



SHORTER UNIVERSITY

Financial Statements
With Independent Auditors' Report

May 31, 2023 and 2022

SHORTER UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Shorter University
Rome, Georgia

Opinion

We have audited the accompanying financial statements of Shorter University, which comprise the statements of financial position as of May 31, 2023 and 2022, and the related statements of activities and cash flows for the years 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 Shorter University as of May 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Shorter University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Shorter University's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Trustees
Shorter University
Rome, Georgia

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 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, 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 Shorter 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 Shorter 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.

Capin Crouse LLP

Lawrenceville, Georgia
November 6, 2023

SHORTER UNIVERSITY

Statements of Financial Position

	May 31,	
	2023	2022
ASSETS:		
Cash and cash equivalents	\$ 5,712,106	\$ 5,336,001
Short-term investments	1,028,689	895,105
Student accounts receivable–net	144,029	30,522
Other accounts receivable	143,839	143,908
Prepaid expenses and other assets	824,476	756,127
Student/other loans receivable–net	895,239	898,860
Funds held in trust by others	1,594,272	1,627,202
Investments held for long-term purposes	14,809,549	14,791,589
Property and equipment–net	33,984,488	32,730,223
Total Assets	\$ 59,136,687	\$ 57,209,537
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 181,475	\$ 29,654
Accrued expenses and other liabilities	1,069,126	985,242
Deferred revenue	377,775	480,288
Asset retirement obligations	713,441	704,412
Long-term debt	13,763,171	13,763,171
Funds held in federal loan programs	792,193	803,574
Total liabilities	16,897,181	16,766,341
Net assets:		
Without donor restrictions	27,819,452	25,703,070
With donor restrictions:		
Restricted by purpose or time	5,438,397	5,795,714
Restricted in perpetuity	8,981,657	8,944,412
	14,420,054	14,740,126
Total net assets	42,239,506	40,443,196
Total Liabilities and Net Assets	\$ 59,136,687	\$ 57,209,537

See notes to financial statements

SHORTER UNIVERSITY

Statement of Activities

Year Ended May 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:			
Net tuition and fees	\$ 13,176,085	\$ -	\$ 13,176,085
Auxiliary enterprises	5,779,091	-	5,779,091
Private gifts and grants	3,258,262	1,524,841	4,783,103
Investment return designated for operating activities	74,442	685,800	760,242
Government grants and contracts	254,705	1,697,600	1,952,305
Other income	81,165	-	81,165
Net assets released from restrictions	3,706,064	(3,706,064)	-
Total Operating Revenues and Other Support	26,329,814	202,177	26,531,991
OPERATING EXPENSES:			
Instructional	7,003,335	-	7,003,335
Academic services	926,191	-	926,191
Student services	6,363,272	-	6,363,272
Auxiliary enterprises	2,324,795	-	2,324,795
Institutional support	7,595,839	-	7,595,839
Total Operating Expenses	24,213,432	-	24,213,432
 Change in Net Assets from Operating Activities	 2,116,382		
NON-OPERATING ACTIVITY:			
Investment return net of amount designated for current operations	-	(489,319)	(489,319)
Change in value of split interest agreements	-	(32,930)	(32,930)
Total Non-Operating Activity	-	(522,249)	(522,249)
 Change in Net Assets	 2,116,382	 (320,072)	 1,796,310
 Net Assets, Beginning of Year	 25,703,070	 14,740,126	 40,443,196
 Net Assets, End of Year	 \$ 27,819,452	 \$ 14,420,054	 \$ 42,239,506

See notes to financial statements

SHORTER UNIVERSITY

Statement of Activities

Year Ended May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:			
Net tuition and fees	\$ 12,497,161	\$ -	\$ 12,497,161
Auxiliary enterprises	5,693,755	-	5,693,755
Private gifts and grants	2,674,791	1,210,649	3,885,440
Investment return designated for operating activities	121,085	667,600	788,685
Government grants and contracts	125,503	3,372,715	3,498,218
Other income	89,102	-	89,102
Net assets released from restrictions	5,160,115	(5,160,115)	-
Total Operating Revenues and Other Support	26,361,512	90,849	26,452,361
OPERATING EXPENSES:			
Instructional	6,369,122	-	6,369,122
Academic services	922,565	-	922,565
Student services	8,413,207	-	8,413,207
Auxiliary enterprises	2,184,585	-	2,184,585
Institutional support	7,046,694	-	7,046,694
Total Operating Expenses	24,936,173	-	24,936,173
 Change in Net Assets from Operating Activities	 1,425,339		
NON-OPERATING ACTIVITY:			
Investment return net of amount designated for current operations	-	(520,413)	(520,413)
Change in value of split interest agreements	-	(231,916)	(231,916)
Total Non-Operating Activity	-	(752,329)	(752,329)
 Change in Net Assets	 1,425,339	 (661,480)	 763,859
 Net Assets, Beginning of Year	 24,277,731	 15,401,606	 39,679,337
 Net Assets, End of Year	 \$ 25,703,070	 \$ 14,740,126	 \$ 40,443,196

See notes to financial statements

SHORTER UNIVERSITY

Statements of Cash Flows

	May 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,796,310	\$ 763,859
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,196,135	1,160,055
Amortization and accretion	9,029	8,653
Adjustment to allowance for receivables	(55,939)	(43,084)
Loss (gain) on disposal and sale of property and equipment	(750)	39,822
Realized and unrealized gains	(16,970)	(46,171)
Reinvested interest and dividends	(255,945)	(224,355)
Contributions received for long-term purposes	(67,800)	(105,420)
Change in value of split interest agreements	32,930	231,916
Change in:		
Student accounts receivable	(57,568)	191,526
Other accounts receivable	69	567,200
Prepaid expenses and other assets	(68,349)	110,580
Student/other loans receivable	3,621	51,094
Accounts payable	151,821	(131,742)
Accrued expenses and other liabilities	83,884	(71,838)
Deferred revenue	(102,513)	(48,308)
Funds held in federal loan programs	(11,381)	3,034
Net Cash Provided by Operating Activities	2,636,584	2,456,821
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,450,400)	(1,565,552)
Purchase of investments	(134,777)	(270,441)
Proceeds from sale of asset held for sale	-	1,205,000
Proceeds from sale of property and equipment	750	264,504
Proceeds from sale of investments	256,148	195,626
Net Cash Used by Investing Activities	(2,328,279)	(170,863)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for long-term purposes	67,800	105,420
Payments on long-term debt	-	(781,014)
Net Cash Provided (Used) by Financing Activities	67,800	(675,594)
Change in Cash and Cash Equivalents	376,105	1,610,364
Cash and Cash Equivalents, Beginning of Year	5,336,001	3,725,637
Cash and Cash Equivalents, End of Year	\$ 5,712,106	\$ 5,336,001
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	\$ 474,447	\$ 456,415

See notes to financial statements

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

1. NATURE OF ORGANIZATION:

Shorter University (University), was founded in 1873, and is a co-educational senior university owned and operated under the direction of the Executive Committee of the Georgia Baptist Mission Board. The Georgia Baptist Mission Board elects a board of trustees, which is empowered to operate the University. Shorter University is committed to excellence in education. The Princeton Review annually includes Shorter on its lists of best value and best Southeastern colleges. Shorter University is accredited by the Southern Association of Colleges and Schools (SACS).

Through its campus in Rome, Georgia, the University offers traditional bachelor's degrees as well as undergraduate and master's degrees in the online programs. The main sources of revenue are tuition and fee income as well as contributions from the public.

The University is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the University qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from certain activities not directly related to the University's tax-exempt purpose is subject to taxation as unrelated business income. The University has concluded that it does not have any unrecognized tax benefits resulting from current or prior period tax positions. Accordingly, no additional disclosures have been made on the financial statements regarding the *Income Tax* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The University does not have any outstanding interest or penalties, and none have been recorded in the statements of activities for the years ended May 31, 2023 and 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements to the reader. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash equivalents are defined as short-term, highly liquid debt securities that are both readily convertible to cash and have an original maturity of three months or less. The University maintains cash and cash equivalents in financial institutions which may, at times, exceed federally insured limits. At May 31, 2023 and 2022, the amounts in excess of federally insured limits were \$5,465,069 and \$6,184,925, respectively.

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

STUDENT ACCOUNTS RECEIVABLE

Student accounts receivables are reported net of any estimated losses due to uncollectible accounts. Tuition and fees are due in full at the beginning of each semester. 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 by the student. The University does not assess finance charges against student receivables that are past due.

The University provides an allowance for doubtful accounts equal to the estimated uncollectible receivables based upon historical trends and specific account analysis. Student receivables are written off on a case-by-case basis. Annually, all outstanding accounts are examined for age, payment activity, and enrollment status to determine which accounts should be written off. The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent from uncollectible receivables.

STUDENT/OTHER LOANS RECEIVABLE

Student loans receivable consists of amounts due from the Federal Perkins Loan Program administered by the University. Student loans are recorded net of estimated uncollectible amounts. For student loans, the University only recognizes the income after the interest is received. Any associated fees and costs are expensed as they occur. Loans receivable are considered past due if full principal payments are not received in accordance with the contractual terms.

Other loans receivable consist of amounts due from faculty and/or staff as a part of participating in a continuing education program funded from an estate gift. Participants apply to the University and are awarded/approved for a loan to be forgiven over a five year period as long as the participant continues employment at the University.

FUNDS HELD IN TRUST BY OTHERS

Perpetual trusts held by others:

The University is the beneficiary of various perpetual trusts created by donors, held and administered by independent trustees. Under the terms of the trusts, the University has a legally enforceable right to receive income earned on the trust assets in perpetuity. The fair value of the beneficial interest in the perpetual trust is recognized as an asset and as a contribution restricted in perpetuity at the date the trust is established or the University is notified. The University's estimate of fair value is based on fair value information received from the trustees. The trust assets consist of, but are not limited to, cash and cash equivalents, proprietary funds, mutual funds, and equity securities. These assets are not subject to the control or direction by the University. Gains and losses, which are not distributed by the trusts, are reflected as change in value of split interest agreements in the statements of activities and reported as changes in net assets with donor restrictions. Distributions from the trust are reported as investment income.

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

The University's investments consist of cash and money market funds, certificates of deposit, and various marketable securities held at financial institutions. Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value with gains and losses reported in the statements of activities. Other investments are reported at cost. Donated investments are recorded at market value at the date of donation and thereafter carried in conformity with the stated policy.

Investment earnings, including interest and dividend income and unrealized gains and losses, are recorded in net assets without donor restriction unless their use is restricted by purpose or time or restricted in perpetuity by explicit donor stipulation.

At May 31, 2023 and 2022, the University held \$14,000,000 of investments that could not be used without direct permission from the University's primary lender.

PROPERTY AND EQUIPMENT

Property and equipment purchased since June 30, 1969, are recorded by the University at cost at date of acquisition or fair market value at date of donation, if acquired as gifts. Plant assets acquired prior to June 30, 1969, were valued at an appraised value at that time which was designed to closely approximate historical valuation for the plant as of that date. Purchases and gifts of property and equipment valued at \$1,500 or more are capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

A summary of depreciable lives follows:

Buildings	50 years
Improvements other than buildings	20 years
Furniture, fixtures and equipment	5-10 years

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the University records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows.

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets:

Net assets without donor restrictions are currently available at the direction of the board for use in the University's operations, designated for certain purposes, or invested in property and equipment.

Net assets with donor restrictions are subject to donor imposed stipulations for specific operating purposes or for the acquisition of property and equipment or are time restricted, or are contributed with donor restrictions requiring that they be held in perpetuity with income used for operations and scholarships.

REVENUE AND REVENUE RECOGNITION

Tuition and fees revenue:

For both the traditional and nontraditional programs, tuition revenue is recognized in the reporting period in which the academic programs are delivered. Traditional programs are delivered in the Fall (mid-August to mid-December) and Spring (mid-January to mid-May) academic terms, as well as one Summer term described below. Nontraditional courses are delivered in two eight-week modules within each academic term.

Merit and need-based institutional scholarships are awarded to students to defray the costs of the academic programs, which reduce the amount of revenue recognized. Payments for tuition are due by the start of the academic term.

The University offers one Summer term, starting in early May and ending in mid-August. The term is broken up into two modules. Maymester occurs during the month of May, while traditional and online occur from May to mid-August. Revenue for the Summer term is recognized ratably over the term.

Net tuition and fees revenue consist of:

	Year Ended May 31,	
	2023	2022
Tuition and fees	\$ 26,700,327	\$ 26,548,738
Less student aid	(13,524,242)	(14,051,577)
Net tuition and fees	<u>\$ 13,176,085</u>	<u>\$ 12,497,161</u>

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND REVENUE RECOGNITION, continued

Auxiliary enterprise revenue:

Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary enterprises are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary enterprises is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Auxiliary enterprises revenue includes activities for student housing and dining facilities. A small number of institutional scholarships specifically for defraying the costs of residential services are awarded, which reduce the amount of revenue recognized. Payments for housing and dining services are due approximately by the start of the academic term. Dining plans are not offered during the summer term. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered.

Contributions and support:

The University recognizes support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the University. Conditional promises to give with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

A portion of the University's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

The University reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND REVENUE RECOGNITION, continued

Contributions and support, continued:

The University reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the University reports expirations of donor restrictions when donated or acquired assets have been placed in service.

Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the program services and supporting activities of the University have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

STUDENT FINANCIAL ASSISTANCE PROGRAMS

The University participates in various programs administered by the Department of Education (ED) and state boards, and the University acts as an agent for the respective agencies. The governmental grants amounts reported exclude funds directly awarded and credited to students under the various federal and state programs; however, substantial portions of the tuition and fees revenue and collection of accounts receivable as of May 31, 2023 and 2022, are dependent upon the University's continued participation in the various programs.

The University has been awarded three different types of Higher Education Emergency Relief Fund (HEERF) under three legislative acts since March 13, 2020. Institutions of higher education were awarded various levels of HEERF grant eligibility based upon overall enrollment.

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

STUDENT FINANCIAL ASSISTANCE PROGRAMS, continued

The grants awarded to the University and related activity as of May 31, 2022:

	Awarded as of May 31, 2021	Recognized as of May 31, 2022	Remaining
HEERF II:			
Institutional	\$ 901,052	\$ 901,052	\$ -
Strengthening institutions program	87,195	87,195	-
	988,247	988,247	-
HEERF III:			
Student	1,978,112	1,978,112	-
Institutional	1,821,983	220,284	1,601,699
Strengthening institutions program	163,371	163,371	-
	3,963,466	2,361,767	1,601,699
	\$ 4,951,713	\$ 3,350,014	\$ 1,601,699

The grants awarded to the University and related activity as of May 31, 2023:

	Awarded as of May 31, 2021	Recognized as of May 31, 2023	Remaining
HEERF III:			
Institutional	\$ 1,601,699	\$ 1,354,786	\$ 246,913

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

OPERATING AND NONOPERATING ACTIVITIES

The statements of activities present the changes in net assets of the University from both operating activities and nonoperating activities. Operating revenues and expenses relate primarily to educational programs provided by the University. The portion of investment return appropriated for operations and student scholarships on long-term investments held for endowments and similar purposes under the University's total return spending policy is considered operating revenue. Activity with donor restrictions is not considered to be operating.

Nonoperating activities consist primarily of (a) change in value of split-interest agreements and (b) investment return in excess or less than amounts utilized for operations and scholarships as defined by the University's spending policy.

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the FASB Accounting Standards Codification). The amendments in this update require organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. The University adopted this update for the year ended May 31, 2023. The University elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): Targeted Improvements and recorded the impact of adoption as of June 1, 2022, without restating any prior-year amounts. The University also elected the accounting policy election to exclude short-term leases with lease terms of 12 months or less. No leases met the requirement for recording for the year ended May 31, 2023.

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the University's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The University has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

	May 31,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 5,712,106	\$ 5,336,001
Short-term investments	1,028,689	895,105
Student accounts receivable—net	144,029	30,522
Other assets	1,256	89,736
Other accounts receivable	143,839	143,908
Investments held for long-term purposes	14,809,549	14,791,589
Financial assets, at year-end	<u>21,839,468</u>	<u>21,286,861</u>
Less those unavailable for general expenditures within one year due to:		
Board-designated net assets for various purposes	(1,411,135)	(1,398,195)
Certificate of deposit held as collateral for loan	(14,000,000)	(14,000,000)
Term endowment funds	(809,549)	(791,589)
	<u>(16,220,684)</u>	<u>(16,189,784)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,618,784</u>	<u>\$ 5,097,077</u>

The amounts designated by the board could be drawn upon if the governing board approves that action.

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

4. STUDENT ACCOUNTS RECEIVABLE–NET:

Student accounts receivable–net consist of:

	May 31,	
	2023	2022
Student accounts receivable–main campus	\$ 3,423,698	\$ 3,362,283
Student accounts receivable–professional programs	447,095	455,838
	3,870,793	3,818,121
Less allowance for doubtful accounts	(3,726,764)	(3,787,599)
	\$ 144,029	\$ 30,522

5. STUDENT/OTHER LOANS RECEIVABLE–NET:

The University’s financing receivables consist of a revolving loan fund for Federal Perkins Loans for which the University acts as an agent for the federal government and an Institutional Loan Fund created by the University to assist faculty/staff in funding their further education.

Student/other loans receivable–net:

	May 31, 2023	
	Institutional Loan Fund	Federal Perkins Loans
Loans receivable, ending balance (evaluated for impairment)	\$ 15,069	\$ 880,170
Allowance for credit losses	\$ -	\$ -

Recorded investment by credit quality indicator:

Performing	\$ 15,069	\$ 880,170
Non-performing	\$ -	\$ -

	May 31, 2022	
	Institutional Loan Fund	Federal Perkins Loans
Loans receivable, ending balance (evaluated for impairment)	\$ 18,690	\$ 880,170
Allowance for credit losses	\$ -	\$ -

Recorded investment by credit quality indicator:

Performing	\$ 18,690	\$ 880,170
Non-performing	\$ -	\$ -

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

5. STUDENT/OTHER LOANS RECEIVABLE–NET, continued:

The University determined the allowance for estimated losses on these financing receivables by looking at historical default rates and analyzing the aging of the past due loans. All non-performing loans are included in the allowance for credit losses.

For Federal Perkins Loans, the credit quality indicator is performance determined by delinquency status, origination, and servicing of the loan. Delinquency status is updated monthly by the University's loan servicer. Federal Perkins Loans that are originated and serviced properly under Department of Education regulations can be assigned to the Department of Education when deemed no longer collectible. The University is not aware of any material amount of loans not properly originated or serviced under Department of Education regulations.

Additional disclosures required by the *Credit Quality of Financing Receivables* topic of the FASB Accounting Standards Codification (ASC) have not been included in these financial statements due to immateriality.

6. FUNDS HELD IN TRUST BY OTHERS:

Funds held in trust by others consist of:

	May 31,	
	2023	2022
Perpetual trusts held by others	\$ 1,594,272	\$ 1,627,202

7. INVESTMENTS (INCLUDING SHORT-TERM):

Investments, including short-term holdings, consist of:

	May 31,	
	2023	2022
Held at cost:		
Cash and money market funds	\$ 988,122	\$ 853,534
Certificate of deposit	14,000,000	14,000,000
	<u>14,988,122</u>	<u>14,853,534</u>
Held at fair value:		
Equity securities	666,634	651,239
Domestic equity mutual funds	172,521	171,102
International equity mutual funds	10,961	10,819
	<u>850,116</u>	<u>833,160</u>
	<u>\$ 15,838,238</u>	<u>\$ 15,686,694</u>

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

7. INVESTMENTS (INCLUDING SHORT-TERM), continued:

Investments are held for the following purposes:

	Year Ended May 31,	
	2023	2022
Short-term investments	\$ 1,028,689	\$ 895,105
Investments held for endowments and scholarships	14,809,549	14,791,589
	<u>\$ 15,838,238</u>	<u>\$ 15,686,694</u>

The certificate of deposit is held as collateral for certain debt, as described in Note 12.

Income on investments consists of:

	Year Ended May 31,	
	2023	2022
Interest and dividends	\$ 255,945	\$ 224,355
Realized and unrealized gains-net	16,970	46,171
Investment fees	(1,992)	(2,254)
	<u>\$ 270,923</u>	<u>\$ 268,272</u>

Investment income was used for the following purposes:

Appropriated by the board for operations	\$ 760,242	\$ 788,685
Nonoperating investment income:		
Without donor restrictions	-	-
With donor restrictions	(489,319)	(520,413)
	<u>\$ 270,923</u>	<u>\$ 268,272</u>

SHORTER UNIVERSITY

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8. DISCLOSURE OF FAIR VALUE AND FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The University uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the University measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

	Fair Value Measurements at			
	May 31, 2023			
	Total	Level 1	Level 2	Level 3
Investments assigned to hierarchical valuation levels:				
Equity securities	\$ 666,634	\$ 666,634	\$ -	\$ -
Domestic equity mutual funds	172,521	172,521	-	-
International equity mutual funds	10,961	10,961	-	-
	850,116	\$ 850,116	\$ -	\$ -
Investments measured at cost:				
Cash and money market funds	988,122			
Certificate of deposit	14,000,000			
	14,988,122			
Total investments	\$ 15,838,238			
Funds held in trusts by others	\$ 1,594,272	\$ -	\$ -	\$ 1,594,272

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8. DISCLOSURE OF FAIR VALUE AND FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at May 31, 2022			
	Total	Level 1	Level 2	Level 3
Investments assigned to hierarchical valuation levels:				
Equity securities	\$ 651,239	\$ 651,239	\$ -	\$ -
Domestic equity mutual funds	171,102	171,102	-	-
International equity mutual funds	10,819	10,819	-	-
	<u>833,160</u>	<u>\$ 833,160</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at cost:				
Cash and money market funds	853,534			
Certificate of deposit	14,000,000			
	<u>14,853,534</u>			
Total investments	<u>\$ 15,686,694</u>			
Funds held in trusts by others	<u>\$ 1,627,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,627,202</u>

Valuation techniques: Fair values for stock are based on quoted market prices in an active market. The fair value of mutual funds is based on quoted net asset values of the shares held by the University at year-end. The fair value of funds held in trust by others is based on the value of the University's proportional share of the overall assets held by the other organizations.

Changes in valuation techniques: None.

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Notes to Financial Statements

May 31, 2023 and 2022

9. ENDOWMENT FUNDS:

The University's endowment consists of approximately 160 individual funds established for a variety of purposes as a result of donor contributions and board designation. As required by GAAP, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University has interpreted Georgia's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 net assets restricted in perpetuity (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 applicable donor gift instruments at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund in excess of the original fair value that is not classified in net assets restricted in perpetuity is classified as net assets restricted by purpose or time until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

	With Donor Restrictions				
	Term	Accumulated	Original	Endowment	
	Endowment	Gains	Gift	Borrowing	Total
Donor-restricted funds	\$ 809,548	\$ 1,484,445	\$ 10,242,416	\$ (2,849,279)	\$ 9,687,130

SHORTER UNIVERSITY

Notes to Financial Statements

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9. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended May 31, 2023:

	With Donor Restrictions				
	Term Endowment	Accumulated Gains	Original Gift	Endowment Borrowing	Total
Endowment net assets, June 1, 2022	\$ 791,588	\$ 1,975,536	\$ 10,172,844	\$ (2,849,279)	\$ 10,090,689
Investment return	17,960	194,709	1,772	-	214,441
Contributions	-	-	67,800	-	67,800
Appropriations for expenditure	-	(685,800)	-	-	(685,800)
Endowment net assets, May 31, 2023	\$ 809,548	\$ 1,484,445	\$ 10,242,416	\$ (2,849,279)	\$ 9,687,130

Endowment net asset composition by type of fund at May 31, 2022:

	With Donor Restrictions				
	Term Endowment	Accumulated Gains	Original Gift	Endowment Borrowing	Total
Donor-restricted funds	\$ 791,588	\$ 1,975,536	\$ 10,172,844	\$ (2,849,279)	\$ 10,090,689

Changes in endowment net assets for the year ended May 31, 2022:

	With Donor Restrictions				
	Term Endowment	Accumulated Gains	Original Gift	Endowment Borrowing	Total
Endowment net assets, June 1, 2021	\$ 742,972	\$ 2,497,701	\$ 10,065,672	\$ (2,849,279)	\$ 10,457,066
Investment return	48,616	145,435	1,752	-	195,803
Contributions	-	-	105,420	-	105,420
Appropriations for expenditure	-	(667,600)	-	-	(667,600)
Endowment net assets, May 31, 2022	\$ 791,588	\$ 1,975,536	\$ 10,172,844	\$ (2,849,279)	\$ 10,090,689

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

9. ENDOWMENT FUNDS, continued:

	May 31,	
	2023	2022
Net assets with donor restrictions—restricted in perpetuity:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA.	\$ 10,242,416	\$ 10,172,844
Net assets with donor restrictions—restricted specified purpose or by time:		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
With purpose restrictions	\$ 1,484,445	\$ 1,975,536
Term endowment funds	809,548	791,588
	<u>\$ 2,293,993</u>	<u>\$ 2,767,124</u>

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, there are no deficiencies of this nature as of May 31, 2023 and 2022.

Return Objectives and Risk Parameters:

The University has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to seek a total return of five percent plus the growth in the Consumer Price Index over a market cycle of three to five years. Actual returns in any given year may vary from this amounts.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-returns 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 to achieve its long-term objectives with prudent risk restraints.

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

9. ENDOWMENT FUNDS, continued:

Spending Policy and How the Investment Objectives Related to Spending Policy:

The University has a policy of appropriating for distribution each year up to five percent of its endowment fund's average fair value for the 20 quarters proceeding the year in which the return is expected on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

10. PROPERTY AND EQUIPMENT—NET:

Property and equipment consists of:

	May 31,	
	2023	2022
Land	\$ 2,520,127	\$ 2,520,127
Buildings	45,146,497	43,982,123
Improvements other than buildings	2,115,590	2,058,053
Furniture, fixtures, and equipment	17,231,731	15,845,459
	67,013,945	64,405,762
Less accumulated depreciation	(33,291,176)	(32,121,015)
	33,722,769	32,284,747
Construction in progress	261,719	445,476
	\$ 33,984,488	\$ 32,730,223

11. LONG-TERM DEBT:

Long-term debt consists of:

	May 31,	
	2023	2022
Effective February 2020, refinance of note payable in the principal amount of \$14,000,000, with a certain financial institution; bears interest at a fixed rate of 3.4%. Beginning March 2020, the loan requires monthly interest-only payments on the outstanding principal balance through February 2025, at which time the unpaid principal and accrued interest is due. Note is secured by a certificate of deposit.	\$ 13,763,171	\$ 13,763,171

Maturities of long-term debt are as follows:

Years Ending May 31,	Amounts
2024	\$ -
2025	13,763,171
	\$ 13,763,171

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Notes to Financial Statements

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12. NET ASSETS:

Net assets consist of:

	May 31,	
	2023	2022
Without donor restrictions:		
Undesignated	\$ 26,408,317	\$ 24,304,875
Board-designated	1,411,135	1,398,195
	27,819,452	25,703,070
With donor restrictions:		
Restricted by purpose or time:		
Accumulated earnings–student financial assistance	1,484,445	1,975,536
Student financial assistance	416,142	412,264
Property acquisition and construction	-	90,079
Instruction and other support	2,559,975	2,357,357
Term endowment funds	809,548	791,588
Other restricted purposes	162,535	162,535
Perpetual trusts held by others–undistributed earnings	5,752	6,355
	5,438,397	5,795,714
Restricted in perpetuity:		
Endowment fund–student financial assistance	10,242,416	10,172,844
Borrowing on endowment	(2,849,279)	(2,849,279)
Perpetual trusts held by others	1,588,520	1,620,847
	8,981,657	8,944,412
	\$ 42,239,506	\$ 40,443,196

Net assets without donor restrictions excluding plant and plant related debt is as follows:

Net assets without donor restrictions	\$ 27,819,452	\$ 25,703,070
Less property and equipment–net	(33,984,488)	(32,730,223)
Long-term debt	13,763,171	13,763,171
	\$ 7,598,135	\$ 6,736,018

The change in net assets without donor restrictions excluding plant and plant related debt was \$862,117 and \$543,154 for the years ended May 31, 2023 and 2022, respectively.

SHORTER UNIVERSITY

Notes to Financial Statements

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13. EXPENSES BY BOTH NATURE AND FUNCTION:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, facilities, repairs and maintenance, and insurance which are allocated on a square-footage basis. Salaries and benefits are allocated directly to the function where time and effort are expended. Student aid expense consists of emergency payments made to students under the CARES Act and is part of the scholarships function. Student reengagement expense consists of institutional HEERF funds applied to student receivable balances. The University has reported both student aid and student reengagement expenditures as part of the student services function.

Functional expenses by natural classification for the year ended May 31, 2023:

	Program Activities				Total Program	Institutional Support		Total Expenses
	Instructional	Academic Services	Student Services	Auxiliary Enterprises		General and Administrative	Fund-raising	
Salaries and benefits	\$ 5,783,032	\$ 547,795	\$ 2,875,797	\$ 582,018	\$ 9,788,642	\$ 2,954,968	\$ 211,751	\$ 12,955,361
Depreciation	155,498	107,652	167,459	490,415	921,024	275,111	-	1,196,135
Interest expense	61,678	42,700	66,423	194,523	365,324	109,123	-	474,447
Professional and legal fees	875	19,517	1,105	-	21,497	198,924	-	220,421
Occupancy	65,471	15	507,644	30,539	603,669	1,330,577	-	1,934,246
Office supplies and expense	4,773	585	5,092	-	10,450	11,707	7,974	30,131
Repairs and maintenance	57,213	-	16	-	57,229	354,474	-	411,703
Memberships and events	46,750	6,997	464,823	105,074	623,644	597,247	27,934	1,248,825
Travel and conferences	14,287	-	621,113	-	635,400	4,346	853	640,599
Contract services	12,774	150,407	572,020	81,662	816,863	890,595	30,000	1,737,458
Student reengagement expense	-	-	496,901	-	496,901	-	-	496,901
Other expenses	800,984	50,523	584,879	840,564	2,276,950	514,512	75,743	2,867,205
	<u>\$ 7,003,335</u>	<u>\$ 926,191</u>	<u>\$ 6,363,272</u>	<u>\$ 2,324,795</u>	<u>\$ 16,617,593</u>	<u>\$ 7,241,584</u>	<u>\$ 354,255</u>	<u>\$ 24,213,432</u>

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May 31, 2023 and 2022

13. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

Functional expenses by natural classification for the year ended May 31, 2022:

	Program Activities				Total Program	Institutional Support		Total Expenses
	Instructional	Academic Services	Student Services	Auxiliary Enterprises		General and Administrative	Fund-raising	
Salaries and benefits	\$ 5,570,517	\$ 596,505	\$ 2,789,592	\$ 607,499	\$ 9,564,113	\$ 2,805,179	\$ 201,759	\$ 12,571,051
Depreciation	208,810	104,405	162,408	522,024	997,647	162,408	-	1,160,055
Interest expense	79,951	37,879	58,923	189,395	366,148	58,923	-	425,071
Professional and legal fees	673	2,536	785	-	3,994	139,395	-	143,389
Occupancy	61,088	6,125	562,710	37,649	667,572	1,348,956	-	2,016,528
Office supplies and expense	5,054	412	2,578	-	8,044	9,955	6,560	24,559
Repairs and maintenance	51,079	-	3,833	8,652	63,564	310,703	-	374,267
Memberships and events	70,466	20,285	398,917	102,402	592,070	500,117	34,237	1,126,424
Travel and conferences	12,826	160	619,956	-	632,942	2,168	618	635,728
Contract services	8,666	114,694	556,125	49,470	728,955	702,244	922	1,432,121
Student aid	-	-	2,016,505	-	2,016,505	-	-	2,016,505
Student reengagement expense	-	-	622,260	-	622,260	-	-	622,260
Other expenses	299,992	39,564	618,615	667,494	1,625,665	725,461	37,089	2,388,215
	<u>\$ 6,369,122</u>	<u>\$ 922,565</u>	<u>\$ 8,413,207</u>	<u>\$ 2,184,585</u>	<u>\$ 17,889,479</u>	<u>\$ 6,765,509</u>	<u>\$ 281,185</u>	<u>\$ 24,936,173</u>

SHORTER UNIVERSITY

Notes to Financial Statements

May 31, 2023 and 2022

14. RELATED PARTIES AND COMMON CONTROL:

The University is organized under the auspices of the Georgia Baptist Convention (Convention). The Convention, a related party, elects the University's board of trustees as well as provides significant funding for operations. During the years ended May 31, 2023 and 2022, the Convention made cash donations to the University in the amount of \$2,050,552 and \$2,154,351, respectively.

The Georgia Baptist Foundation (Foundation), another related party, provides investment services for the University. At May 31, 2023 and 2022, the Foundation held in trust for the benefit of the University \$1,104,358 and \$1,144,533, respectively. During the years ended May 31, 2023 and 2022, the Foundation made distributions to the University of \$217,483 and \$184,418, respectively.

15. DONOR CONCENTRATION:

During the years ended May 31, 2023 and 2022, three donors gave 68% and 69% of the University's total contributions, respectively.

16. SUBSEQUENT EVENTS:

In July 2023, the University received approximately \$4,300,000 from the Internal Revenue Service for the Employee Retention Credit and accrued interest.

Subsequent events have been evaluated through November 6, 2023, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.