264,905	164,487
<b>Total</b>	<b>\$ 6,445,183</b>	<b>\$ 1,065,118</b>	<b>\$ 7,958,190</b>	<b>\$ 957,833</b>	<b>\$ 4,181,719</b>	<b>\$ 20,608,043</b>	<b>\$ 4,279,844</b>	<b>\$ 24,887,887</b>	<b>\$ 23,639,702</b>

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

**Truett McConnell University**  
**Statements of Functional Expenses (Continued)**

*For the year ended June 30, 2021*

	Program Services						Supporting	Total
	Instruction	Academic Support	Student Services	Grants to Students	Auxiliary Services	Programs Subtotal	Institutional Support	
Salaries and benefits	\$ 5,090,904	\$ 697,864	\$ 3,588,999	\$ -	\$ 679,761	\$ 10,057,528	\$ 2,591,245	\$ 12,648,773
Depreciation	246,503	50,512	436,323	-	777,734	1,511,072	143,908	1,654,980
Occupancy, repairs and maintenance	272,836	47,494	770,793	-	1,035,866	2,126,989	313,060	2,440,049
Interest	-	-	1,347,014	-	-	1,347,014	913	1,347,927
Food and dining services	-	-	-	-	1,300,117	1,300,117	-	1,300,117
Contracted services	536,056	73,110	323,793	-	-	932,959	265,266	1,198,225
Federal Coronavirus relief grants	-	-	-	307,248	-	307,248	-	307,248
Travel and entertainment	25,056	1,190	471,734	-	161	498,141	43,860	542,001
Supplies, postage, and office	280,117	73,662	58,360	-	2,744	414,883	254,102	668,985
Marketing and recruitment	1,818	-	215,623	-	-	217,441	264,454	481,895
Student supplies and materials	101,499	-	283,807	-	141,776	527,082	-	527,082
Professional services	-	-	53,358	-	99,000	152,358	79,561	231,919
Licensing and memberships	14,455	18,695	54,877	-	-	88,027	37,987	126,014
Other expenses	2,132	46,195	71,164	-	21,730	141,221	23,266	164,487
<b>Total</b>	<b>\$ 6,571,376</b>	<b>\$ 1,008,722</b>	<b>\$ 7,675,845</b>	<b>\$ 307,248</b>	<b>\$ 4,058,889</b>	<b>\$ 19,622,080</b>	<b>\$ 4,017,622</b>	<b>\$ 23,639,702</b>

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

**Truett McConnell University**  
**Statements of Cash Flows**

<i>For the years ended June 30,</i>	<b>2022</b>	<b>2021</b>
<b>Operating Activities</b>		
Change in net assets	\$ (1,267,611)	\$ 2,226,359
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,751,961	1,654,980
Amortization	3,122	3,122
Contributions restricted to long-term investment	(149,373)	(74,383)
Net unrealized and realized loss (gain) on investments	471,932	(660,985)
Net gain (loss) on funds held in trust	595,042	(123,644)
Loss on disposal of property, plant and equipment	-	670,025
Changes in operating assets and liabilities		
Student receivables, net	(5,582)	116,933
Other receivables	33,934	(11,293)
Promises to give, net	-	100,000
Prepaid expenses and other assets	156,285	(7,377)
Accounts payable and accrued liabilities	(259,036)	(163,807)
Paycheck Protection Program refundable advance	-	(2,095,500)
Unearned revenue	44,821	255,076
<b>Net cash provided by (used in) operating activities</b>	<b>1,375,495</b>	<b>1,889,506</b>
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(1,767,009)	(2,036,127)
Purchase of investments	(134,092)	(213,333)
Proceeds from sale of investments	19,105	259,195
Additions to funds held in trust	(75,068)	(281,015)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,957,064)</b>	<b>(2,271,280)</b>
<b>Financing Activities</b>		
Payments on notes and bonds payable	(250,751)	(205,909)
Contributions restricted to long-term investment	149,373	74,383
<b>Net cash provided by (used in) financing activities</b>	<b>(101,378)</b>	<b>(131,526)</b>
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>(682,947)</b>	<b>(513,300)</b>
Cash, cash equivalents and restricted cash at beginning of year	8,715,354	9,228,654
<b>Cash, cash equivalents and restricted cash at end of year</b>	<b>\$ 8,032,407</b>	<b>\$ 8,715,354</b>

(Continued)

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

**Truett McConnell University**  
**Statements of Cash Flows (Continued)**

<i>For the years ended June 30,</i>	<b>2022</b>	<b>2021</b>
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash</b>		
Beginning of year		
Cash and cash equivalents	\$ 5,448,732	\$ 3,773,821
Restricted cash - funds held by bond trustee	3,266,622	5,454,833
<b>Beginning of year, total</b>	<b>\$ 8,715,354</b>	<b>\$ 9,228,654</b>
End of year		
Cash and cash equivalents	\$ 5,866,036	\$ 5,448,732
Restricted cash - funds held by bond trustee	2,166,371	3,266,622
<b>End of year, total</b>	<b>\$ 8,032,407</b>	<b>\$ 8,715,354</b>
<b>Schedule of Certain Cash Flow Information</b>		
Cash paid for interest	\$ 1,326,229	\$ 1,344,599
Accounts payable for plant additions	\$ 72,316	\$ 73,028

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

**Note 1: DESCRIPTION OF THE ORGANIZATION**

Truett McConnell University (the University) is a Christian liberal arts institution located in Cleveland, Georgia with both four year and graduate programs. The University is organized under the auspices of the Georgia Baptist Missions Board (the Missions Board), which elects the University's Board of Trustees (the Board).

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are allowance for doubtful accounts related to student receivables, allocation methods for the statements of functional expense, useful lives of property, plant and equipment, and fair value of financial instruments.

***Measure of Operations***

The University includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including an authorized investment income spending allocation. This measure of operations provides a presentation that depicts the manner in which the University manages its financial activities.

Non-operating activities principally include investment return, net of amounts appropriated for expenditure to support operations, contributions and bequests added to the endowment or supporting major capital acquisition, net assets released from restrictions designated for capital expenditures, and gains or losses on financial instruments and activity related to funds held in trust by foundations. Certain other gains and losses considered to be of a more unusual or non-recurring nature are also included as part of non-operating activities.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash and highly liquid investments with an original maturity of 90 days or less.

***Funds Held by Bond Trustee***

Funds held by bond trustee represent bond proceeds held in escrow and reserved for debt service and capital improvements in accordance with the terms of the Series 2019A and Series 2019B Revenue Bonds (see Note 7). These funds are invested in a government agency money market fund.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Student Receivables***

Student receivables are stated at unpaid balances, less an allowance for doubtful accounts. The University provides for losses on accounts receivable using the allowance method. The allowance is based on historical collection experience and a review of the current status of student receivables. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. Unpaid amounts from prior semesters are considered past due and students are not allowed to register for classes until those amounts are paid, or a payment plan is agreed to. Student amounts considered past due are not significant. It is the University's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

***Prepaid and Other Assets***

Prepaid and other assets consist primarily of prepaid expenses, artwork, and land held for sale.

The University reviews the carrying value of assets held for sale for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Measurement of any impairment loss is based on the fair value of the assets held for sale. No loss for impairment of assets held for sale was recorded during the years ended June 30, 2022 and 2021.

***Investments***

The University reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets with donor restrictions and released from restriction if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

***Funds Held in Trust by Foundations***

The University is the beneficiary of various irrevocable remainder and perpetual trusts created by donors, the assets of which are held in trust by the Georgia Baptist Foundation (GBF) and HighGround Advisors (previously Baptist Foundation of Texas). Under the terms of the perpetual trusts, the University has a legally enforceable right or claim to receive income earned on the trust assets in perpetuity. The fair value of the funds' net assets (or the University's share when there are other beneficiaries) is considered a reasonable estimate of the present value of the estimated future cash flows from these funds and is recognized as funds held in trust by foundations and as contribution revenue at the date such funds are established. The income distributed to the University from these trusts is available for general operations or other restricted uses as specified by the donor.

All net realized and unrealized gains and losses are reported on the statements of activities as income with donor restrictions based on the interpretation that under Georgia law, appreciation in such funds is not available for expenditure by the University unless the separate trustees of those funds decide to appropriate it.



**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Property, Plant and Equipment***

All acquisitions of property, plant and equipment and expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets and are in excess of \$5,000 and an estimated useful life in excess of one year are capitalized. Repairs and maintenance are expensed as incurred. Property, plant and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

***Net Assets***

The University reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the University, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

***Revenue Recognition***

Tuition and fees, sales and services of auxiliary enterprises and payments under various contracts are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue from student education is reflected net of reduction from institutional student aid. Revenue from student education, housing, and dining services is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Disbursements made directly to students for living or other costs are reported as an expense. Payments for student services are generally received prior to the commencement of each semester. Income from tuition and fees received in advance is recorded as unearned revenue (contract liability) and recognized over the periods to which the dates and fees relate.

A significant portion of the University's grants and contracts are from government agencies. The benefits received by the public as a result of the assets transferred are not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Revenue Recognition (continued)***

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor stipulations that limit the use of the contributions are reported as net assets with donor restrictions.

***Debt Issuance Costs***

Costs incurred for issuance of bonds has been capitalized and is being amortized over the term of the debt. In accordance with Accounting Standards Update (ASU) 2015-03, debt issuance costs are classified as an offset to long-term debt and amortization is included in interest expense. As of June 30, 2022 and 2021, debt issuance costs capitalized totaled \$347,186, and accumulated amortization totaled \$42,345 and \$30,469, respectively. Interest expense representing amortization of bond issuance costs totaled \$11,876, for the years ended June 30, 2022 and 2021.

***Donated Assets***

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

***Donated Services***

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the University. Volunteers provided various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

***Functional Allocation of Expenses***

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. Expenses related to operation and maintenance of plant, and depreciation expense are allocated across functional areas based on a fixed percentage based on the amount of building space utilized. Interest expense is allocated based on the functional purpose for which debt proceeds were used.

Fundraising expenses totaling approximately \$262,725 and \$144,286 during the years ended June 30, 2022 and 2021, respectively, consist primarily of salaries, wages and benefits and are classified within institutional support.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Income Taxes***

Under section 501(c)(3) of the Internal Revenue Code, Truett McConnell University is exempt from taxes on income other than unrelated business income. Collectively, the University does not have any unrelated business income.

The University utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30 2022 and 2021, the University has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

***Reclassifications***

Certain reclassifications in the statement of activities were made to prior year balances to conform with current year presentation.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 2, 2023, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

***Recent Accounting Pronouncements***

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entries* (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU specifies requirements for the recognition and initial measurement of contributions and disclosure requirements for contributed services. This change in accounting principal did not have a material impact on the financial statements.

***Accounting Guidance not yet Adopted***

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities in the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The University is currently evaluating the impact of the guidance on its financial statements.

**Truett McConnell University**  
**Notes to Financial Statements**

**Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY**

The University maintains its financial assets primarily in cash and cash equivalents, and investments to provide liquidity to ensure funds are available as the University's expenditures come due. The following reflects the University's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>June 30,</i>	<b>2022</b>	<b>2021</b>
Financial assets at end of year		
Cash and cash equivalents	\$ 5,866,036	\$ 5,448,732
Student receivables, net	313,939	308,357
Other receivables	208,365	242,299
Funds held by bond trustee	2,166,371	3,266,622
Investments	2,517,254	2,479,273
Funds held in trust by foundations	3,894,595	4,809,495
<b>Total financial assets</b>	<b>14,966,560</b>	<b>16,554,778</b>
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by debt agreement for debt service and capital improvements	(2,166,371)	(3,266,622)
Restricted by donor with time or purpose restrictions	(8,308,514)	(9,003,320)
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 4,491,675</b>	<b>\$ 4,284,836</b>

The University is principally supported by fees charged for services it provides and contributions. In the event of unanticipated liquidity needs, the University has a line of credit with available borrowings of \$844,000.

**Note 4: STUDENT RECEIVABLES**

Student receivables consist of the following:

<i>June 30,</i>	<b>2022</b>	<b>2021</b>
Student accounts receivable	\$ 466,299	\$ 433,382
Less: allowance for doubtful accounts	(152,360)	(125,025)
<b>Student receivables, net</b>	<b>\$ 313,939</b>	<b>\$ 308,357</b>

**Truett McConnell University**  
**Notes to Financial Statements**

**Note 5: INVESTMENTS**

The University's investments, totaling \$2,517,254 and \$2,479,273 at June 30, 2022 and 2021, respectively, were held in a common investment pool at the GBF – see Note 12 for further detail.

The following summarizes the University's total investment return and its classification in the statements of activities for the years ended:

<i>June 30,</i>	<b>2022</b>	<b>2021</b>
Dividend and interest income, net	\$ <b>376,301</b>	\$ 263,966
Net unrealized and realized gains (loss)	<b>(471,932)</b>	660,985
Total investment return	<b>(95,631)</b>	924,951
Less: investment return appropriated for operating activities	<b>(358,817)</b>	(235,621)
Investment return, net of amounts appropriated for operating activities	<b>\$ (454,448)</b>	\$ 689,330

**Note 6: PROPERTY, PLANT AND EQUIPMENT**

The components of property, plant and equipment at June 30, 2022 and 2021, are as follows:

	Estimated Useful Lives (in years)	<b>2022</b>	<b>2021</b>
Buildings	20 - 50	\$ <b>39,901,438</b>	\$ 39,850,555
Land improvements	20 - 30	<b>3,194,946</b>	2,721,375
Equipment and furnishings	5 - 20	<b>5,862,969</b>	5,759,120
Library books	20	<b>769,193</b>	769,193
		<b>49,728,546</b>	49,100,243
Less accumulated depreciation		<b>(18,207,188)</b>	(16,449,570)
		<b>31,521,358</b>	32,650,673
Land		<b>4,917,086</b>	4,917,086
Construction in progress		<b>1,307,903</b>	91,224
Total property, plant and equipment, net		<b>\$ 37,746,347</b>	\$ 37,658,983

Depreciation expense for the years ended June 30, 2022 and 2021, totaled \$1,751,961 and \$1,654,980, respectively.

**Truett McConnell University**  
**Notes to Financial Statements**

**Note 7: LEASES**

The University leases certain office equipment, vehicles, and security cameras under non-cancelable operating leases with a remaining term in excess of one year through May 2027.

Future minimum annual lease payments under the aforementioned operating lease agreements for the next five years and thereafter are as follows:

*For the years ending June 30,*

2023	\$	126,045
2024		79,079
2025		70,923
2026		69,602
2027		11,634
<b>Total future minimum lease payments</b>		<b>\$ 357,283</b>

**Truett McConnell University**  
**Notes to Financial Statements**

**Note 8: LONG-TERM DEBT**

Long-term debt at June 30, 2022 and 2021 consists of the following:

<i>June 30,</i>	<b>2022</b>	2021
Series 2019A Development Authority of White County Revenue Bonds payable, semi-annual interest-only payments through October 1, 2022 followed by semi-annual principal payments escalating from \$207,500 to \$802,500 over the life of the Bonds, plus fixed interest rate of 5.00% to 5.25% over the life of the Bonds, maturity of October 2049, collateralized by real property.	<b>\$ 24,625,000</b>	\$ 24,625,000
Series 2019B Development Authority of White County Revenue Bonds payable, semi-annual principal payments escalating from \$27,500 to \$35,000 over the life of the Bonds, plus fixed interest rate of 5.00%, paid off in October 2021, collateralized by real property.	-	70,000
Bonds payable to a financial institution, monthly payments of principal escalating from \$3,935 to \$10,652 over the life of the Bonds, plus variable interest rate tied to LIBOR (3.09% and 2.11% at June 30, 2022 and 2021, respectively), maturity of July 2028, collateralized by real property.	<b>719,006</b>	804,131
Equipment loan payable to financial institution, monthly payments of principal and interest of \$9,071,03, fixed interest rate of 4.55% per annum, maturity of September 2025.	<b>328,213</b>	419,859
Automobile loan payable to financial institution, monthly payments of principal and interest of \$388.65, fixed interest rate of 6.04% per annum, maturity of August 2024.	<b>9,310</b>	13,290
Total long-term debt	<b>25,681,529</b>	25,932,280
Plus unamortized bond premium	<b>245,120</b>	253,874
Less unamortized debt issuance costs	<b>(304,841)</b>	(316,717)
<b>Long-term debt net of bond premium and issuance costs</b>	<b>\$ 25,621,808</b>	\$ 25,869,437

Interest expense on indebtedness was \$1,321,338 and \$1,347,927 for the years ended June 30, 2022 and 2021, respectively.

All long-term debt of the University was obtained to finance capital improvements on the University's campus or to refinance previous debt associated with capital improvements.

**Truett McConnell University**  
**Notes to Financial Statements**

**Note 8: LONG-TERM DEBT (Continued)**

Bonds payable are subject to certain covenants as set forth in the bond agreements, which the University is in compliance with at June 30, 2022.

Maturities of long-term debt subsequent to June 30, 2022, are as follows:

*For the years ending June 30,*

2023	\$ 612,718
2024	642,736
2025	678,173
2026	619,904
2027	625,685
Thereafter	22,502,313
<b>Total</b>	<b>\$ 25,681,529</b>

**Note 9: LINE OF CREDIT**

The University has a bank line of credit with a financial institution. Available borrowings related to the line of credit total \$844,000, with a fixed rate of 3.25% per annum. The line matures in September of 2023 and is secured by real property. The outstanding balance as of June 30, 2022 and 2021 was \$0 for each date.

**Note 10: NET ASSETS**

A summary of net assets without donor restrictions follows:

<i>June 30,</i>	<b>2022</b>	2021
Undesignated	\$ 3,226,033	\$ 3,034,292
Net investment in property, plant and equipment	<b>14,218,594</b>	14,983,140
<b>Total net assets without donor restrictions</b>	<b>\$ 17,444,627</b>	<b>\$ 18,017,432</b>



**Truett McConnell University**  
**Notes to Financial Statements**

**Note 10: NET ASSETS (Continued)**

A summary of net assets with donor restrictions follows:

<i>June 30,</i>	<b>2022</b>	<b>2021</b>
Purpose restricted		
Scholarships and loans	\$ 263,206	\$ 706,367
Instruction and other support	1,052,257	852,184
Capital improvements	557,494	531,191
<b>Total purpose restricted</b>	<b>1,872,957</b>	<b>2,089,742</b>
Held in perpetuity		
Endowments	2,577,469	2,104,083
Remainder trusts held by foundations	285,966	310,302
Perpetual trusts held by foundations	3,572,122	4,499,193
<b>Total held in perpetuity</b>	<b>6,435,557</b>	<b>6,913,578</b>
<b>Total net assets with donor restrictions</b>	<b>\$ 8,308,514</b>	<b>\$ 9,003,320</b>

A summary of net assets released from restrictions follows:

<i>For the years ended June 30,</i>	<b>2022</b>	<b>2021</b>
Purpose restrictions		
Scholarships and loans	\$ 398,096	\$ 315,176
Instruction and other support	417,048	472,414
Capital improvements	7,906	100,528
<b>Total release of net assets with donor restrictions</b>	<b>\$ 823,050</b>	<b>\$ 888,118</b>

**Note 11: REVENUE**

The University recognizes revenue over time for its tuition, fees, auxiliary and other contracts. As of June 30, 2022, there are \$684,401 of performance obligations to be satisfied, significantly all of which are expected to be recognized in revenue in 2023. These performance obligations are based upon the University providing, primarily to students, the requisite educational, auxiliary, or other service.

The University's method of recognizing revenue is the input method for performance obligations to be utilized over time.

**Truett McConnell University**  
**Notes to Financial Statements**

**Note 11: REVENUE (Continued)**

***Disaggregated Revenue***

A summary of disaggregated revenue information follows:

<i>For the years ended June 30,</i>	<b>2022</b>	<b>2021</b>
Tuition and fees, net (recognized over time)		
Undergraduate tuition revenue	\$ 15,998,529	\$ 15,366,191
Dual enrollment tuition revenue	4,205,498	4,635,107
Graduate tuition revenue	781,359	671,944
Fee revenue	1,301,072	1,260,714
Financial aid discount (funded)	(398,096)	(315,176)
Financial aid discount (unfunded)	(7,774,221)	(7,033,584)
<b>Total tuition and fees, net (recognized over time)</b>	<b>14,114,141</b>	<b>14,585,196</b>
Auxiliary enterprises (recognized over time)		
Housing and dining services revenue	4,249,422	4,180,883
Other auxiliary revenue	761,586	520,987
<b>Total auxiliary enterprises (recognized over time)</b>	<b>5,011,008</b>	<b>4,701,870</b>
Grants and contributions (non-exchange)	4,880,555	5,818,545
Other income, gains and losses (non-exchange)	(385,428)	760,450
<b>Total revenue and support</b>	<b>\$ 23,620,276</b>	<b>\$ 25,866,061</b>

The University's customers are primarily students seeking a higher education degree located in the southeastern portion of the United States.

***Contract Balances***

<i>June 30,</i>	<b>2022</b>	<b>2021</b>
Contract assets		
Receivable from contracts (student receivables, net), beginning of year	\$ 308,357	\$ 425,290
Receivable from contracts (student receivables, net), end of year	\$ 313,939	\$ 308,357
Contract liabilities		
Performance obligation liabilities (unearned revenue), beginning of year	\$ 639,580	\$ 429,434
Performance obligation liabilities (unearned revenue), end of year	\$ 684,401	\$ 639,580

**Note 12: ENDOWMENTS**

The University's endowment consists of 69 donor-restricted funds established for scholarships and library maintenance.

Absent explicit donor stipulations to the contrary, the Board of Trustees of the University has interpreted the State of Georgia's 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. As a result of this interpretation, the University retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual 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 retained in perpetuity is subject to appropriation 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 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 possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the University, and (7) the University's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The University has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Under these policies, the endowment assets are invested in a manner that is intended to (a) minimize the risk of large losses and over time, exceed the rate of inflation in order to preserve the purchasing power of assets, (b) generate a long-term rate of return to equal or exceed the appropriate market indices, and (c) generate income to fund operations as needed. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives with prudent risk restraints.

*Spending Policy.* The Board does not have a fixed percentage spending policy in relation to endowment earnings. Earnings on donor-restricted funds are expended on a yearly basis in accordance with SPMIFA criteria, subject to donor intent. Additional earnings on the endowment are used for the operations of the University at the discretion of the Finance and Operations Committee of the Board.

From time to time, certain endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The University has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022 and 2021, deficiencies of this nature totaled \$224,889 and \$56,984, respectively, as a result of unfavorable market conditions.

**Truett McConnell University**  
**Notes to Financial Statements**

**Note 12: ENDOWMENTS (Continued)**

Endowment net asset composition by type of fund follows as of June 30, 2022 and 2021:

<i>June 30, 2022</i>	Original Gift	Accumulated Gains (Losses)	Total
Endowment funds with donor restrictions			
Underwater	\$ 1,305,975	\$ (224,889)	\$ <b>1,081,086</b>
Other	1,271,494	117,187	<b>1,388,681</b>
<b>Total donor-restricted endowment funds</b>	<b>\$ 2,577,469</b>	<b>\$ (107,702)</b>	<b>\$ 2,469,767</b>

<i>June 30, 2021</i>	Original Gift	Accumulated Gains (Losses)	Total
Endowment funds with donor restrictions			
Underwater	\$ 465,190	\$ (56,984)	\$ 408,206
Other	1,638,893	338,510	1,977,403
<b>Total donor-restricted endowment funds</b>	<b>\$ 2,104,083</b>	<b>\$ 281,526</b>	<b>\$ 2,385,609</b>

Changes in endowment net assets follow:

<i>June 30,</i>	<b>2022</b>	2021
Donor-restricted endowment net assets - July 1, 2021	\$ <b>2,385,609</b>	\$ 2,026,503
Transfers in	<b>398,951</b>	-
Contributions	<b>142,746</b>	15,322
Investment return	<b>(352,151)</b>	428,226
Amounts appropriated for expenditure	<b>(105,388)</b>	(84,442)
<b>Donor-restricted endowment net assets - June 30, 2022</b>	<b>\$ 2,469,767</b>	\$ 2,385,609

**Note 13: FAIR VALUE MEASUREMENTS**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2:* Significant other observable inputs other than Level 1 prices, such as:

- 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 or can be corroborated by observable market data.

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

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

The asset 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 maximize the use of relevant 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, 2022 and 2021.

*Investments held at GBF and perpetual trust funds held by GBF:* Both investments and perpetual trust funds held by GBF are invested in the General Endowment Pool held by GBF, a related party to the University. The General Endowment Pool is a common investment pool. Net appreciation (depreciation) of the trusts is recorded based on the University's proportionate share of the aggregate amount of appreciation (depreciation) reported by GBF. It includes the University's share of interest and dividend income, realized and unrealized gains and losses on security transactions, and ordinary expenses. The investment objective is primarily for investment income and secondarily for capital appreciation with a goal of a 7.5% return over a full market cycle.

*Remainder and perpetual trust funds held by others:* Remainder and perpetual trust funds held by others are invested in common investment pools held by HighGround Advisors. Net appreciation (depreciation) of the trusts is recorded based on the University's proportionate share of the aggregate amount of appreciation (depreciation) reported by HighGround Advisors. It includes the University's share of interest and dividend income, realized and unrealized gains and losses on security transactions, and ordinary expenses. The common investment pools include balanced, bond, and equity common funds and have varied fund objectives.

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 fair value of certain financial instruments could result in different fair value measurements at the reporting date.

**Truett McConnell University**  
**Notes to Financial Statements**

**Note 13: FAIR VALUE MEASUREMENTS (Continued)**

Assets measured at fair value on a recurring basis, are summarized as follows for the year ended June 30, 2022 and 2021:

<b>June 30, 2022</b>	Level 1	Level 2	Level 3	Total
Investments held at GBF	\$ -	\$ -	\$ 2,517,254	\$ <b>2,517,254</b>
Perpetual trust funds held by GBF	-	-	2,619,906	<b>2,619,906</b>
Perpetual trust funds held by others	-	-	988,723	<b>988,723</b>
Remainder trust funds held by others	-	-	285,966	<b>285,966</b>
<b>Total assets measured at fair value</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,411,849</b>	<b>\$ 6,411,849</b>

<b>June 30, 2021</b>	Level 1	Level 2	Level 3	Total
Investments held at GBF	\$ -	\$ -	\$ 2,479,273	\$ 2,479,273
Perpetual trust funds held by GBF	-	-	3,416,485	3,416,485
Perpetual trust funds held by others	-	-	1,082,708	1,082,708
Remainder trust funds held by others	-	-	310,302	310,302
<b>Total assets measured at fair value</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,288,768</b>	<b>\$ 7,288,768</b>

The following is a reconciliation of the change in fair value of the investments and funds held in trust for the years ended June 30, 2022 and 2021.

<i>For the years ended June 30,</i>	<b>2022</b>	2021
Investments and funds held in trust		
Balance, beginning of year	\$ 7,288,768	\$ 6,466,236
Transfers in	<b>264,849</b>	145,056
Distributions	<b>(303,245)</b>	(258,940)
Net investment return	<b>(838,523)</b>	936,416
<b>Balance, end of year</b>	<b>\$ 6,411,849</b>	\$ 7,288,768

***Changes in Fair Value Levels***

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2022 and 2021, there were no significant transfers in or out of Levels 1, 2 or 3.

**Note 14: CONCENTRATIONS OF CREDIT RISK**

The University maintains cash deposits with financial institutions at June 30, 2022 and 2021 in excess of federally insured limits of approximately \$3,755,000 and \$3,710,000, respectively.

**Note 15: COMMITMENTS AND CONTINGENCIES**

***Commitments***

A significant number of students attending the University receive financial assistance from U.S. Government's Department of Education (DOE) student financial aid programs. These programs require the University to comply with recordkeeping, eligibility and other requirements. Certain federally funded financial aid programs are routinely subject to special audits. The reports on the examinations, which are conducted pursuant to specific regulatory requirements by the auditors for the University, are required to be submitted to both the University and the DOE. This agency has the authority to determine liabilities as well as to limit, suspend or terminate Federal student aid programs. Failure to comply with such U.S. Government requirements could result in the loss of U.S. Government financial assistance to the University's students and adversely impact the operations of the University.

***Contingencies and Risk Management***

The University is exposed to risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; material disasters; and liability which it manages through commercial insurance.

**Note 16: DEFINED CONTRIBUTION PLAN**

The University sponsors a defined contribution plan (the Plan) covering all full-time employees who meet certain hourly requirements. For the year ended June 30, 2021, the University provided contributions of 7% of eligible compensation for each employee participating in the plan. Effective July 1, 2022, the University provided contributions of 3% of eligible compensation, plus a match of up to an additional 4% of eligible compensation. The amounts contributed by the University totaled \$360,138 and \$540,677 for the years ended June 30, 2022 and 2021, respectively.

**Note 17: TRANSACTIONS WITH RELATED PARTIES**

The University is organized under the auspices of the Georgia Baptist Missions Board, a related party which elects the University's Board as well as provides significant funding for operations. During the years ended June 30, 2022 and 2021, the Georgia Baptist Missions Board made contributions to the University in the amounts of \$1,237,218 and \$1,210,864, respectively, which includes annual appropriations, student support and contributions for capital improvements. Included with other receivables at June 30, 2022 and 2021 was \$105,677 and \$91,961, respectively, due from the Missions Board for the remaining budgeted balance of annual appropriations and student support. This amount was received by the University subsequent to year-end.

The Georgia Baptist Foundation (the Foundation), another related party, provides investment services for the University. At June 30, 2022 and 2021, the Foundation managed investments totaling \$2,517,254 and \$2,479,273, respectively, and held other amounts in trust for the benefit of the University totaling \$2,619,906 and \$3,416,485, respectively.

**Note 18: FEDERAL COVID-19 PANDEMIC FUNDING**

***Higher Education Emergency Relief Fund***

As a response to the COVID-19 pandemic three relief bills were passed by Congress which provided various Federal grant funding to Institutions of Higher Education. During the years ended June 30, 2022 and 2021, the University expended, and recognized as revenue, Higher Education Emergency Relief Fund (HEERF) grants totaling \$1,855,090 and \$1,168,411, respectively.

***Other Funding***

Other pandemic related funding awarded to the University included Governor's Emergency Education Relief (GEER) Fund grants totaling \$249,626 for the year ended June 30, 2022.

**Note 19: UNCERTAINTIES**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the University. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel and meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.





## SUPPLEMENTARY INFORMATION



**Truett McConnell University**  
**Financial Responsibility Supplemental Schedule**

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE**

The Department of Education issued regulations, effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios to demonstrate institutions are maintaining the standards of financial responsibility necessary to participate in Title IV programs. The composite score is based on three ratios: Primary Reserve, Equity, and Net Income. Institutions receiving a composite score of 1.5 or greater are considered financially responsible. These disclosures are not required by accounting principles generally accepted in the United States of America but are intended for the use of the Department of Education and to ensure compliance with Title IV regulations.

Net Assets

1 Net assets with donor restrictions, restricted in perpetuity	\$ 6,435,557
2 Net assets with donor restrictions, not restricted in perpetuity	1,872,957
<hr/>	
3 Net assets with donor restriction	\$ 8,308,514
<hr/>	

Property, Plant and Equipment, net

4 Pre-Implementation property, plant and equipment, net (PPE, net)	
a Ending balance of last financial statement submitted to the Department of Education (June 30, 2021)	\$ 33,499,754
b Less subsequent depreciation and disposals	(1,167,020)
<hr/>	
c Balance Pre-implementation property, plant and equipment, net	32,332,734
5 Debt Financed Post-implementation property, plant and equipment, net	3,658,344
6 Construction in progress - Post implementation	1,307,903
7 Post-implementation property, plant and equipment, net, acquired without debt	447,366
<hr/>	
8 Total Property, Plant and Equipment, net	\$ 37,746,347
<hr/>	

Debt to be excluded from expendable net assets

9 Pre-implementation debt:	
a Ending balance of last financial statement submitted to the Department of Education (June 30, 2021)	\$ 19,031,927
b Less subsequent debt repayments (net)	(159,105)
<hr/>	
c Balance Pre-Implementation Debt	18,872,822
10 Allowable post-implementation debt used for capitalized long-lived assets	5,441,083
11 Construction in progress financed with current year debt	1,307,903
12 Long-term debt not for purchase of property, plant and equipment or liability greater than asset value	-
13 Post-implementation operating lease liabilities	-
<hr/>	
14 Total Debt to be excluded from expendable net assets	\$ 25,621,808
<hr/>	

15 Net Assets Related to Life Annuities with Donor Restrictions as to purpose	\$ -
<hr/>	

Truett McConnell University  
**Financial Responsibility Supplemental Schedule (Continued)**  
**As of and for the Year Ended June 30, 2022**

		Amount used as ratio input	Totals	Calculated ratio	Strength Factor Calculation	Strength Factor Weight	Composite Score
<b>Primary Reserve Ratio</b>							
<b><u>Expendable net assets</u></b>							
+ Net assets without donor restrictions	Statement of Financial Position	\$ 17,444,627					
+ Net assets with donor restrictions	Statement of Financial Position	8,308,514					
- Net assets with donor restrictions restricted in perpetuity	Statement of Financial Position	6,435,557					
- Unsecured related-party receivables	Note 17	105,677					
- Annuities, term endowment, and life income funds, with donor restrictions	N/A	-					
- Intangible assets	N/A	-					
- Property, plant and equipment, net	Statement of Financial Position	37,746,347					
- Lease right-of-use asset, post implementation	Statement of Financial Position	-					
+ Post-employment and pension liabilities	N/A	-					
+ All long-term debt - for long term purposes not to exceed net ppe	Statement of Financial Position, Notes and Bonds Payable, Net, also see line 14 of prior page	25,621,808					
<b>Total expendable net assets</b>			<b>\$ 7,087,368</b>				
<b><u>Expenses without donor restriction and losses without donor restriction</u></b>							
Total expenses without donor restrictions,							
+ from operations	Statement of Activities	\$ 24,887,887					
+ Pension related changes	N/A	-					
<b>Total expenses without donor restriction and losses without donor restriction</b>			<b>\$ 24,887,887</b>				
<b>Calculated primary reserve ratio:</b>				<b>0.285</b>	<b>3</b>	<b>40%</b>	<b>1.20</b>
<b>Equity ratio</b>							
<b><u>Modified net assets</u></b>							
+ Net assets without donor restrictions	Statement of Financial Position	\$ 17,444,627					
+ Net assets with donor restrictions	Statement of Financial Position	8,308,514					
- Intangible assets	N/A	-					
- Unsecured related-party receivables	Note 17	105,677					
<b>Total modified net assets</b>			<b>\$ 25,647,464</b>				
<b><u>Modified assets</u></b>							
Total assets	Statement of Financial Position	\$ 52,995,830					
- Lease right-of-use asset pre-implementation	N/A	-					
- Intangible assets	N/A	-					
- Unsecured related-party receivables	Note 17	105,677					
<b>Total modified assets</b>			<b>\$ 52,890,153</b>				
<b>Calculated equity ratio:</b>				<b>0.485</b>	<b>3</b>	<b>40%</b>	<b>1.20</b>
<b>Net income ratio</b>							
<b><u>Change in net assets w/o restriction</u></b>							
Change in net assets without donor restrictions	Statement of Activities	\$ (572,805)	\$ (572,805)				
<b><u>Revenue w/o restrictions and net investment gains w/o restriction</u></b>							
+ Total operating revenue with releases	Statement of Activities	\$ 24,307,176					
+ Non-operating private gifts and grants	Statement of Activities	-					
+ Non-operating releases from restriction	Statement of Activities	7,906					
- Investment return under amounts designated or appropriated for spending	Statement of Activities	-					
<b>Total revenue w/o restrictions and net investment gains w/o restriction</b>			<b>\$ 24,315,082</b>				
<b>Calculated net income ratio:</b>				<b>(0.02)</b>	<b>0.4111</b>	<b>20%</b>	<b>0.08</b>
<b>Composite score</b>							<b>2.48</b>



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**INDEPENDENT AUDITORS' 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  
Truett McConnell University

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 Truett McConnell University (the University) (a non-profit organization), which comprise the statement of financial position as of June 30, 2022, 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 February 2, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia  
February 2, 2023