



**Truett McConnell University**

**FINANCIAL STATEMENTS**

June 30, 2023 and 2022



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# REPORT





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## INDEPENDENT AUDITOR'S 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 statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses 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 Truett McConnell University as of June 30, 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 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 Auditor's 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

As discussed in Note 2 to the financial statements, in the year ended June 30, 2023, the University adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

### 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.

## **Auditor's 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 auditor's 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2024, 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  
January 24, 2024



# FINANCIAL STATEMENTS



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

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,392,315	\$ 5,866,036
Funds held by bond trustee	1,728,259	2,166,371
Student receivables, net	472,907	313,939
Other receivables	470,473	208,365
Prepaid expenses and other assets	236,306	282,923
Investments	5,086,419	2,517,254
Funds held in trust by foundations	4,033,315	3,894,595
Operating lease right-of-use assets, net	380,177	-
Property, plant and equipment, net	38,519,551	37,746,347
<b>Total assets</b>	<b>\$ 57,319,722</b>	<b>\$ 52,995,830</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued liabilities	\$ 1,494,455	\$ 936,480
Performance obligation liabilities	395,250	684,401
Operating lease liabilities	380,177	-
Notes and bonds payable, net of debt issuance costs	25,054,208	25,621,808
<b>Total liabilities</b>	<b>27,324,090</b>	<b>27,242,689</b>
<b>Net assets</b>		
Without donor restrictions		
Undesignated	4,385,156	3,226,033
Board-designated Stanley endowment	1,555,359	-
Board-designated Miller Hall capital improvements	1,542,361	-
Net investment in property, plant and equipment	13,465,343	14,218,594
Without donor restrictions, total	20,948,219	17,444,627
With donor restrictions	9,047,413	8,308,514
<b>Total net assets</b>	<b>29,995,632</b>	<b>25,753,141</b>
<b>Total liabilities and net assets</b>	<b>\$ 57,319,722</b>	<b>\$ 52,995,830</b>

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



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

<i>For the year ended June 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	<b>2023 Total</b>	2022 Summarized Total
<b>Operating Revenue and Other Support</b>				
Tuition and fees, net of student aid of \$7,987,488 and \$8,172,317	\$ 15,071,083	\$ -	<b>\$ 15,071,083</b>	\$ 14,114,141
Private gifts and grants -				
Georgia Baptist Mission Board	1,048,082	-	<b>1,048,082</b>	1,237,218
Private gifts and grants - other	3,732,996	728,467	<b>4,461,463</b>	1,389,248
Federal COVID-19 relief grants	3,492,561	-	<b>3,492,561</b>	2,104,716
Investment return appropriated for operating activities	332,401	223,870	<b>556,271</b>	358,817
Sales and services of auxiliary enterprises	5,192,501	-	<b>5,192,501</b>	5,011,008
Other revenue	83,368	-	<b>83,368</b>	305,245
Net assets released from restrictions	551,872	(551,872)	-	-
<b>Total operating revenue and other support</b>	<b>29,504,864</b>	<b>400,465</b>	<b>29,905,329</b>	<b>24,520,393</b>
<b>Operating Expenses</b>				
<i>Program services</i>				
Instruction	6,552,861	-	<b>6,552,861</b>	6,616,907
Academic support	1,165,003	-	<b>1,165,003</b>	1,075,677
Student services	8,206,916	-	<b>8,206,916</b>	8,141,336
Grants to students	-	-	-	957,833
Auxiliary enterprises	5,027,195	-	<b>5,027,195</b>	4,397,806
<b>Total program services</b>	<b>20,951,975</b>	<b>-</b>	<b>20,951,975</b>	<b>21,189,559</b>
<i>Supporting services</i>				
Institutional support	5,407,807	-	<b>5,407,807</b>	3,698,328
<b>Total operating expenses</b>	<b>26,359,782</b>	<b>-</b>	<b>26,359,782</b>	<b>24,887,887</b>
Change in net assets from operations	3,145,082	400,465	<b>3,545,547</b>	(367,494)
<b>Non-Operating Activities</b>				
Private gifts and grants	-	77,205	<b>77,205</b>	149,373
Investment return, net of amounts appropriated for operating activities	-	134,583	<b>134,583</b>	(454,448)
Gain on involuntary conversion	358,510	-	<b>358,510</b>	-
Net gain (loss) on funds held in trust	-	126,646	<b>126,646</b>	(595,042)
<b>Total non-operating activities</b>	<b>358,510</b>	<b>338,434</b>	<b>696,944</b>	<b>(900,117)</b>
Change in net assets	3,503,592	738,899	<b>4,242,491</b>	(1,267,611)
Net assets at beginning of year	17,444,627	8,308,514	<b>25,753,141</b>	27,020,752
<b>Net assets at end of year</b>	<b>\$ 20,948,219</b>	<b>\$ 9,047,413</b>	<b>\$ 29,995,632</b>	<b>\$ 25,753,141</b>

*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, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Other Support</b>			
Tuition and fees, net of student aid of \$8,172,317	\$ 14,114,141	\$ -	\$ 14,114,141
Private gifts and grants - Georgia Baptist Mission Board	1,237,218	-	1,237,218
Private gifts and grants - other	664,133	725,115	1,389,248
Federal COVID-19 relief grants	2,104,716	-	2,104,716
Investment return appropriated for operating activities	55,571	303,246	358,817
Sales and services of auxiliary enterprises	5,011,008	-	5,011,008
Other revenue	305,245	-	305,245
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>Operating Expenses</b>			
<i>Program services</i>			
Instruction	6,616,907	-	6,616,907
Academic support	1,075,677	-	1,075,677
Student services	8,141,336	-	8,141,336
Grants to students	957,833	-	957,833
Auxiliary enterprises	4,397,806	-	4,397,806
<b>Total program services</b>	<b>21,189,559</b>	<b>-</b>	<b>21,189,559</b>
<i>Supporting services</i>			
Institutional support	3,698,328	-	3,698,328
<b>Total operating expenses</b>	<b>24,887,887</b>	<b>-</b>	<b>24,887,887</b>
Change in net assets from operations	(580,711)	213,217	(367,494)
<b>Non-Operating Activities</b>			
Private gifts and grants	-	149,373	149,373
Investment return, net of amounts appropriated for operating activities	-	(454,448)	(454,448)
Net gain (loss) on funds held in trust	-	(595,042)	(595,042)
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>
Change in net assets	(572,805)	(694,806)	(1,267,611)
Net assets at beginning of year	18,017,432	9,003,320	27,020,752
<b>Net assets at end of year</b>	<b>\$ 17,444,627</b>	<b>\$ 8,308,514</b>	<b>\$ 25,753,141</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, 2023*

	Program Services					Supporting	<b>2023</b>	2022
	Instruction	Academic Support	Student Services	Auxiliary Services	Programs Subtotal	Institutional Support		
Salaries and benefits	\$ 4,930,660	\$ 849,915	\$ 3,488,679	\$ 880,029	\$ 10,149,283	\$ 2,730,309	<b>\$ 12,879,592</b>	\$ 12,362,397
Depreciation	297,171	55,610	487,657	856,226	1,696,664	125,344	<b>1,822,008</b>	1,751,961
Occupancy, repairs and maintenance	373,858	63,947	979,776	1,485,561	2,903,142	492,518	<b>3,395,660</b>	2,693,869
Interest	-	-	1,268,482	30,108	1,298,590	2,816	<b>1,301,406</b>	1,321,338
Food and dining services	-	-	-	1,509,773	1,509,773	-	<b>1,509,773</b>	1,205,005
Contracted services	404,704	-	406,678	-	811,382	486,132	<b>1,297,514</b>	1,162,382
Federal Coronavirus relief grants	-	-	-	-	-	-	-	957,833
Travel and entertainment	57,880	11,469	681,669	157	751,175	76,674	<b>827,849</b>	847,282
Supplies, postage, and office	120,959	84,676	110,301	22,261	338,197	258,675	<b>596,872</b>	567,967
Marketing and recruitment	107,041	33,267	314,891	-	455,199	421,093	<b>876,292</b>	519,889
Student supplies and materials	208,157	-	261,299	102,000	571,456	-	<b>571,456</b>	713,241
Professional services	19,792	63,046	175,196	137,953	395,987	679,374	<b>1,075,361</b>	519,818
Other expenses	32,639	3,073	32,288	3,127	71,127	134,872	<b>205,999</b>	264,905
<b>Total</b>	<b>\$ 6,552,861</b>	<b>\$ 1,165,003</b>	<b>\$ 8,206,916</b>	<b>\$ 5,027,195</b>	<b>\$ 20,951,975</b>	<b>\$ 5,407,807</b>	<b>\$ 26,359,782</b>	<b>\$ 24,887,887</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, 2022*

	Program Services						Supporting	Total
	Instruction	Academic Support	Student Services	Grants to Students	Auxiliary Services	Programs Subtotal	Institutional Support	
Salaries and benefits	\$ 4,969,709	\$ 793,348	\$ 3,728,010	\$ -	\$ 868,632	\$ 10,359,699	\$ 2,002,698	\$ 12,362,397
Depreciation	285,747	53,472	468,909	-	823,309	1,631,437	120,524	1,751,961
Occupancy, repairs and maintenance	287,377	49,463	842,284	-	1,236,436	2,415,560	278,309	2,693,869
Interest	-	-	1,320,752	-	-	1,320,752	586	1,321,338
Food and dining services	-	-	-	-	1,205,005	1,205,005	-	1,205,005
Contracted services	507,560	46,019	352,387	-	-	905,966	256,416	1,162,382
Federal Coronavirus relief grants	-	-	-	957,833	-	957,833	-	957,833
Travel and entertainment	44,362	4,067	674,904	-	218	723,551	123,731	847,282
Supplies, postage, and office	119,961	91,798	67,561	-	938	280,258	287,709	567,967
Marketing and recruitment	84,218	520	176,262	-	-	261,000	258,889	519,889
Student supplies and materials	218,931	-	344,115	-	150,195	713,241	-	713,241
Professional services	16,897	13,698	109,309	-	99,000	238,904	280,914	519,818
Other expenses	82,145	23,292	56,843	-	14,073	176,353	88,552	264,905
<b>Total</b>	<b>\$ 6,616,907</b>	<b>\$ 1,075,677</b>	<b>\$ 8,141,336</b>	<b>\$ 957,833</b>	<b>\$ 4,397,806</b>	<b>\$ 21,189,559</b>	<b>\$ 3,698,328</b>	<b>\$ 24,887,887</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>2023</b>	<b>2022</b>
<b>Operating Activities</b>		
Change in net assets	\$ 4,242,491	\$ (1,267,611)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,822,008	1,751,961
Amortization of bond premium and issuance cost	3,122	3,122
Amortization of right-of-use assets	100,424	-
Contributions restricted to long-term investment	(77,205)	(149,373)
Gain on involuntary conversion	(358,510)	-
Change in allowance for doubtful accounts	66,740	27,335
Net unrealized and realized (gain) loss on investments	(121,475)	471,932
Net (gain) loss on funds held in trust	(126,646)	595,042
Changes in operating assets and liabilities		
Student receivables	(225,708)	(32,917)
Other receivables	(262,108)	33,934
Prepaid expenses and other assets	46,617	156,285
Accounts payable and accrued liabilities	517,646	(259,036)
Operating lease liabilities	(100,424)	-
Performance obligation liabilities	(289,151)	44,821
Net cash provided by (used in) operating activities	5,237,821	1,375,495
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(2,798,445)	(1,767,009)
Proceeds from involuntary conversion	602,072	-
Purchase of investments	(3,650,482)	(134,092)
Proceeds from sale of investments	1,202,792	19,105
Additions to funds held in trust	(12,074)	(75,068)
Net cash provided by (used in) investing activities	(4,656,137)	(1,957,064)
<b>Financing Activities</b>		
Payments on notes and bonds payable	(627,024)	(250,751)
Proceeds from notes and bonds payable	56,302	-
Contributions restricted to long-term investment	77,205	149,373
Net cash provided by (used in) financing activities	(493,517)	(101,378)
Net change in cash, cash equivalents and restricted cash	88,167	(682,947)
Cash and cash equivalents, at beginning of year	8,032,407	8,715,354
Cash and cash equivalents, at end of year	\$ 8,120,574	\$ 8,032,407

(Continued)

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

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

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
<b>Presented on Statements of Financial Position as:</b>		
Cash and cash equivalents	\$ 6,392,315	\$ 5,866,036
Restricted cash - funds held by bond trustee	1,728,259	2,166,371
	<u>\$ 8,120,574</u>	<u>\$ 8,032,407</u>
<b>Schedule of Noncash Transactions</b>		
Lease liabilities arising from obtaining right-of-use assets		
Operating leases	\$ 480,601	\$ -
<b>Schedule of Certain Cash Flow Information</b>		
Cash paid for interest	\$ 1,301,406	\$ 1,326,229
Accounts payable for plant additions	\$ 40,329	\$ 72,316

*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 related to the allowance for doubtful accounts, allocation of functional expenses, depreciation of property, plant and equipment, and investments and funds held in trust.

***Program Services***

Program service expenses are primarily reported in the statements of activities in categories recommend by the National Association of College and University Business Officers as follows:

*Instruction* – Expenses incurred for all activities that are part of the University's instructional programs.

*Academic Support* – Expenses incurred to provide support services for the University's instructional programs. These include the library, academic administration, course and curriculum development and academic support information technology.

*Student Services* – Expenses incurred for offices of admissions and the registrar and activities that contribute to the student's emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instructional programs. In addition to admissions and the registrar, student services include offices student services administration, counseling and financial aid.

*Grants to Students* – During the 2021-2022 fiscal year, the University directed COVID-19 relief money towards the student population in accordance with guidance provided by the Department of Education.

*Auxiliary Enterprises* – Expenses incurred for those services provided to students, faculty, and others for which a separate fee is directly charged. The University's primary auxiliaries include campus housing and dining operations.

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

***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 8). These funds are invested in a government agency money market fund.

***Accounts Receivable***

Student and other 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, third-party contracts, and other circumstances, which may affect the ability of students and other parties to meet their obligations.

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. It is the University's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Other accounts receivable consist primarily of amounts due from third parties for summer camps held at the University and were evaluated as fully collectible and due within one year.

***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, 2023 and 2022.



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

***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 remainder trust funds held by foundations consist of irrevocable charitable remainder trusts for which the University is not the trustee and for which the University is the remainder beneficiary. 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.

***Property, Plant and Equipment***

All acquisitions of property, plant and equipment in excess of \$5,000 and an estimated useful life in excess of one year and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets 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 over the estimated useful lives of the assets.

***Leases***

The University leases various equipment. The University determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the leases do not provide an implicit rate, the University uses a risk-free discount rate based on the information available at commencement date in determining the present value of lease payments.

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

***Leases (continued)***

The operating lease ROU assets also include any lease payments made and exclude lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Lease agreements do not contain any material residual value guarantees or material restrictive covenants.

***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. The governing board has designated, from net assets without donor restrictions, net assets for an endowment and capital improvements.

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. Contributions with donor restrictions that are both received and released within the same year are recorded as an increase in net assets with donor restrictions and as a satisfaction of program restrictions.

***Revenue Recognition***

Revenue from tuition and fees, sales and services of auxiliary enterprises and payments under various contracts is recognized as revenue when performance obligations under the terms of the contracts with customers are satisfied, per FASB ASC Topic 606 *Revenue from Contracts with Customers* (Topic 606). 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. Revenue received in advance is deferred and recognized over the periods to which the dates and fees relate. These amounts are included in performance obligation liabilities within the statements of financial position.

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

***Revenue Recognition (continued)***

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.

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 removed the conditions.

***Debt Issuance Costs and Bond Premiums***

Costs incurred for issuance of bonds have been capitalized and are being amortized over the term of the debt. Debt issuance costs are classified as an offset to long-term debt and amortization is included in interest expense. As of June 30, 2023 and 2022, debt issuance costs capitalized totaled \$347,186, and accumulated amortization totaled \$54,221 and \$42,345, respectively. Interest expense representing amortization of bond issuance costs totaled \$11,876 for each of the years ended June 30, 2023 and 2022.

The bond premium associated with the issuance of the bonds is amortized as income over the term of the debt and totaled \$8,754 for each of the years ended June 30, 2023 and 2022; this income is recorded as part of other revenue on the statements of activities.

***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. Interest expense is allocated based on the functional purpose for which debt proceeds were used.

Fundraising expenses totaling \$320,404 and \$262,725 during the years ended June 30, 2023 and 2022, respectively, consist primarily of salaries and benefits and are classified within institutional support.

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

***Advertising***

The University uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended June 30, 2023 and 2022, advertising costs totaled \$221,171 and \$177,478, respectively, and were included as part of marketing and recruitment on the statements of functional expenses.

***Income Taxes***

Under section 501(c)(3) of the Internal Revenue Code, the 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 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 2023 and 2022, the University has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

***Reclassifications***

Certain reclassifications were made to prior year balances to conform with current year presentation. The reclassifications had no impact on prior year net assets.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 24, 2024. See Notes 8 and 9 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

***Recent Accounting Pronouncements***

In February 2016, the FASB issued guidance (ASC 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The University adopted the standard effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840.

The University elected the available practical expedients to account for existing operating leases as operating leases under the new guidance without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

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

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

***Recent Accounting Pronouncements (Continued)***

As a result of the adoption of the new lease accounting guidance, the University recognized on July 1, 2022 (beginning of the year of adoption), a lease liability of \$480,601, which represents the present value of the remaining operating lease payments of \$507,113, discounted using risk-free discount rates between 2.28% and 2.86%, and right-of-use assets of \$480,601.

The standard had a material impact on the statements of financial position, but did not have an impact on the statements of activities, nor the statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

**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>2023</b>	2022
Total assets at year-end	<b>\$ 57,319,722</b>	\$ 52,995,830
Less non-financial assets		
Prepaid expenses and other assets	<b>(236,306)</b>	(282,923)
Operating lease right-of-use assets, net	<b>(380,177)</b>	-
Property, plant and equipment	<b>(38,519,551)</b>	(37,746,347)
Financial assets at year-end	<b>18,183,688</b>	14,966,560
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	<b>(1,728,259)</b>	(2,166,371)
Restricted by donor with time or purpose restrictions	<b>(9,047,413)</b>	(8,308,514)
Board designations	<b>(3,097,720)</b>	-
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 4,310,296</b>	\$ 4,491,675

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 at June 30, 2023, which was subsequently increased to \$1,050,000 after year-end; see Note 9.

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

**Note 4: STUDENT RECEIVABLES**

Student receivables consist of the following:

<i>June 30,</i>	<b>2023</b>	2022
Student accounts receivable	\$ 692,007	\$ 466,299
Less: allowance for doubtful accounts	<b>(219,100)</b>	(152,360)
<b>Student receivables, net</b>	<b>\$ 472,907</b>	<b>\$ 313,939</b>

Bad debt expense totaled \$77,047 and \$44,145 for the years ended June 30, 2023 and 2022, respectively.

**Note 5: INVESTMENTS**

Market value of investments are as follows at June 30, 2023 and 2022, respectively:

<i>June 30,</i>	<b>2023</b>	2022
Exchange-traded funds	\$ 764,946	\$ -
Mutual funds	591,787	-
Fixed income securities	1,020,174	-
Investments held at GBF	2,709,512	2,517,254
<b>Total investments</b>	<b>\$ 5,086,419</b>	<b>\$ 2,517,254</b>

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>2023</b>	2022
Dividend and interest income, net	\$ 569,379	\$ 376,301
Net unrealized and realized gains (loss)	<b>121,475</b>	(471,932)
<b>Total investment return</b>	<b>690,854</b>	(95,631)
Less: investment return appropriated for operating activities	<b>(556,271)</b>	(358,817)
<b>Investment return, net of amounts appropriated for operating activities</b>	<b>\$ 134,583</b>	<b>\$ (454,448)</b>

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

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

The components of property, plant and equipment at June 30, 2023 and 2022, are as follows:

	Estimated Useful Lives (in years)	2023	2022
Buildings	20 - 50	\$ 40,519,744	\$ 39,901,438
Land improvements	20 - 30	4,836,003	3,194,946
Equipment and furnishings	5 - 20	7,001,875	5,862,969
Library books	20	769,193	769,193
Total depreciable property, plant and equipment		53,126,815	49,728,546
Less accumulated depreciation		(19,845,456)	(18,207,188)
Total depreciable property, plant and equipment, net		33,281,359	31,521,358
Land		4,917,086	4,917,086
Construction in progress		321,106	1,307,903
<b>Total property, plant and equipment, net</b>		<b>\$ 38,519,551</b>	<b>\$ 37,746,347</b>

Depreciation expense for the years ended June 30, 2023 and 2022, totaled \$1,822,008 and \$1,751,961, respectively.

In December 2022, the University suffered water damage from frozen pipes in the Nix building, which resulted in severe damage to the building and equipment within. As a result of the damage, the University wrote off buildings and other structures and furniture of equipment of \$243,562. The loss was covered by commercial property insurance; as such, the University received insurance proceeds totaling \$602,072 during the year ended June 30, 2023, which were utilized to restore the damaged facilities. These transactions resulted in a gain on involuntary conversion of \$358,510, recognized as a non-operating activity on the statements of activities.

**Note 7: LEASES**

The University has operating leases for certain equipment. The leases have remaining lease terms of two to four years. The components of lease expense consist of the following:

<i>For the year ended June 30,</i>	2023
Operating lease cost	\$ 110,392

Other information related to leases was as follows:

<i>For the year ended June 30,</i>	2023
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Supplemental Cash Flow Information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 109,847
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**Truett McConnell University**  
**Notes to Financial Statements**

**Note 7: LEASES (Continued)**

Weighted average remaining lease term and discount rates consist of the following:

<i>For the year ended June 30,</i>	2023
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	\$ 480,601
Weighted average remaining lease term	
Operating leases	3.23
Weighted average discount rate	
Operating leases	2.61%

Future minimum lease payments under non-cancellable leases as of June 30, 2023, were as follows:

<i>For the years ending June 30,</i>	Operating Leases
2024	\$ 119,833
2025	119,833
2026	119,833
2027	37,766
Total future minimum lease payments	397,265
Less imputed interest	(17,088)
<b>Present value of lease liabilities</b>	<b>\$ 380,177</b>
Reported as of June 30, 2023	
<b>Operating lease liabilities</b>	<b>\$ 380,177</b>

Minimum lease payments under the operating leases as of June 30, 2022, for future years are as follows:

<i>For the years ending June 30,</i>		
2023	\$	126,045
2024		79,079
2025		70,923
2026		69,602
2027		11,634
<b>Total</b>	<b>\$</b>	<b>357,283</b>



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

**Note 8: LONG-TERM DEBT**

Long-term debt at June 30, 2023 and 2022 consists of the following:

<i>June 30,</i>	<b>2023</b>	2022
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>\$ 24,210,000</b>	\$ 24,625,000
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 (5.36% and 3.09% at June 30, 2023 and 2022, respectively), maturity of July 2028, collateralized by real property.	<b>610,255</b>	719,006
Equipment loan payable to financial institution, monthly payments of principal and interest of \$9,071, fixed interest rate of 4.55% per annum, maturity of September 2025.	<b>231,953</b>	328,213
Equipment loan payable to financial institution, monthly payments of principal and interest of \$1,184, fixed interest rate of 9.55% per annum, maturity of September 2028.	<b>53,478</b>	-
Automobile loan payable to financial institution, monthly payments of principal and interest of \$389, fixed interest rate of 6.04% per annum, maturity of August 2024.	<b>5,121</b>	9,310
Total long-term debt	<b>25,110,807</b>	25,681,529
Plus unamortized bond premium	<b>236,366</b>	245,120
Less unamortized debt issuance costs	<b>(292,965)</b>	(304,841)
<b>Long-term debt net of bond premium and issuance costs</b>	<b>\$ 25,054,208</b>	<b>\$ 25,621,808</b>

Interest expense on indebtedness was \$1,301,406 and \$1,321,338 for the years ended June 30, 2023 and 2022, respectively.

The bonds payable were obtained to finance capital improvements on the University's campus or to refinance previous debt associated with capital improvements.

Bonds payable are subject to certain covenants as set forth in the bond agreements, which the University is in compliance with at June 30, 2023.

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

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

Maturities of long-term debt subsequent to June 30, 2023, are as follows:

*For the years ending June 30,*

2024	\$ 652,644
2025	686,354
2026	633,113
2027	638,865
2028	660,764
Thereafter	21,839,067
<b>Total</b>	<b>\$ 25,110,807</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 totaled \$844,000 as of June 30, 2023, with a fixed rate of 3.25% per annum. The line is secured by real property. The outstanding balance as of June 30, 2023 and 2022 was \$0 for each date.

Subsequent to year-end, on October 18, 2023, the line of credit was modified, with available borrowings of \$1,050,000 and a fixed rate of 8.00% per annum, secured by real property.

**Note 10: NET ASSETS**

A summary of net assets without donor restrictions consists of the following:

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
Undesignated	\$ 2,697,226	\$ 3,226,033
Board designated		
Endowment	1,555,359	-
Capital improvements	1,542,361	-
Net investment in property, plant and equipment	15,153,273	14,218,594
<b>Total net assets without donor restrictions</b>	<b>\$ 20,948,219</b>	<b>\$ 17,444,627</b>

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

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

A summary of net assets with donor restrictions consists of the following:

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
Purpose restricted		
Scholarships and loans	\$ 408,696	\$ 263,206
Instruction and other support	1,411,235	1,052,257
Capital improvements	573,604	557,494
<b>Total purpose restricted</b>	<b>2,393,535</b>	<b>1,872,957</b>
Held in perpetuity		
Endowments	2,655,968	2,577,469
Remainder trusts held by foundations	290,917	285,966
Perpetual trusts held by foundations	3,706,993	3,572,122
<b>Total held in perpetuity</b>	<b>6,653,878</b>	<b>6,435,557</b>
<b>Total net assets with donor restrictions</b>	<b>\$ 9,047,413</b>	<b>\$ 8,308,514</b>

A summary of net assets released from restrictions follows:

<i>For the years ended June 30,</i>	<b>2023</b>	<b>2022</b>
Purpose restrictions		
Scholarships and loans	\$ 326,996	\$ 398,096
Instruction and other support	224,876	417,048
Capital improvements	-	7,906
<b>Total release of net assets with donor restrictions</b>	<b>\$ 551,872</b>	<b>\$ 823,050</b>

**Note 11: REVENUE**

In accordance with Topic 606, the University recognizes revenue over time for its tuition, fees, auxiliary and other contracts. As of June 30, 2023 and 2022, there are performance obligations to be satisfied of \$395,250 and \$684,401, respectively. At June 30, 2023, management expects to recognize all \$395,250 as revenue in the year ended June 30, 2024. All performance obligations at June 30, 2022 were recognized as revenue in in the year ended June 30, 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)**

A summary of disaggregated revenue information follows:

<i>For the years ended June 30,</i>	<b>2023</b>	<b>2022</b>
<b>Revenue subject to Topic 606</b>		
Tuition and fees, net (recognized over time)		
Undergraduate tuition revenue	\$ 15,859,010	\$ 15,998,529
Dual enrollment tuition revenue	4,570,151	4,205,498
Graduate tuition revenue	898,780	781,359
Fee revenue	1,730,630	1,301,072
Financial aid discount (funded)	(326,996)	(398,096)
Financial aid discount (unfunded)	(7,660,492)	(7,774,221)
<b>Total tuition and fees, net (recognized over time)</b>	<b>15,071,083</b>	<b>14,114,141</b>
Auxiliary enterprises (recognized over time)		
Housing and dining services revenue	4,381,675	4,249,422
Other auxiliary revenue	810,826	761,586
<b>Total auxiliary enterprises (recognized over time)</b>	<b>5,192,501</b>	<b>5,011,008</b>
<b>Revenue not subject to Topic 606</b>		
Grants and contributions (non-exchange)	9,002,106	4,731,182
Other income, gains and losses (non-exchange)	639,639	664,062
<b>Total operating revenue and support</b>	<b>\$ 29,905,329</b>	<b>\$ 24,520,393</b>

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

Contract assets and liabilities related to revenue from contracts with customers consists of the following:

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
<b>Contract assets</b>		
Student receivables, net, beginning of year	\$ 313,939	\$ 308,357
Student receivables, net, end of year	\$ 472,907	\$ 313,939
<b>Contract liabilities</b>		
Performance obligation liabilities, beginning of year	\$ 684,401	\$ 639,580
Performance obligation liabilities, end of year	\$ 395,250	\$ 684,401

**Note 12: ENDOWMENTS**

The University's endowment consists of approximately 75 individual funds established for a variety of purposes, and includes both donor-restricted funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, 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.

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, 2023 and 2022, deficiencies of this nature totaled \$185,867 and \$224,889, respectively, resulting from endowments with original gift values of \$1,252,247 and \$1,305,975, respectively, and fair market values of \$1,066,380 and \$1,081,086, respectively.

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

**Note 12: ENDOWMENTS (Continued)**

Endowment net asset composition by type of fund consists of the following:

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
Endowment funds with donor restrictions	<b>\$ 2,657,356</b>	\$ 2,469,767
Board-designated endowment funds without donor restriction	<b>3,097,720</b>	-
<b>Total endowment funds</b>	<b>\$ 5,755,076</b>	<b>\$ 2,469,767</b>

Changes in endowment net assets follow for the years ended June 30, 2023 and 2022:

<i>June 30, 2023</i>	With Donor Restrictions				
	Without Donor Restrictions	Original Gift	Accumulated Gains (Losses) and Other	Total Endowment Net Assets- with Donor Restrictions	Total Endowment Net Assets
Endowment net assets-July 1,	\$ -	\$ 2,577,469	\$ (107,702)	\$ 2,469,767	\$ <b>2,469,767</b>
Additions and contributions	3,000,000	78,499	-	78,499	<b>3,078,499</b>
Investment return	97,720	-	215,745	215,745	<b>313,465</b>
Amounts appropriated for expenditure	-	-	(106,655)	(106,655)	<b>(106,655)</b>
<b>Endowment net assets-June 30,</b>	<b>\$ 3,097,720</b>	<b>\$ 2,655,968</b>	<b>\$ 1,388</b>	<b>\$ 2,657,356</b>	<b>\$ 5,755,076</b>

<i>June 30, 2022</i>	With Donor Restrictions				
	Without Donor Restrictions	Original Gift	Accumulated Gains (Losses) and Other	Total Endowment Net Assets- with Donor Restrictions	Total Endowment Net Assets
Endowment net assets-July 1,	\$ -	\$ 2,104,083	\$ 281,526	\$ 2,385,609	\$ 2,385,609
Additions and contributions	-	473,386	-	473,386	473,386
Investment return	-	-	(283,840)	(283,840)	(283,840)
Amounts appropriated for expenditure	-	-	(105,388)	(105,388)	(105,388)
<b>Endowment net assets-June 30,</b>	<b>\$ -</b>	<b>\$ 2,577,469</b>	<b>\$ (107,702)</b>	<b>\$ 2,469,767</b>	<b>\$ 2,469,767</b>

**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, 2023 and 2022.

*Mutual funds and exchange-traded funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the University are both open-end and closed-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds and exchange-traded funds held by the University are deemed to be actively traded.

*Fixed income securities:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*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.

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

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

*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.

Assets measured at fair value on a recurring basis are summarized as follows for the years ended June 30, 2023 and 2022:

<b>June 30, 2023</b>	Level 1	Level 2	Level 3	Total
Exchange-traded funds	\$ 764,946	\$ -	\$ -	\$ 764,946
Mutual funds	591,787	-	-	591,787
Fixed income securities	-	1,020,174	-	1,020,174
Investments held at GBF	-	-	2,709,512	2,709,512
Perpetual trust funds held by GBF	-	-	2,752,010	2,752,010
Perpetual trust funds held by others	-	-	990,388	990,388
Remainder trust funds held by others	-	-	290,917	290,917
<b>Total assets measured at fair value</b>	<b>\$ 1,356,733</b>	<b>\$ 1,020,174</b>	<b>\$ 6,742,827</b>	<b>\$ 9,119,734</b>

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



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

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, 2023 and 2022.

<i>For the years ended June 30,</i>	<b>2023</b>	2022
Investments and funds held in trust		
Balance, beginning of year	\$ 6,411,849	\$ 7,288,768
Additions	67,551	264,849
Distributions	(241,554)	(303,245)
Net investment return	504,981	(838,523)
Balance, end of year	<b>\$ 6,742,827</b>	\$ 6,411,849

***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, 2023 and 2022, 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, 2023 and 2022 in excess of federally insured limits of approximately \$4,355,000 and \$3,755,000, 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.

**Note 15: COMMITMENTS AND CONTINGENCIES (Continued)**

***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 and who agree to make contributions to the Plan. The University makes a contribution to the Plan each year equal to 3% of all participants' eligible compensation. In addition, the University matches participants' contributions to the Plan up to an additional 4% of the individual participant's eligible compensation. Total expense for the years ended June 30, 2023 and 2022 was \$357,279 and \$360,138, respectively.

**Note 17: RELATED PARTIES**

The University is organized under the auspices of the 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, 2023 and 2022, the Missions Board made contributions to the University in the amounts of \$1,048,082 and \$1,237,218, respectively, which includes annual appropriations, student support and contributions for capital improvements. Included with other receivables at June 30, 2023 and 2022 was \$67,063 and \$105,677, 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, 2023 and 2022, the Foundation managed investments totaling \$2,709,512 and \$2,517,254, respectively, and held other amounts in trust for the benefit of the University totaling \$2,752,010 and \$2,619,906, respectively.

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

***Employee Retention Credit***

The pandemic relief bills passed by Congress provided for Federal grant funding through the Employee Retention Credit (ERC) program. During the year ended June 30, 2023, the University received \$3,492,561 under this program, which was recognized as revenue and reported as Federal COVID-19 relief grants on the statements of activities.

***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 year ended June 30, 2022, the University expended, and recognized as revenue, Higher Education Emergency Relief Fund (HEERF) grants totaling \$1,855,090.

***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.



# SUPPLEMENTARY INFORMATION





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

To the Board of Trustees  
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, 2023, 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 January 24, 2024.

**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.

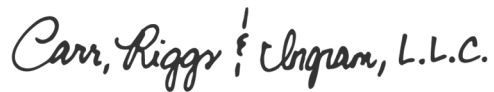
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Atlanta, Georgia  
January 24, 2024