

**LA SALLE UNIVERSITY**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**



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**LA SALLE UNIVERSITY  
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YEARS ENDED MAY 31, 2020 AND 2019**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
La Salle University  
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of La Salle University (the University), which comprise the statements of financial position as of May 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

Board of Trustees  
La Salle University

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Salle University as of May 31, 2020 and 2019, 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.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
September 23, 2020

**LA SALLE UNIVERSITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**MAY 31, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 17,573,297	\$ 21,598,477
Student Accounts Receivable, Net	4,127,012	4,394,106
Other Receivables	1,131,668	3,052,892
Prepays and Other Assets	1,799,719	2,079,978
Contributions Receivable, Net	3,427,249	3,653,699
Student Loans Receivable, Net	3,612,917	4,452,283
Investments	85,020,424	84,911,244
Funds Held by Bond Trustees	-	884,811
Land, Buildings, and Equipment, Net	151,580,214	154,447,911
Funds Held in Trust by Others	982,309	951,899
Art Collections	4,412,731	4,436,303
	<b>\$ 273,667,540</b>	<b>\$ 284,863,603</b>
Total Assets	<b>\$ 273,667,540</b>	<b>\$ 284,863,603</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 5,579,381	\$ 6,805,519
Deferred Income	8,033,700	7,668,272
Short-Term Bonds and Loan Payable	2,939,838	1,962,173
Accrued Compensation	2,884,819	4,102,729
Other Liabilities	8,130,177	7,990,583
Loan Payable	-	5,814,838
Advances from Federal Government for Student Loans	4,593,802	5,495,093
Bonds Payable	128,970,823	130,412,713
Total Liabilities	161,132,540	170,251,920
<b>NET ASSETS</b>		
Without Donor Restrictions	61,002,359	66,166,698
With Donor Restrictions (Time or Purpose)	24,655,277	22,235,980
With Donor Restrictions (Perpetual)	26,877,364	26,209,005
Total Net Assets	112,535,000	114,611,683
Total Liabilities and Net Assets	<b>\$ 273,667,540</b>	<b>\$ 284,863,603</b>

See accompanying Notes to Financial Statements.

**LA SALLE UNIVERSITY  
STATEMENT OF ACTIVITIES  
YEAR ENDED MAY 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE</b>			
Tuition and Fees, Net of Discount of \$47,379,000	\$ 71,913,025	\$ -	\$ 71,913,025
Government Grants	1,590,943	-	1,590,943
Private Gifts & Grants	3,681,656	4,281,201	7,962,857
Activities Related to Academic Areas	1,418,150	-	1,418,150
Room and Board, Net of Discount of \$236,383	11,283,077	-	11,283,077
Dividend and Interest Income on Short-Term Investments	284,163	-	284,163
Use of Endowment Resources	7,103,119	-	7,103,119
Administrative and Other Revenues	4,800,679	-	4,800,679
Net Assets Released from Restrictions	3,897,067	(3,897,067)	-
Total Operating Revenue	<u>105,971,879</u>	<u>384,134</u>	<u>106,356,013</u>
<b>OPERATING EXPENSE</b>			
Instruction	41,490,179	-	41,490,179
Research	519,444	-	519,444
Academic Support	13,455,038	-	13,455,038
Student Services and Athletics	19,107,416	-	19,107,416
Public Service	1,763,753	-	1,763,753
Institutional Support	25,407,238	-	25,407,238
Auxiliary Enterprises	7,724,009	-	7,724,009
Total Operating Expense	<u>109,467,077</u>	<u>-</u>	<u>109,467,077</u>
<b>NET OPERATING REVENUES LESS OPERATING EXPENSES</b>			
	(3,495,198)	384,134	(3,111,064)
COVID Relief Funds, Net	2,138,650	-	2,138,650
Loss on Sale of Property	(207,572)	-	(207,572)
Change in Net Assets from Operating Activities	(1,564,120)	384,134	(1,179,986)
<b>NONOPERATING ACTIVITIES - ADDITIONS (DEDUCTIONS)</b>			
Investment Returns, Net	2,536,605	3,011,514	5,548,119
Endowment Gifts	20,354	637,949	658,303
Use of Endowment Resources	(7,103,119)	-	(7,103,119)
Net Assets Released from Restrictions	945,941	(945,941)	-
Change in Net Assets from Nonoperating Activities	<u>(3,600,219)</u>	<u>2,703,522</u>	<u>(896,697)</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	(5,164,339)	3,087,656	(2,076,683)
Net Assets - Beginning of Year	<u>66,166,698</u>	<u>48,444,985</u>	<u>114,611,683</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 61,002,359</u>	<u>\$ 51,532,641</u>	<u>\$ 112,535,000</u>

See accompanying Notes to Financial Statements.

**LA SALLE UNIVERSITY  
STATEMENT OF ACTIVITIES  
YEAR ENDED MAY 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE</b>			
Tuition and Fees, Net of Discount of \$46,935,000	\$ 74,529,484	\$ -	\$ 74,529,484
Government Grants	2,135,167	-	2,135,167
Private Gifts & Grants	3,214,025	1,904,039	5,118,064
Activities Related to Academic Areas	2,649,528	-	2,649,528
Room and Board, Net of Discount of \$370,260	16,181,758	-	16,181,758
Dividend and Interest Income on Short-Term Investments	249,898	-	249,898
Use of Endowment Resources	7,193,833	-	7,193,833
Administrative and Other Revenues	4,948,223	-	4,948,223
Net Assets Released from Restrictions	3,049,075	(3,049,075)	-
Total Operating Revenue	114,150,991	(1,145,036)	113,005,955
<b>OPERATING EXPENSE</b>			
Instruction	43,186,683	-	43,186,683
Research	567,699	-	567,699
Academic Support	14,307,661	-	14,307,661
Student Services and Athletics	20,360,773	-	20,360,773
Public Service	2,260,870	-	2,260,870
Institutional Support	27,441,388	-	27,441,388
Auxiliary Enterprises	8,352,901	-	8,352,901
Total Operating Expense	116,477,975	-	116,477,975
<b>NET OPERATING REVENUES LESS OPERATING EXPENSES</b>	(2,326,984)	(1,145,036)	(3,472,020)
Gain on Sale of Art	884,619	-	884,619
Change in Net Assets from Operating Activities	(1,442,365)	(1,145,036)	(2,587,401)
<b>NONOPERATING ACTIVITIES - ADDITIONS (DEDUCTIONS)</b>			
Investment Returns, Net	1,227,288	235,658	1,462,946
Endowment Gifts	25,340	576,758	602,098
Use of Endowment Resources	(7,193,833)	-	(7,193,833)
Net Assets Released from Restrictions	1,333,744	(1,333,744)	-
Change in Net Assets from Nonoperating Activities	(4,607,461)	(521,328)	(5,128,789)
<b>TOTAL CHANGE IN NET ASSETS</b>	(6,049,826)	(1,666,364)	(7,716,190)
Net Assets - Beginning of Year	72,216,524	50,111,349	122,327,873
<b>NET ASSETS - END OF YEAR</b>	\$ 66,166,698	\$ 48,444,985	\$ 114,611,683

See accompanying Notes to Financial Statements.

**LA SALLE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MAY 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (2,076,683)	\$ (7,716,190)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	7,594,214	7,439,826
Amortization of Deferred Bond Issuance Costs and Bond Premium	(316,890)	(316,892)
Realized and Unrealized (Gains) Losses on Investments	(3,561,226)	645,492
Loss (Gain) on Sale of Property and Art	207,572	(884,619)
Loss on Abandoned Assets	99,395	-
Restricted Endowment Contributions	(637,949)	(576,758)
Restricted Building Contributions	(272,965)	(302,356)
Donated Art Collections	(4,600)	(18,290)
Change in Funds Held in Trust by Others	(30,410)	57,438
(Increase) Decrease in Assets:		
Accounts Receivable	2,188,318	(1,654,838)
Prepays and Other Assets	280,259	(36,570)
Contributions Receivable	226,450	1,844,818
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses and Accrued Compensation	(2,448,922)	(777,888)
Deferred Income	365,428	4,732,981
Other Liabilities	139,594	(288,240)
Net Cash Provided by Operating Activities	1,751,585	2,147,914
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(26,092,157)	(24,296,467)
Proceeds from Sale of Investments	29,544,203	28,466,696
Purchase of Property and Equipment	(5,273,640)	(5,045,312)
Proceeds from Sale of Property and Art	273,202	1,115,808
Student Loans Repaid or Assigned	839,366	958,475
Net Cash Provided (Used) by Investing Activities	(709,026)	1,199,200
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted Endowment Contributions	637,949	576,758
Restricted Building Contributions	272,965	302,356
Change in Debt Service Reserve Funds Held by Trustee	884,811	3,728,804
Payments on Long-Term Debt	(5,962,173)	(1,880,672)
Government Loan Funds	(901,291)	-
Net Cash Provided (Used) by Financing Activities	(5,067,739)	2,727,246
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(4,025,180)	6,074,360
Cash and Cash Equivalents - Beginning of Year	21,598,477	15,524,117
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 17,573,297	\$ 21,598,477
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 5,839,481	\$ 5,985,143
Construction-Related Payables	\$ 278,098	\$ 273,224

See accompanying Notes to Financial Statements.



**LA SALLE UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization (Unaudited)**

La Salle University (the University) is a Lasallian Catholic co-educational, independent institution, founded in 1863 in Philadelphia, Pennsylvania, by the Brothers of the Christian Schools. The University's principal sources of revenues include student tuition and fees, room and board, and private gifts and grants. The University has approximately 4,500 students, of which approximately 75% are undergraduate students and approximately 25% are graduate and doctorate students.

The University is incorporated under the laws of the Commonwealth of Pennsylvania as a nonprofit corporation and is an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, as a tax-exempt educational organization.

**Basis of Presentation**

The University's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Net assets and changes therein are classified as follows:

*Net Assets Without Donor Restrictions* – Net assets not subject to donor-imposed restrictions. Net assets may be designated for specific purpose by action of the board of trustees.

*Net Asset With Donor Restrictions* – Net assets whose use by the University is subject to donor-imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time. Net assets may be subject to donor-imposed restrictions that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Net assets with donor restrictions which are met in the current period (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributions and investment returns received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service.

**LA SALLE UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

Funds transferred to the University on behalf of specific beneficiaries (agency funds) are recorded as assets and liabilities in the statements of financial position and are not included in the statements of activities.

**Operating and Nonoperating Activities**

Results from operations in the statements of activities reflects all transactions increasing or decreasing net assets except those related to endowments. Transactions related to net assets with perpetual donor restriction, endowment pledges, investment return on the University's endowment, and other investments designated for long-term purposes.

**COVID Relief Funds, Net**

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. As a result of COVID-19, the University campus was ordered to close in March 2020. Remaining Spring course instruction was delivered through remote learning methods for all students. Residence and dining halls were shutdown, with refunds issued as described in Note 3.

On March 27, 2020, Congress passed and President Trump signed into law the Coronavirus Aid, Relief, and Economic Securities (CARES) Act. The CARES Act allocated \$14 billion to higher education through the creation of the Education Stabilization Fund. Fifty percent of the emergency funds received by institutions were required go directly to students in the form of emergency financial aid grants to cover expenses related to the disruption of campus operations due to COVID-19. The remaining fifty percent of the funding is provided to the institution to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.

The total amount awarded to the University from the Higher Education Emergency Relief Fund (HEERF) as part of the CARES Act pursuant to the institution's certification and agreement was \$4,277,300. As of May 31, 2020, the full institutional share of \$2,138,650 has been received and is recognized as revenue, compensating the University for a portion of the room and board refunds described in Note 3. As of May 31, 2020, student emergency financial aid grants totaling \$1,342,350 had been distributed and booked as expense and the corresponding revenue from the student share was received. These amounts are reflected in the statement of activities as COVID relief funds, net.

**LA SALLE UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions**

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are met. Promises to give that will be received after one year are recognized at their net present value, net of an allowance for uncollectible amounts. The discount related to these promises to give is amortized as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

The University reports gifts of cash and other assets as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

Contributions of land, building, and equipment are reported as 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 or other assets that must be used to acquire long-lived assets are reported as with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Noncash gifts are recorded at fair value on the date of the donation. Gifts of cash and other assets without donor stipulations are reported as operating revenue without donor restrictions when the gift is received.

**Grants**

The University receives grants from government and private sources. The University evaluates grant agreements to determine if the contracts represent reciprocal transactions (revenue) or nonreciprocal transactions (contributions). Government grants reported on the statements of activities primarily represent cost reimbursement grants with barriers to entitlement. Revenue is recognized when the barrier is overcome (qualifying expenses are incurred). As of May 31, 2020, approximately \$1,247,000 of conditional grant revenue will be recognized in future periods as the University incurs qualifying expenses. Conditional grant revenue primarily relates to student emergency grants under the Higher Education Emergency Relief Fund described in 'COVID Relief Funds, Net'.

**Cash and Cash Equivalents**

Cash and cash equivalents represent demand deposits and other investments with original maturity dates not exceeding 90 days, except those held for long-term investment purposes.

**LA SALLE UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Student and Other Accounts Receivable**

Student accounts receivable are recorded net of an allowance for uncollectible amounts of \$4,546,517 and \$5,020,922 at May 31, 2020 and 2019, respectively. The allowance for uncollectible amounts is calculated based on the current unpaid balances by term and the historical collection activity. The University maintains a policy whereby receivables outstanding for more than one year for students who are no longer enrolled at the University are reserved as uncollectible; the University reserves additional amounts as needed for accounts receivable that have been past due for less than one year. As of May 31, 2020 and 2019, the University had no significant concentration of credit risk with regard to accounts receivable.

Other accounts receivable include payments due from athletic conferences, corporations, and grants from various local, state, and federal governmental entities. Due to the certainty of these collections, the University does not reserve for uncollectible accounts.

**Student Loans Receivable**

Student loans receivable consist primarily of loans made to students under U.S. government loan programs, which are recorded net of an allowance for uncollectible amounts of \$250,000 at May 31, 2020 and 2019. As of May 31, 2020 and 2019, the University had no significant concentration of credit risk with regard to student loans receivable.

**Investments**

Investments are stated at fair value or net asset value as a practical expedient to fair value (see Note 1 – Fair Value of Financial Instruments).

Realized and unrealized gains and losses arising from increases or decreases in market values are recognized in the period in which they occur and reported as nonoperating activities in the statements of activities. Dividend and interest income are accrued as earned.

The University's investments are exposed to various risks such as interest rate, market, and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

**Bond Issuance Costs**

Bond issuance costs are amortized over the life of the related bonds and included in bonds payable in the statements of financial position.

**LA SALLE UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Land, Buildings, and Equipment**

Physical plant and equipment are stated at cost at date of purchase or fair value at date of donation in the case of gifts. Expenditures for new construction, major renewals and replacements, and equipment costing over \$5,000 are capitalized. Assets are depreciated using the straight-line method over 10 to 25 years for land improvements, 10 to 55 years for buildings, and 4 to 10 years for equipment.

Maintenance and repairs are recorded as expenses when incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation or amortization are relieved, and any gain or loss is reported in the statements of activities.

**Collections**

All contributions of works of art, historical treasures, and similar assets have been recognized at their estimated fair value at the date of receipt based upon appraisals or similar valuations, or at cost if purchased. All such items, whether contributed or purchased, have been capitalized. Works of art, historical treasures, and similar items are not depreciated.

**Deferred Income**

Revenues received in exchange transactions for specific activities that have not yet taken place are recorded as deferred revenue. Significant components of deferred revenue include student tuition and education fees received in advance of services to be rendered and unexpended advances of grant and contract revenues.

**Fair Value of Financial Instruments**

The three levels of the fair value hierarchy are described below. The hierarchy gives the highest priority to unadjusted quoted process in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements):

*Level 1* – Quoted prices in active markets or published values per share for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

*Level 2* – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instrument in markets that are not active, and model-derived valuations whose inputs are observable or whose primary values are observable.

*Level 3* – Instruments whose primary fair value inputs are unobservable.

The hierarchy requires the use of observable market data when available. The University's assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

**LA SALLE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MAY 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Financial Instruments (Continued)**

The following discussion describes the valuation methodologies used for assets and liabilities measured at fair value.

**Contributions Receivable**

The University values contributions receivable at fair value on the date the gift is received using the present value of future cash flows. Contributions receivable are not measured at fair value subsequent to this initial measurement.

**Investments**

Fair value of equity securities has been determined from observable market quotations, when available. Fair value for fixed maturity securities is based upon prices provided by the University's investment managers and custodian banks through the use of pricing vendors. Both the investment managers and the custodian banks use a variety of pricing sources to determine fixed maturity market valuations. Each designates specific pricing services or indexes for each section of the market based upon the nature of its portfolio and expertise.

Estimated fair value of private equity investments and hedge funds that are not readily marketable are recorded at the net asset value as provided by external investment managers as a practical expedient to fair value. The University reviews and evaluates the values provided by external investment managers and the valuation methods and assumptions used in determining the net asset value of those investments. Investments reported at net asset value as a practical expedient are not categorized in the fair value hierarchy.

**Funds Held by Bond Trustees**

Funds held by bond trustees represent construction funds totaling \$884,811 at May 31, 2019. These funds were fully spent at May 31, 2020.

**Line of Credit**

The University has a line of credit available to support operations in the amount of \$10,000,000 as of May 31, 2020 and 2019. There were no draws outstanding at May 31, 2020 and 2019. Borrowings under this line bear interest at London Interbank Offered Rate (LIBOR) rate plus 2.0%. The agreement expires on March 31, 2021.

**Advances from Federal Government for Student Loans**

Funds provided by the U.S. government under the Federal Perkins Loan Program were loaned to qualified students and reloaned after collections. These funds are ultimately refundable to the U.S. government and are presented in the accompanying statements of financial position as a liability. The Federal Perkins Loan Program expired on September 30, 2017. The University continues to service the outstanding loans and remit the federal share to the Department of Education.

**LA SALLE UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The University has been granted tax-exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Accounting principles generally accepted in the United States of America requires management to evaluate the tax positions taken by the University and recognize a tax liability if the University has taken an uncertain tax position that more likely than not would not be sustained upon examination by the relevant taxing authority. Management has analyzed the tax positions taken by the University, and has concluded that as of May 31, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. In the preparation of these financial statements and related disclosures, management has assessed the impact of COVID-19 on its results, estimates, assumption and accounting policies and made additional disclosures, as necessary. As the COVID-19 situation is still evolving, future events related to the illness cannot be determined with certainty and actual results could differ from those estimates.

**Accounting Standards Issued, Not Yet Adopted**

In February 2016, the FASB issued ASU 2016-02, *Leases*. The ASU establishes guidance that will result in a more faithful representation of the rights and obligations arising from leases by requiring lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions. The new guidance will result in fewer opportunities for organizations to structure leasing transactions to achieve a particular accounting outcome on the statement of financial position and will improve the understanding and comparability of lessees' financial commitments regardless of the manner they choose to finance the assets used in their businesses. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date to the University's fiscal year ending May 31, 2021. At adoption, the University will recognize a right-of-use asset and a lease liability initially measured at the present value of its operating lease payments. The University is assessing the impact this standard will have on its financial statements.

**Reclassifications**

Certain reclassifications have been made to the 2019 amounts to conform to the 2020 presentation.

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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

In preparing these financial statements, the University has evaluated events and transactions through September 23, 2020, the date the financial statements were available to be issued.

**NOTE 2 FINANCIAL ASSETS AND LIQUIDITY**

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

As of May 31, 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows:

	Resources Available at May 31, 2020	Resources Appropriated by the Board and Available in 2021	Total
Financial Assets Available:			
Cash and Cash Equivalents	\$ 17,573,297	\$ -	\$ 17,573,297
Student Accounts Receivable, Net	4,127,012	-	4,127,012
Other Receivables (Due in 1 Year or Less)	1,131,668	-	1,131,668
Contributions Receivable, Net (Due in 1 Year or Less, Unrestricted)	214,314	-	214,314
Board-Designated Endowments	-	10,000,000	10,000,000
Subtotal	<u>23,046,291</u>	<u>10,000,000</u>	<u>33,046,291</u>
Liquidity Resources:			
Bank Line of Credit (No Balance Outstanding at May 31, 2020)	10,000,000	-	10,000,000
Total Financial Assets and Other Liquidity Resources	<u>\$ 33,046,291</u>	<u>\$ 10,000,000</u>	<u>\$ 43,046,291</u>

As of May 31, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows:

	Resources Available at May 31, 2019	Resources Appropriated by the Board and Available in 2020	Total
Financial Assets Available:			
Cash and Cash Equivalents	\$ 21,598,477	\$ -	\$ 21,598,477
Student Accounts Receivable, Net	4,394,106	-	4,394,106
Other Receivables (Due in 1 Year or Less)	3,052,892	-	3,052,892
Contributions Receivable, Net (Due in 1 Year or Less, Unrestricted)	350,392	-	350,392
Board-Designated Endowments	-	8,000,000	8,000,000
Subtotal	<u>29,395,867</u>	<u>8,000,000</u>	<u>37,395,867</u>
Liquidity Resources:			
Bank Line of Credit (No Balance Outstanding at May 31, 2019)	10,000,000	-	10,000,000
Total Financial Assets and Other Liquidity Resources	<u>\$ 39,395,867</u>	<u>\$ 8,000,000</u>	<u>\$ 47,395,867</u>



**LA SALLE UNIVERSITY**  
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**NOTE 2 FINANCIAL ASSETS AND LIQUIDITY (CONTINUED)**

The University's cash flows have seasonal variations during the year attributable to timing of tuition billings and donor contributions. Financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. The University invests cash in excess of daily requirements in money market funds. To help manage unanticipated liquidity needs, the University has a committed line of credit in the amount of \$10,000,000 with no balance outstanding as of May 31, 2020 and 2019.

Financial instruments, which potentially subject the University to significant concentrations of credit risk, consist primarily of cash and cash equivalents. Cash held in its accounts exceeds the federally insured levels. The University periodically evaluates the credit standing of the financial institutions with which it maintains its cash and cash equivalents, and does not believe the risk of loss to be significant.

Additionally, the University has \$28,441,891 and \$32,432,311 as of May 31, 2020 and 2019, respectively, available for general purposes included within board-designated endowment funds. Although the University does not intend to spend from its board-designated endowment funds other than amounts appropriated for fiscal years shown above, amounts could be made available if necessary. Refer to Note 11 for further disclosure regarding endowment funds and spending policies.

**NOTE 3 REVENUE FROM CONTRACTS WITH CUSTOMERS**

Tuition revenue is recognized when control of the promised services is transferred to customers (students), in an amount that reflects the consideration the University expects to be entitled to in exchange for those goods or services. The performance obligation corresponding to tuition and fees is delivery of the academic program or instruction throughout the academic term. The University has four academic terms; Fall, Spring, Summer 1, and Summer 2. Tuition revenue is recognized in the fiscal year in which the academic programs are delivered, proratably over the term of the related semester as the performance obligations associated with academic programs are satisfied over a period of time.

Room and board revenue is recognized in the fiscal year in which housing and food services are provided, proratably over the term of the related semester. The performance obligation corresponding to room and board is provision of the housing or meals throughout the academic term. Such obligations are satisfied over the contracted period of time (semester).

Tuition, room and board revenues are reported at established rates, net of financial assistance provided by the University. Payments for these services are due approximately two weeks prior to the start of the academic term.

Students may receive discounts, scholarships, or refunds, which gives rise to variable consideration. The amount of discounts or scholarships are applied to individual student accounts when such amounts are awarded. Therefore, the transaction price is reduced directly by these discounts or scholarships from the amount of the standard rates charged.

**LA SALLE UNIVERSITY**  
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**NOTE 3 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)**

At the time of registration, the student contracts for the full amount of the tuition, related fees, and room and board plan selected, regardless of the arrangement for payment. Students who adjust their course load or withdraw completely may receive a full or partial refund in accordance with the University's refund policy. All refunds are netted against revenue during the applicable academic term. As a result of the COVID-19 closure of campus in March 2020, room and board refunds totaling \$3,247,528 were issued as of May 31, 2020. Each student's refund was calculated based on the prorated charges offset by a prorated portion of institutional aid. These refunds are netted against room and board revenue on the statement of activities. As of May 31, 2020, management believes it is not probable that a significant reversal in the amount of cumulative revenue recognized will occur as all prior term refunds are completed and Summer term balances are deferred as described in Note 1.

Deferred revenue represents a contract liability, shown separately on the statements of financial position. Deferred income incorporates both payments received prior to the start of the academic term (advances for summer and fall tuition, room and board for services to be provided in the next fiscal year) and unpaid unconditional rights to consideration (for Summer 1 semester classes that have commenced and past the add/drop period as of the end of the fiscal year). Advance deposits for future semesters of \$4,115,411 and \$4,061,700 were received as of May 31, 2020 and 2019, respectively. The balance of deferred revenue at May 31, 2020 will be recognized as revenue over the applicable summer or fall academic term, as services are rendered. No material refunds of such balances are anticipated, based on historical experience.

The activity and balances for deposits and deferred revenues from contracts with customers are shown in the following table.

	Tuition, Fees, Room and Board	Other	Total
Balance at May 31, 2018	\$ 5,255,264	\$ 567,119	\$ 5,822,383
Revenue Recognized	(5,255,264)	(567,119)	(5,822,383)
Amounts Received for Future Performance Obligations	<u>7,402,680</u>	<u>265,593</u>	<u>7,668,273</u>
Balance at May 31, 2019	<u>7,402,680</u>	<u>265,593</u>	<u>7,668,272</u>
Revenue Recognized	(7,402,680)	(265,593)	(7,668,272)
Amounts Received for Future Performance Obligations	<u>7,323,258</u>	<u>710,442</u>	<u>8,033,700</u>
Balance at May 31, 2020	<u>\$ 7,323,258</u>	<u>\$ 710,442</u>	<u>\$ 8,033,700</u>

Management reassesses collectability throughout the period revenue is recognized by the University. This reassessment is based upon new information and changes in facts and circumstances relevant to a student's ability to pay and historical experience in collecting on student accounts by various aging buckets. For the years ended May 31, 2020 and 2019, the University recognized \$837,332 and \$3,745,000 in credit losses on uncollectible student accounts receivable balances, respectively

**LA SALLE UNIVERSITY**  
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**NOTE 4 INVESTMENTS**

The following tables present the University's fair value hierarchy for investments measured at fair value, with investments reported at net asset value as a practical expedient to fair value that are not included in the fair value hierarchy included for reconciliation purposes, as of May 31:

	2020			
	Totals	Level 1	Level 2	Level 3
Fair Value:				
Cash and Cash Equivalents	\$ 37,077	\$ 37,077	\$ -	\$ -
Domestic Equity	20,145,944	20,145,944	-	-
Foreign Equity	13,862,436	13,862,436	-	-
Fixed Income	47,171,695	47,171,695	-	-
Other Investments	1,153,210	1,153,210	-	-
Investments Reported at Net Asset Value as a Practical Expedient:				
Private Equity and Venture Capital	2,650,062	-	-	-
Total Investments	<u>\$ 85,020,424</u>	<u>\$ 82,370,362</u>	<u>\$ -</u>	<u>\$ -</u>
Funds Held in Trust by Others	<u>\$ 982,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 982,309</u>
	2019			
	Totals	Level 1	Level 2	Level 3
Fair Value:				
Cash and Cash Equivalents	\$ 84,002	\$ 84,002	\$ -	\$ -
Domestic Equity	20,841,549	20,841,549	-	-
Foreign Equity	14,318,783	14,318,783	-	-
Fixed Income	45,304,647	45,304,647	-	-
Other Investments	1,080,805	1,080,805	-	-
Investments Reported at Net Asset Value as a Practical Expedient:				
Private Equity and Venture Capital	3,281,458	-	-	-
Total Investments	<u>\$ 84,911,244</u>	<u>\$ 81,629,786</u>	<u>\$ -</u>	<u>\$ -</u>
Funds Held in Trust by Others	<u>\$ 951,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 951,899</u>

**LA SALLE UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 INVESTMENTS (CONTINUED)**

The following table presents a roll forward of funds held in trust by others measured at net asset value using significant unobservable inputs (Level 3) for the years ended May 31:

	Funds Held in Trust by Others
Balance - June 1, 2018	\$ 1,009,338
Total Gains or Losses (Realized/Unrealized)	<u>(57,439)</u>
Balance - May 31, 2019	951,899
Total Gains or Losses (Realized/Unrealized)	<u>30,410</u>
Balance - May 31, 2020	<u><u>\$ 982,309</u></u>

The following table presents the attributes of the University's investments in certain investment vehicles that calculate net asset value per share (or its equivalent) and such value is used as a practical expedient to fair value at May 31, 2020:

	Fair Value	Estimated Remaining Lives	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Private Equity/Venture Capital:					
Private Equity (a)	\$ 1,275,916	2 to 11 Years	\$ 635,551	None	N/A
Venture Capital (b)	1,130,002	3 to 9 Years	142,447	None	N/A
Natural Resources (c)	<u>244,144</u>	6 to 9 Years	<u>36,000</u>	None	N/A
Total Private Equity and Venture Capital	<u><u>\$ 2,650,062</u></u>		<u><u>\$ 813,998</u></u>		

- (a) The private equity category includes investments in domestic and international private equity funds where the returns should be above long-term norms in the public equity markets in order to compensate for the illiquidity and nonmarket risks that are entailed. Returns in private equity instruments are determined to a greater extent by the manager's skill and thus are characterized by a wider dispersion of possible returns across different investment managers. Fund-of-fund investments are utilized in order to achieve diversification and exposure to a range of opportunities. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. All of these investments receive distributions through the liquidation of the underlying assets of the fund and do not have redemption provisions.
- (b) The venture capital category includes investments in funds, which in turn make venture capital investments primarily in emerging growth companies with the objective of obtaining long-term growth capital. A portion of the funds also invest in the buyout and capital restructuring sectors. Fund-of-fund investments are utilized in order to achieve diversification and exposure to a range of opportunities. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. All of these investments receive distributions through the liquidation of the underlying assets of the fund and do not have redemption provisions.

**LA SALLE UNIVERSITY  
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**NOTE 4 INVESTMENTS (CONTINUED)**

(c) The natural resources category consists of investments through a fund-of-funds manager in limited partnerships, which in turn make oil, gas, and other natural resource-related investments with the objective of long-term growth of capital. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. All of these investments receive distributions through the liquidation of the underlying assets of the fund and do not have redemption provisions.

As of May 31, 2020, the University has committed to invest an additional \$813,998 in various partnerships within its private equity, venture capital funds, and natural resources as called by investment managers.

**NOTE 5 CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. The net present value of contributions receivable is calculated using a discount rate range of 4.13% to 10.36%, dependent on the amount of the donation and maturity of the gift. The net present value of contributions receivable as of May 31 are as follows:

	<u>2020</u>	<u>2019</u>
Unconditional Promises Expected to be Collected in:		
Less than One Year	\$ 896,831	\$ 964,177
One to Five Years	2,742,319	2,517,191
More than Five Years	<u>420,000</u>	<u>950,000</u>
Total	4,059,150	4,431,368
Less:		
Allowance for Doubtful Contributions	212,147	365,031
Unamortized Discount	<u>419,754</u>	<u>412,638</u>
Total	<u>\$ 3,427,249</u>	<u>\$ 3,653,699</u>

Included in other liabilities on the statements of financial position is a conditional donation received by the University in the amount of \$3,764,920 related to the construction of a new athletic facility. This donation is conditional on the commencement of this project by September 20, 2023. The University is also the beneficiary to a charitable remainder unitrust in the amount of \$2,345,072 as of May 31, 2020, with the equivalent restrictions.

**LA SALLE UNIVERSITY**  
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**NOTE 6 LAND, BUILDINGS, AND EQUIPMENT**

The University's investment in land, buildings, and equipment at May 31 are as follows:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 240,496,653	\$ 238,053,083
Land and Improvements	33,724,975	32,967,897
Equipment and Furniture	29,516,430	27,879,967
Library Books	4,464,264	4,464,264
Construction in Progress	443,264	329,994
Total	<u>308,645,586</u>	<u>303,695,205</u>
Less: Accumulated Depreciation	<u>157,065,372</u>	<u>149,247,294</u>
Total	<u>\$ 151,580,214</u>	<u>\$ 154,447,911</u>

Depreciation expense was \$7,594,214 and \$7,439,826 for the years ended May 31, 2020 and 2019, respectively.

The University had no capitalized interest costs for the years ended May 31, 2020 and 2019.

**NOTE 7 ACCRUED COMPENSATION**

The University offers faculty the option of receiving their contract salary over either 9 or 12 months. At May 31, 2020 and 2019, accrued faculty salaries totaled \$2,681,446 and \$2,771,603, respectively, due to be paid to the faculty during June, July, and August, which is included in total accrued faculty and staff salaries for the respective year-end. The University has established an accrual for administrative, staff, and service personnel for accumulated vacation benefits. The accrued accumulated vacation benefits for the years ended May 31, 2020 and 2019 are approximately \$203,373 and \$619,891, respectively. The remaining accrued compensation liability represents restructuring costs associated with severance agreements and early retirement programs for faculty and staff employees based on employees having met specific criteria. These restructuring costs were fully paid as of May 31, 2020. Accrued compensation at May 31 consisted of the following:

	<u>2020</u>	<u>2019</u>
Accrued Compensation:		
Faculty and Staff Salaries	\$ 2,681,446	\$ 2,771,603
Vacation Accrual	203,373	619,891
Termination and Early Retirement		
Incentive Costs	-	711,235
Total Accrued Compensation	<u>\$ 2,884,819</u>	<u>\$ 4,102,729</u>

**NOTE 8 BONDS AND LOANS PAYABLE**

Series 2007 and 2012 Bonds of the University have been issued by Pennsylvania Higher Education Facilities Authority (PHEFA). The University is obligated to the PHEFA under a loan instrument providing for payments equal to the amount of the debt service on the revenue bonds. The University is also required to meet certain liquidity and net revenue covenants.

**LA SALLE UNIVERSITY**  
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**NOTE 8 BONDS AND LOANS PAYABLE (CONTINUED)**

In November 2017, the University issued \$40,050,000 of fixed rate tax-exempt bonds through the Philadelphia Authority for Industrial Development. The bonds were sold at a premium with coupons ranging from 3.5% to 5%. The proceeds of the sale of the bonds were used to finance the current refunding of the Series 2007A, advance refunding of a portion of the Series 2012 Bonds and pay for various capital projects on the University's main campus.

In April 2014, the University obtained a \$10,000,000 line of credit to guarantee its commitment to the purchase of goods and services under a Performance Contracting Agreement with a vendor to improve the University's energy efficiency and water conservation, expected to result in significant savings in the University's utility costs. Borrowings under this line bear interest at London Interbank Offered Rate (LIBOR) rate plus 1.90% (2.13% and 4.35% as of May 31, 2020 and 2019, respectively). Outstanding borrowings against the line were \$1,814,838 and \$6,707,011 at May 31, 2020 and 2019, respectively, which are reported as bonds and loan payable in the statements of financial position. The short-term portion included in the loan payable for the years ended May 31, 2020 and 2019 was \$1,814,838 and \$892,173, respectively.

The following is a summary of bonds and loans payable as of May 31:

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2020</u>	<u>2019</u>
Series 2012 Fixed	Various			
	through 2042	3% to 5%	\$ 83,230,000	\$ 84,300,000
Unamortized Premium			4,798,224	5,021,396
Series 2017 Fixed	Various			
	through 2042	3.5% to 5%	40,050,000	40,050,000
Unamortized Premium			3,429,322	3,588,824
Less: Deferred Bond Issuance Costs			<u>(1,411,723)</u>	<u>(1,477,507)</u>
Subtotal			130,095,823	131,482,713
Loans Payable	2021	2.13% to 4.35%	<u>1,814,838</u>	<u>6,707,011</u>
Total Bonds and Loan Payable			<u>\$ 131,910,661</u>	<u>\$ 138,189,724</u>

The short-term portion of bonds payable for the years ended May 31, 2020 and 2019 was \$1,125,000 and \$1,070,000, respectively.

The total interest expense for the years ended May 31, 2020 and 2019 was \$5,835,024 and \$5,970,665, respectively.

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**NOTE 8 BONDS AND LOANS PAYABLE (CONTINUED)**

Aggregate maturities of bonds and loans payable are as follows as of May 31, 2020:

<u>Year Ending May 31,</u>	<u>Amount</u>
2021	\$ 2,939,838
2022	3,105,000
2023	3,230,000
2024	3,370,000
2025	3,540,000
Thereafter	<u>108,910,000</u>
Total Principal	125,094,838
Unamortized Net Premium	8,227,546
Unamortized Bond Issuance Costs	<u>(1,411,723)</u>
Total Bonds and Loans Payable	<u><u>\$ 131,910,661</u></u>

**NOTE 9 LEASES**

**Operating Leases – Lessee**

The University leases equipment and vehicles under operating leases expiring through 2022. The University leases classroom space under noncancellable operating leases in Montgomery County and Bucks County. The Montgomery County lease ends March 1, 2021. The Bucks County lease is the result of a sale and leaseback transaction executed in fiscal year 2017 and ends January 31, 2022. The future lease payments are included below.

Future minimum lease payments under existing operating leases, including the lease for the classroom space noted above, are as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2021	\$ 724,738
2022	333,970
2023	39,201
2024	37,451
2025	<u>18,726</u>
Total	<u><u>\$ 1,154,086</u></u>

The total rent expense for the years ended May 31, 2020 and 2019 was \$1,061,052 and \$1,322,000, respectively.

**Operating Leases – Lessor**

The University owns properties that are rented to tenants for commercial purposes. Rental income under these leases for the years ended May 31, 2020 and 2019 was \$1,280,895 and \$1,420,820, respectively. The revenue is reported under administrative and other revenues on the statements of activities.



**LA SALLE UNIVERSITY**  
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**NOTE 10 NET ASSETS**

	2020	2019
Net Assets With Donor Restriction (Time or Purpose):		
Pledges Receivable - Purpose and / or Time Restriction	\$ 3,144,559	\$ 3,397,904
Contributions for Scholarships and Academic Programs	3,812,831	3,175,351
Charitable Remainder Trusts - Unrestricted Purposes	401,857	417,637
Endowment - Accumulated Change in Market Value of Investments and Realized Gains	17,296,030	15,245,088
Total Net Asset with Donor Restriction (Time or Purpose)	\$ 24,655,277	\$ 22,235,980
Net Assets With Donor Restriction (Perpetual):		
Funds Held in Trust	\$ 982,309	\$ 951,899
Endowment Pledges Receivable	282,690	255,795
Endowment Principal:		
Scholarships	17,488,584	16,932,141
Academic and General	8,123,781	8,069,170
Total Net Assets With Donor Restriction (Perpetual)	\$ 26,877,364	\$ 26,209,005

**NOTE 11 ENDOWMENT FUNDS**

The University's endowment consists of approximately 150 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

Consistent with governing law, the University classifies as net assets with donor restriction 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 the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified net assets with donor restriction in perpetuity is classified as net assets with donor restriction for time or purpose until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by relevant law. Pennsylvania law permits the board of trustees to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three or more preceding years, provided the board of trustees has determined that such percentage is consistent with the long-term preservation of the real value of such assets.

**LA SALLE UNIVERSITY**  
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**NOTE 11 ENDOWMENT FUNDS (CONTINUED)**

**Return Objectives and Risk Parameters**

Endowment funds include funds actively managed by the University as part of a single commingled investment pool as well as a limited number of individual funds that are separately invested or held in trust by others. The principal financial objective of the endowment pool is that the real purchasing power of the endowment principal should be preserved and if possible enhanced to help ensure the University's financial future. The productivity of the endowment pool must strike a balance between the preservation of principal in real terms for perpetuity and supporting a spending policy that sustains the educational mission of the University. To monitor the effectiveness of the investment strategy of the endowment pool, performance goals are established to exceed the expected real rate of return, established benchmark indices, and the median return of comparable endowment funds.

**Strategies Employed for Achieving Objectives**

The Prudent Investor Rule of the Commonwealth of Pennsylvania views investment prudence on the part of the fiduciary from the standpoint of the total portfolio. Therefore, any reasonable investment may be considered for endowment pool assets as long as the risk and return tradeoff of the entire portfolio is prudent. The University's investment policy includes a target asset allocation, well diversified among suitable asset classes, that is expected to generate, on average, the level of expected return necessary to meet endowment objectives at a responsible level of volatility consistent with achieving that return.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The University has a policy of appropriating for distribution each year up to 5% of its funds based on a prior 12-quarter average endowment market value. In establishing this policy, the University considered the long-term expected return on its funds. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to continue to grow. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The board of trustees annually evaluates and appropriates amounts from the board-designated fund to meet the University's strategic objectives.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as net assets with donor restriction in perpetuity. These deficits result from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments and authorized appropriation that was deemed prudent. Deficiencies of this nature were \$28,090 and \$320,400 on gifts of \$1,000,000 and \$1,386,070 as of May 31, 2020 and 2019, respectively. Such deficiencies are recorded in net assets with donor restrictions.

**LA SALLE UNIVERSITY**  
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**NOTE 11 ENDOWMENT FUNDS (CONTINUED)**

**Net Asset Classifications of Endowment Funds**

Net asset classification by type of endowment and changes in endowment net assets for the year as of May 31, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted	\$ -	\$ 42,908,395	\$ 42,908,395
Board-Designated			
Endowment Funds	37,093,836	-	37,093,836
Total	<u>\$ 37,093,836</u>	<u>\$ 42,908,395</u>	<u>\$ 80,002,231</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Endowment			
Endowment, Beginning of Year	\$ 40,064,894	\$ 40,246,399	\$ 80,311,293
Investment Returns, Net	2,536,605	2,996,883	5,533,488
Contributions and Transfers	649,515	611,054	1,260,569
Appropriations of Endowment			
Assets for Expenditure	(6,157,178)	(945,941)	(7,103,119)
Total	<u>\$ 37,093,836</u>	<u>\$ 42,908,395</u>	<u>\$ 80,002,231</u>

Net asset classification by type of endowment and changes in endowment net assets for the year as of May 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted	\$ -	\$ 40,246,399	\$ 40,246,399
Board-Designated			
Endowment Funds	40,064,894	-	40,064,894
Total	<u>\$ 40,064,894</u>	<u>\$ 40,246,399</u>	<u>\$ 80,311,293</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Endowment			
Endowment, Beginning of Year	\$ 44,879,356	\$ 40,194,153	\$ 85,073,509
Investment Returns, Net	1,227,288	293,097	1,520,385
Contributions and Transfers	(41,750)	952,982	911,232
Appropriations of Endowment			
Assets for Expenditure	(6,000,000)	(1,193,833)	(7,193,833)
Total	<u>\$ 40,064,894</u>	<u>\$ 40,246,399</u>	<u>\$ 80,311,293</u>

**LA SALLE UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**

**NOTE 12 FUNCTIONAL EXPENSES**

The statements of activities present expenses by functional classification, expenses are also presented by their nature.

The table below presents expenses by both their nature and function for the year ended May 31, 2020:

	Salaries and Wages	Employee Benefits	Depreciation	Interest	Services, Utilities, Other	Total
Instruction	\$ 27,606,623	\$ 6,049,208	\$ 1,539,068	\$ 3,466,957	\$ 2,828,323	\$ 41,490,179
Research	74,395	16,302	170,945	8,986	248,816	519,444
Academic Support	6,643,906	1,455,823	864,639	45,449	4,445,221	13,455,038
Student Services and Athletics	9,241,727	2,025,062	891,457	46,858	6,902,312	19,107,416
Public Service	994,353	217,884	62,525	3,287	485,704	1,763,753
Institutional Support	10,204,496	2,236,025	667,307	540,083	11,759,327	25,407,238
Auxiliary Enterprises	85,004	18,625	3,398,273	1,723,404	2,498,703	7,724,009
Total Operating Expenses	<u>\$ 54,850,504</u>	<u>\$ 12,018,929</u>	<u>\$ 7,594,214</u>	<u>\$ 5,835,024</u>	<u>\$ 29,168,406</u>	<u>\$ 109,467,077</u>

The table below presents expenses by both their nature and function for the year ended May 31, 2019:

	Salaries and Wages	Employee Benefits	Depreciation	Interest	Services, Utilities, Other	Total
Instruction	\$ 28,574,029	\$ 6,278,205	\$ 1,548,418	\$ 3,531,119	\$ 3,254,912	\$ 43,186,683
Research	87,284	24,251	171,984	12,842	271,338	567,699
Academic Support	6,797,169	1,490,746	869,892	64,955	5,084,899	14,307,661
Student Services and Athletics	9,388,886	2,144,941	896,873	66,969	7,863,104	20,360,773
Public Service	1,191,692	313,891	62,904	4,697	687,686	2,260,870
Institutional Support	10,772,085	2,393,083	470,839	558,003	13,247,378	27,441,388
Auxiliary Enterprises	100,129	22,041	3,418,916	1,742,306	3,069,509	8,352,901
Total Operating Expenses	<u>\$ 56,911,274</u>	<u>\$ 12,667,158</u>	<u>\$ 7,439,826</u>	<u>\$ 5,980,891</u>	<u>\$ 33,478,826</u>	<u>\$ 116,477,975</u>

Expenses associated with the operation and maintenance of plant, depreciation and interest expense are allocated across all functional expense categories as follows:

Depreciation expenses for buildings and equipment are allocated based on the square footage and use of the building.

Plant Operation and Maintenance expenses for the administration, supervision, operation, maintenance, preservation, and protection of the University's physical plant follow depreciation allocations.

Interest Expense is allocated based on the use of space benefiting from the original debt issue.

For the year ended May 31, 2020, the chart above excludes student emergency financial aid grants totaling \$1,342,350 distributed in response to COVID-19, as described further in Note 1. The functional classification of such grants is scholarship and fellowships.

**LA SALLE UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**

**NOTE 12 FUNCTIONAL EXPENSES (CONTINUED)**

Fundraising costs totaled \$1,867,440 and \$1,710,130 as of May 31, 2020 and 2019, respectively, and are included in institutional support in the table above.

**NOTE 13 RETIREMENT PLANS**

Certain full-time and regular part-time employees of the University are eligible for the University's defined contribution plan. The amounts contributed by the University in fiscal years 2020 and 2019 were \$701,105 and \$712,880, respectively. The University contribution match is equal to 40% of a participant's contribution up to 2% of the participant's regular base salary, subject to certain regulatory limitations.

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

The University is involved in various claims and legal action arising in the ordinary course of business. In the opinion of management, the disposition of these matters will not have a material adverse effect on the University's financial position.

**NOTE 15 RELATED PARTY TRANSACTIONS**

Certain companies in which members of the board of trustees have a financial interest provide a variety of services to the University. The University has a written conflict of interest policy that requires, among other things, that no member of the board of trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable and for the benefit of the University, and are in accordance with applicable conflict of interest laws.

**NOTE 16 RISKS AND UNCERTAINTIES**

Subsequent to May 31, the COVID-19 pandemic continued to impact University operations. With limited exceptions, Summer and Fall 2020 courses will be conducted remotely and our on-campus housing remains closed. As the COVID-19 situation is still evolving, future impacts related to the illness, including the timing of return to on-campus instruction, cannot be determined with certainty.

