MACMURRAY COLLEGE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

May 31, 2019 and 2018

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Independent Auditor's Report

The Board of Trustees
MacMurray College
Jacksonville, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of MacMurray College (College), which comprise the Statements of Financial Position as of May 31, 2019 and 2018, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MacMurray College as of May 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, MacMurray College adopted new accounting guidance as issued by the Financial Accounting Standards Board under Financial Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying "Schedules of Revenue, Gains, and Other Support Without Donor Restrictions" and "Schedules of Expenses Without Donor Restrictions" are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019, on our consideration of MacMurray College'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 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 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 MacMurray College's internal control over financial reporting and compliance.

Sikich LLP

Springfield, Illinois
October 15, 2019

FINANCIAL STATEMENTS

MACMURRAY COLLEGE

STATEMENTS OF FINANCIAL POSITION

May 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,218,648	$ 987,189
Interest receivable	43,500	38,924
Accounts and notes receivable, net of allowance for uncollectible accounts of $1,778,412 and $1,524,850 at May 31, 2019 and 2018, respectively	2,299,661	2,744,794
Unconditional promises to give	3,500	5,000
Inventories	44,143	44,292
Prepaid expenses	231,148	221,973
Land and land improvements	3,294,212	3,294,212
Buildings	29,561,609	27,430,582
Less accumulated depreciation	(18,758,817)	(18,190,848)
Equipment, furniture and fixtures	4,073,950	3,705,584
Less accumulated depreciation	(3,140,446)	(2,886,427)
Other asset	99,653	83,835
Collections	139,694	396,837
Investments	11,910,724	13,684,753
Long-term investments - split-interest agreements	494,687	518,701
Beneficial interests in perpetual trusts	1,081,268	1,141,044
TOTAL ASSETS	$ 32,597,134	$ 33,220,445
LIABILITIES		
Accounts payable and accrued expenses	$ 817,209	$ 1,065,906
Deferred revenue	157,193	195,139
Deposits held for others	61,198	49,464
Line of credit	4,000,000	3,200,000
Bonds payable	5,486,624	3,128,474
Less: debt issuance costs	(75,416)	(81,158)
Liability for split-interest agreements	154,330	151,454
Government grants refundable	2,760,942	2,695,504
Capital lease obligations	124,888	228,951
Total liabilities	13,486,968	10,633,734
NET (DEFICIT) ASSETS		
Without donor restrictions	(1,420,410)	2,340,790
With donor restrictions	20,530,576	20,245,921
Total net assets	19,110,166	22,586,711
TOTAL LIABILITIES AND NET (DEFICIT) ASSETS	$ 32,597,134	$ 33,220,445

See accompanying Notes to Financial Statements.

MACMURRAY COLLEGE

STATEMENTS OF ACTIVITIES

For the Years Ended May 31, 2019 and 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues, gains, and other support		
Tuition and fees (net):		
Tuition and fees	$ 13,134,055	$ 12,422,690
Less scholarships and fellowships	(7,381,565)	(6,499,265)
Net tuition and fees	5,752,490	5,923,425
Contributions	1,420,640	1,550,682
Government grants and contracts	96,981	146,809
Investment income	(123,408)	971,908
Sales and services - auxiliary enterprises	3,352,424	2,704,201
Other income	309,817	153,987
Net assets released from restrictions	284,558	416,442
Total revenue, gains, and other support without donor restriction	11,093,502	11,867,454
Expenses:		
Educational and general expenses:		
Instruction	4,888,870	4,722,753
Academic support	509,371	522,472
Student services	3,942,511	3,870,615
Institutional support	3,598,269	3,335,172
Fundraising	643,968	669,507
Total educational and general expenses	13,582,989	13,120,519
Auxiliary enterprises expenses	1,271,713	1,116,633
Total expenses	14,854,702	14,237,152
Change in net assets without donor restrictions	(3,761,200)	(2,369,698)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	283,492	454,368
Net assets released from restrictions	(284,558)	(416,442)
Change in value of split-interest agreements	(26,336)	2,178
Net realized and unrealized gain on investments and investment income	371,833	323,461
Net (loss) gain on beneficial interests in perpetual trusts	(59,776)	33,189
Change in net assets with donor restrictions	284,655	396,754
CHANGE IN NET ASSETS	(3,476,545)	(1,972,944)
NET ASSETS, BEGINNING OF YEAR	22,586,711	24,559,655
NET ASSETS, END OF YEAR	$ 19,110,166	$ 22,586,711

See accompanying Notes to Financial Statements.

MACMURRAY COLLEGE

STATEMENTS OF CASH FLOWS

For the Years Ended May 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (3,476,545)	$ (1,972,944)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	839,814	770,046
Unconditional promises to give	1,500	(5,000)
Bad debt expense	278,400	46,930
Amortization of bond issuance costs	5,742	(81,158)
Net realized and unrealized (gain) loss on investments	584,994	(883,032)
Noncash gifts	(38,210)	(325,422)
Proceeds from sale of donated investments	41,575	322,057
Contributions restricted for long-term investment	34,362	(208,170)
Investment income restricted for long-term investment	29,290	11,492
Change in actuarial liability of split interest agreements	16,945	108
Change in cash surrender value of life insurance policies	(15,818)	(11,337)
Net loss on beneficial interests in perpetual trusts	59,776	(33,188)
Effects of changes in operating assets and liabilities:		
Accounts and notes receivable	166,733	1,169,031
Interest receivable	(4,576)	(38,924)
Inventories	149	(398)
Prepaid expenses	(9,175)	(11,736)
Accounts payable and accrued expenses	(248,697)	(335,348)
Deferred revenue	(37,946)	(68,331)
Government grants refundable	65,438	(8,224)
Deposits held for others	11,734	(210)
Net Cash from Operating Activities	(1,694,515)	(1,663,758)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(2,517,219)	(3,190,167)
Proceeds from sales of collections	257,143	-
Purchases of investments	(1,944,983)	(3,728,686)
Change in cash held for investments	1,765,028	(1,274,930)
Proceeds from sales / maturities of investments	1,360,349	5,077,568
Net Cash from Investing Activities	(1,079,682)	(3,116,215)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	(34,362)	208,170
Payments on split interest agreements	(14,069)	(17,159)
Payments on capital lease obligations	(104,063)	(104,062)
Proceeds under line of credit	2,300,000	3,700,000
Payments under line of credit	(1,500,000)	(2,503,552)
Payments under note payable	-	(6,000,000)
Proceeds under bonds payable	2,495,504	3,128,474
Payments under bonds payable	(137,354)	-
Net Cash from Financing Activities	3,005,656	(1,588,129)
CHANGE IN CASH AND CASH EQUIVALENTS	231,459	(6,368,102)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	987,189	7,355,291
CASH AND EQUIVALENTS, END OF YEAR	$ 1,218,648	$ 987,189

See accompanying Notes to Financial Statements.

1. ORGANIZATION

MacMurray (College) is a private, coeducational, four-year, liberal arts college, and is affiliated with the United Methodist Church. The College was founded in 1846 and is located in Jacksonville, Illinois. The College attracts the majority of its students from Illinois.

The significant accounting policies followed by the College are described below to enhance the usefulness of the financial statements to the reader.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

Cash and Cash Equivalents

All liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents. Portions of the College’s cash held for investment are included with investments on the Statement of Financial Position.

Accounts and Notes Receivable

Student Accounts

Student accounts receivable are uncollateralized student obligations which generally require payment within fifteen days from the invoice date. Accounts receivable are stated at the invoice amount.

Account balances with invoices over ninety days old and no consistent payments being made are considered delinquent. Payments of accounts receivable are applied to the earliest unpaid invoices unless a specific term is indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts and Notes Receivable (Continued)

Student Accounts (Continued)

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific student accounts and the aging of the accounts receivable.

Perkins Loan Fund

U.S government student loan funds represent funds invested in the Federal Perkins Loan Program. As part of the Program, the federal government contributed the majority of the funding and the College contributed the balance. The federal contribution is carried as a liability because it is refundable upon closure of the program. Scenarios requiring refunding by the College include dissolution of the College as an accredited college or a decision by the federal government to discontinue the Program. Should such an event occur, repayment of loan balance would likely take place as the remaining student balances are repaid to the College, which would normally occur within a ten-year repayment period. The authority to make new Perkins loans ended September 30, 2018, with disbursements permitted through June 30, 2019 for students with existing Perkins loans. The College will be required to return the federal contribution and may continue servicing their Perkins loans or assign the Perkins loans to the Department of Education.

The Perkins loan fund consists of amounts due from the Federal Perkins Loan Program for former and current students. The Perkins loans are guaranteed by the federal government, bear interest of 5.0% and are payable over 10 years upon graduation. The carrying amount of notes receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected.

The Perkins allowance for doubtful accounts is intended to provide for defaulted loans that have not been assigned to the Department of Education for collection as well as a percentage of loans outstanding based on the College's cohort default rate. Perkins loans are considered to be in default after 270 days past due. The Perkins cohort default rate was 36.1% and 27.5% for the years ended May 31, 2019 and 2018, respectively. Interest and late fees accrue while the loans are in repayment status; however, revenue is not recognized until paid.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts and Notes Receivable (Continued)

Student Forgivable Loan Program

The student forgivable loan program represents funds advanced to students by the College under an institutional managed loan program. Eligible students may borrow up to $5,000 per academic year with a maximum loan of $20,000 for the student's lifetime. Loans are forgiven at a rate of 20% for each year of full-time attendance allowing for a maximum of 80% forgiveness provided the student maintains continuous enrollment and graduates from the College. Students who do not maintain grades in accordance with the College's standards of academic progress will have their forgiveness reduced by 10% for every semester that falls below the standard progress criteria. Students who transfer, withdraw, fail out, or are administratively withdrawn from the College forfeit the forgiveness of the loan. Repayment of loans begins six months after any of the following occur 1) Graduation, 2) Dismissal or withdrawal from the College, or 3) Student ceases to be enrolled at least half-time. Effective June 1, 2016, the College will no longer enroll new students in the program, however, eligible students currently participating in the program will continue to be able to borrow under the terms of the program.

The carrying amount of the student loans is reduced by a valuation allowance that reflects management's best estimate of amounts that will be forgiven and be uncollectable. The College determines the allowance for estimated losses on student loans receivable by reviewing historical default rates and analyzing the aging of past due student accounts receivable. Student loans are reported at the principal amount of the promissory notes. Interest accrues according to the terms of the loan.

For the years ended May 31, 2019 and 2018, bad debt expense for accounts and notes receivable was:

	2019	2018
Student accounts and forgivable loan program	$ 187,519	$ 22,767
Perkins loan program	90,881	24,163
Total	$ 278,400	$ 46,930

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received. Unconditional promises that management expected to receive in more than one year were reported at fair value initially and discounted using present value techniques.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. The Board adopted a policy to capitalize assets with a cost greater than or equal to $5,000. Depreciation on all property and equipment is computed on a straight-line basis over the estimated useful lives of the respective assets.

Contributed property and equipment is recorded at fair value at the date of donation. If the donor stipulates how long the assets must be used, the contributions are recorded as donor restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restriction.

Estimated useful lives employed are:

40	years on new buildings
20	years on used buildings, and building improvements
15	years on land improvements and garage
10	years on telephone equipment
7	years on furniture and fixtures
5	years on outdoor athletic facilities, office equipment, software, tools and shop equipment, vehicles, and memorials
3	years on library books

The College retired $17,825 and $85,165 of property and equipment for the years ended May 31, 2019 and 2018, respectively.

Investment Valuation and Income Recognition

Investments include equity and debt securities, and certificates of deposit. Investments in equity and debt securities are carried at fair value with unrealized and realized gains and losses on investments reported as an increase or decrease in net assets with or without donor restriction based upon donor-imposed restrictions. Investment income whose restrictions are met in the same reporting period are treated as support without donor restriction and are presented on the Statements of Activities net of external and direct internal expenses. Certificates of deposit are carried at cost which approximates fair value. Investments received as gifts are recorded at the fair value or appraised value at the date of gift unless the College becomes aware of any impairment in value.

Collections

Collections consist of art objects and artifacts of historical and educational significance. Collections are capitalized at either the cost at the purchase date or, if the items were contributed, at the fair value at the date the item was accepted into the collection.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interests in Perpetual Trusts

The College records its proportionate share of trusts held by others using the fair value of each trust's underlying assets. Income is recognized as it is distributed.

Mineral Rights

The College was the recipient of mineral rights and receives royalties from these rights on an annual basis. No value has been recorded in the financial statements for these mineral rights. The royalties from these mineral rights fluctuate significantly from year to year based off of numerous factors such as market price and production volume. The royalty income is recognized when received. For the years ended May 31, 2019 and 2018, royalties received were $40,029 and $47,432, respectively. These royalties are included in investment income in the accompanying financial statements.

Compensated Absences

The College provides for compensated time off. Based upon date of hire and lengths of employment, employees earn vacation time. For the year ended May 31, 2018, employees were allowed to carry over up to twenty days of vacation time to the next fiscal year. As of June 1, 2018, employees are allowed to carry over a maximum accrual amount of 225 hours, which is 1.5 times their normal vacation accrued per year. Once vacation accumulation reaches the maximum accrual amount, employees no longer accrue vacation until their balance falls below the maximum. Upon leaving employment, employees are reimbursed for any unused vacation. Unpaid compensated absences are included within accrued expenses on the Statements of Financial Position.

Student Financial Aid Entitlement Programs

Federal and state entitlement funds are received on behalf of certain eligible students. Presented in the financial statements related to these programs are notes receivable for loans made to students and government grants refundable for student loan repayment amounts which are available for additional loans to students or repayment to the federal government.

Net Assets

Net assets are classified into one of two classes of net assets based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Without Donor Restriction
Net assets without donor restrictions includes all net assets which do not have donor-imposed restrictions. Therefore, net assets received without donor restrictions but restricted by resolution of the Board of Trustees are also classified as board designated net assets without donor restriction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

With Donor Restriction

Net assets with donor restrictions are net assets from contributions that have restrictions placed on their use by donors and those restrictions are removed by the passage of time or by the institution meeting donor-imposed requirements. Contributions which are restricted, but their restrictions are satisfied within the same year as they are received, are classified as without donor restriction. Items that affect this net asset category are gifts for which restrictions have not been met, annuity and life income gifts for which the ultimate purpose of the proceeds is not donor restricted, and gifts restricted for capital projects not yet under construction.

Some net assets with donor restrictions are net assets from contributions that have donor-imposed restrictions as to their use that cannot be removed by the passage of time or by the actions of the College. Items that affect this net asset category include gifts donors stipulate that corpus be held in perpetuity (primarily gifts for endowment) and only the income be made available for program operations and annuity and life income gifts for which the ultimate purpose of the proceeds is with donor restriction.

Revenue Recognition

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in the net asset category corresponding to the underlying financial instrument. Tuition and fees are reported as increases in net assets without donor restriction when earned. Sales and services – auxiliary enterprises are reported as increases in net assets without donor restriction when earned. Contributions, including unconditional promises to give, are recognized as revenues in the period received.

Deferred revenue represents amounts received related to the College’s management agreement, as discussed in Note 20, and the Independent Colleges Capital Program (ICCAP) for funds received and not yet spent on approved capital projects.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Expenses are recognized when they are incurred. The costs of providing various programs have been summarized on a functional basis in the Statements of Activities and in the Statement of Functional Expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Operations and maintenance expenses, including depreciation and amortization, are allocated based on estimated square footage of buildings and the estimated usage of the building. Expenses specifically identifiable with a program, including payroll and related expenses, are charged to that program. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the College.

Advertising

Advertising costs are expensed as incurred. During the years ended June 30, 2019 and 2018, the College incurred advertising expenses totaling $82,964 and $100,905, respectively.

Income Taxes

The College is recognized as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been classified as an organization that is not a private foundation under section 509(a)(2). Only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The College accounts for income taxes in accordance with income tax accounting guidance in FASB ASC Topic 740.

Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended by ASU No. 2015-14, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU No. 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. The College is currently assessing the impact of this new standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842),* to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02 is effective for nonpublic entities for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new lease standards at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The College is currently assessing the impacts of this new standard, including the two optional transition methods.

In August 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 provides guidance to help distinguish if grants and contracts with resource providers are exchange transactions or contributions. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018. The College is currently assessing the impact of this new standard.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and direct internal investment expenses, (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The College has adopted this ASU and has applied the changes retrospectively to all periods presented except for the disclosures around liquidity and availability of resources and analysis of expenses by nature and function. The disclosures have been presented for 2019 only, as allowed by ASU No. 2016-14.

Subsequent Events

The College has evaluated subsequent events through October 15, 2019, which was the date that these financial statements were available for issuance and determined that there were no significant non-recognized subsequent events through that date.

3. CONCENTRATION OF CREDIT RISK

Cash balances are maintained in several financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At May 31, 2019 and 2018, uninsured balances were $1,151,735 and $2,266,667, respectively. The risk is managed by maintaining all deposits in high quality financial institutions.

4. ACCOUNTS AND NOTES RECEIVABLE

	2019	2018
Student accounts	$ 726,272	$ 463,328
Allowance for doubtful accounts	(520,919)	(338,488)
Total student accounts receivable	205,352	124,840
Perkins loan program	2,905,534	3,238,289
Allowance for doubtful accounts	(944,910)	(854,029)
Total Perkins loan program	1,960,624	2,384,260
Forgivable loan program	445,779	558,137
Allowance for doubtful accounts	(312,583)	(332,333)
Total Forgivable loan program	133,196	225,804
Other accounts receivable	489	9,890
Total	$ 2,299,661	$ 2,744,794

Federal Perkins loans are loans for which the College acts as an agent for the Federal government in administering the loan program. As an agent for the Federal government, the Perkins loan portfolio is guaranteed by the United States Department of Education. There are, therefore, no impaired or nonperforming loans and no modifications to loan terms executed by the College because amounts that become old or past due are in due course turned back over to the Department of Education. Funds advanced by the Federal government of $2,760,942 and $2,695,504 at May 31, 2019 and 2018, respectively, are ultimately refundable to the government and are classified as liabilities in the Statements of Financial Position.

4. ACCOUNTS AND NOTES RECEIVABLE (Continued)

The College determined their allowance for estimated losses on Perkins loans and the forgivable loan program by looking at historical default rates and analyzing the aging of the past due loans.

Classes of loans at May 31, 2019:

	Not in Repayment	Current	< 240 days	240 days to 2 years	2 years – 5 years	More than 5 years	Total
Perkins loan fund	$1,178,451	$ 500,987	$ 142,112	$ 163,819	$ 221,915	$ 698,250	$ 2,905,534
Forgivable loan fund	100,959	24,735	5,033	142,396	164,792	7,864	445,779
	$ 1,279,410	$ 525,722	$ 147,145	$ 306,215	$ 386,707	$ 706,114	$ 3,351,313
Percentage of total loan portfolio	38.18%	15.69%	4.39%	9.13%	11.54%	21.07%	100.00 %

Classes of loans at May 31, 2018:

	Not in Repayment	Current	< 240 days	240 days to 2 years	2 years – 5 years	More than 5 years	Total
Perkins loan fund	$1,468,551	$ 525,089	$ 289,014	$ 119,931	$ 213,521	$ 622,183	$ 3,238,289
Forgivable loan fund	201,487	11,527	70,269	135,827	135,561	3,466	558,137
	$ 1,670,038	$ 536,616	$ 359,283	$ 255,758	$ 349,082	$ 625,649	$ 3,796,426
Percentage of total loan portfolio	43.99%	14.13%	9.46%	6.74%	9.20%	16.48%	100.00%

5. BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The College is the beneficiary of two trusts created by donors, the assets of which are not in the possession of the College. The College has legally enforceable rights and claims to such assets, including the sole right to income therefrom. Net realized and unrealized gains and losses related to the beneficial interests are reported as changes in net assets with donor restriction based on explicit donor stipulations. The fair value at May 31, 2019 and 2018 of those beneficial trusts were as follows:

	2019	2018
Dinwiddie Irrevocable Trust	$ 581,247	$ 613,818
Brown Charitable Trust	500,021	527,226
Total	$ 1,081,268	$ 1,141,044

6. INVESTMENTS

Investments consisted of cash held for investment, certificates of deposit, mutual funds, corporate bonds, and corporate stocks.

	2019	2018
Cash held for investment – held for endowment	$ 37,994	$ 1,700,850
Long-term investments – held for endowment	11,872,730	11,983,903
Cash held for investment – split interest agreements	15,799	1,130
Long-term investments – split-interest agreements	478,888	517,571
Total investments	$ 12,405,411	$ 14,203,454

At May 31, 2019 and 2018, investments consisted of the following:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash held for investment	$ 53,793	$ 53,793	$ 1,701,980	$ 1,701,980
Certificates of deposit	38,389	38,389	38,389	38,389
Corporate stocks	30,013	58,872	79,940	71,933
Bonds	3,326,799	3,334,429	3,267,873	3,168,989
Mutual funds	6,475,553	8,919,928	6,156,551	9,222,163
Total	$ 9,924,547	$12,405,411	$11,244,733	$14,203,454

7. FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the College to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

7. FAIR VALUE MEASUREMENTS (Continued)

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

The College recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended May 31, 2019 and 2018.

Valuation Techniques

Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended May 31, 2019 and 2018.

- *Corporate stock:* Valued at the closing quoted price in an active market.

- *Bonds:* Valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

- *Mutual funds*: Valued at the NAV of shares on the last trading day of the fiscal year.

- *Beneficial interests in perpetual trusts*: Valued using the fair value of the assets held in the trust reported by the trustee as of May 31, 2019 and 2018. The College considers the measurement of its beneficial interest in the perpetual charitable trust to be a Level 3 measurement within the hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the College will never receive those assets or have the ability to direct the trustee to redeem them.

- *Split-interest agreements*: The actuarial method is utilized to record the liability for split-interest agreements. Assets are recorded at fair value at date of receipt, and a liability is recorded based on the present value of the agreement utilizing life expectancy tables as set forth in the Internal Revenue Code (IRC). On an annual basis, an adjustment is made to the liability to record an actuarial gain or loss based on a re-computation of the donor's revised life expectancy. Upon termination of the agreement, the values are transferred to the appropriate net asset classification, in accordance with the wishes of the donor. These liabilities were classified as Level 3 within the fair value hierarchy.

7. FAIR VALUE MEASUREMENTS (Continued)

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

The following table presents assets and liabilities measured at fair value on a recurring basis at May 31, 2019:

	Level 1	Level 2	Level 3	Total
Assets:				
Corporate stock:				
Finance	58,872	-	-	58,872
Total corporate stocks	58,872	-	-	58,872
Bonds:				
Corporate bonds	-	878,779	-	878,779
Government bonds	-	543,841	-	543,841
Municipal bonds	-	1,911,809	-	1,911,809
Total bonds	-	3,334,429	-	3,334,429
Mutual funds:				
Fixed income funds	$ 109,550	$ -	$ -	$ 109,550
Growth funds	7,456,406	-	-	7,456,406
International funds	1,305,363	-	-	1,305,363
Other	48,609	-	-	48,609
Total mutual funds	8,919,928	-	-	8,919,928
Beneficial interests in perpetual trusts	-	-	1,081,268	1,081,268
Total	$ 8,978,800	$3,334,429	$1,081,268	13,394,497
Cash held for investment				53,793
Certificates of Deposit				38,389
Total				$ 13,486,679
Liabilities:				
Split-interest liabilities	$ -	$ -	$ 154,330	$ 154,330

7. FAIR VALUE MEASUREMENTS (Continued)

The following is a reconciliation of total assets measured at fair value to the Statement of Financial Position:

	2019
Long-term investments – held for endowment	$ 11,910,724
Long-term investments – split-interest agreements	494,687
Beneficial interests in perpetual trusts	1,081,268
Total assets measured at fair value	$ 13,486,679

The following table presents assets and liabilities measured at fair value on a recurring basis at May 31, 2018:

	Level 1	Level 2	Level 3	Total
Assets:				
Corporate stock:				
Oil & gas	1,680	-	-	1,680
Finance	66,888	-	-	66,888
Industrials	3,365	-	-	3,365
Total corporate stocks	71,933	-	-	71,933
Bonds:				
Corporate bonds	-	844,272	-	844,272
Government bonds	-	605,267	-	605,267
Municipal bonds	-	1,719,450	-	1,719,450
Total bonds	-	3,168,989	-	3,168,989
Mutual funds:				
Fixed income funds	$ 107,328	$ -	$ -	$ 107,328
Growth funds	7,980,212	-	-	7,980,212
International funds	1,064,296	-	-	1,064,296
Other	70,327	-	-	70,327
Total mutual funds	9,222,163	-	-	9,222,163
Beneficial interests in perpetual trusts	-	-	1,141,044	1,141,044
Total	$ 9,294,096	$3,168,989	$1,141,044	13,604,129
Cash held for investment				1,701,980
Certificates of Deposit				38,389
Total				$ 15,344,498
Liabilities:				
Split-interest liabilities	$ -	$ -	$ 151,454	$ 151,454

7. FAIR VALUE MEASUREMENTS (Continued)

The following is a reconciliation of total assets measured at fair value to the Statement of Financial Position:

	2018
Long-term investments – held for endowment	$ 13,684,753
Long-term investments – split-interest agreements	518,701
Beneficial interests in perpetual trusts	1,141,044
Total assets measured at fair value	$ 15,344,498

The following table presents the changes in Level 3 instruments measured on a recurring basis using significant unobservable inputs for years ended May 31, 2019 and 2018, respectively.

Beneficial interests in perpetual trusts:

	2019	2018
Balance, beginning of period	$1,141,044	$1,107,856
Beneficial interest in trust distribution	(51,919)	(46,216)
Total realized/unrealized losses	(7,857)	79,404
Balance, end of period	$1,081,268	$1,141,044

Split-interest Liabilities:

	2019	2018
Balance, beginning of period	$ 151,454	$ 168,505
Payments to annuitants	(14,069)	(17,159)
Change in actuarial liability	16,945	108
Balance, end of period	$ 154,330	$ 151,454

8. NOTES AND BONDS PAYABLE, CAPITAL LEASES AND LINE OF CREDIT

On August 16, 2017 the College signed a loan agreement with the City of Jacksonville, Morgan County, Illinois that provides Economic Development Revenue Bonds, Series 2017 in the principal amount of $6,000,000. The bonds carry a fixed interest rate equal to the 5 year treasury rate plus 100 basis points, with adjustment on July 20, 2022 and 2027. The interest rate on the bonds as of May 31, 2019 was 2.82%. The bonds require monthly payments commencing August 20, 2017 and maturing on July 20, 2032. The loan agreement has been assigned to Bank of Springfield and is secured by the College's property and endowment. The bond contains a covenant which requires audited financial statements within 120 days after the close of the fiscal year.

8. NOTES AND BONDS PAYABLE, CAPITAL LEASES AND LINE OF CREDIT (Continued)

Future minimum payments under the bonds payable as of May 31, 2019 are as follows:

2020	$ 281,280
2021	348,302
2022	358,252
2023	368,486
2024	378,714
2025 and beyond	3,751,590
Total	$ 5,486,624

Bond issuance costs of $86,129 were incurred for bond issuance, the underwriter's fee, bond counsel, and other related costs. These will be amortized over the fifteen-year period of the bonds. Amortization for the year ended May 31, 2019 was $5,742.

The College had the following lease obligations:

Capital lease obligation to First American Equipment Finance in the principal amount of $115,499 and $197,029 at May 31, 2019 and 2018, respectively, which is secured by the equipment purchased. The lease has a lease rate factor at 5.61% and requires 20 quarterly payments of $22,869 with a final payment November 2020.

Capital lease obligation to First American Equipment Finance in the principal amount of $9,389 and $31,922 at May 31, 2019 and 2018, respectively, which is secured by the equipment purchased. The lease has a lease rate factor at 9.06% and requires 12 quarterly payments of $6,126 with a final payment October 2019.

Future minimum lease payments under the capital leases as of May 31, 2019 are as follows:

2020	$ 101,686
2021	38,115
Total minimum lease payments	139,801
Less amounts representing interest	(14,913)
Total minimum lease payments	$ 124,888

The value of the equipment purchased under capital leases as of May 31 is as follows:

	2019	2018
Cost	$ 475,245	$ 606,635
Less accumulated depreciation	(102,434)	(200,645)
Total	$ 372,811	$ 405,990

8. NOTES AND BONDS PAYABLE, CAPITAL LEASES AND LINE OF CREDIT (Continued)

In addition, the College had the following line of credit agreement:

Line of credit payable to Bank of Springfield with a total available of $4,000,000 at May 31, 2019. The line of credit matures September 30, 2018 and is secured by the investment portfolio. The line of credit bears interest on the outstanding balance at the Prime rate index minus .75%, or 4.75% at May 31, 2019. Total payment of principal and accrued interest is due on September 30, 2019. At May 31, 2019 and 2018, the outstanding balance was $4,000,000 and $3,200,000, respectively.

The line of credit agreement contains a covenant which requires financial statements and annual tax returns at such frequencies as the lender may reasonably request.

9. OPERATING LEASES

The College leases office and communication equipment under lease terms ranging from 12 months to 60 months. Generally, these leases include cancellation provisions which can be exercised during the lease term. Rental expense incurred for these leases during the years ended May 31, 2019 and 2018 was $66,582 and $68,996, respectively.

Future minimum payments under these leases are as follows:

Fiscal Year	
2020	$ 87,605
2021	91,423
2022	91,423
2023	88,415
2024	59,487
Total	$ 418,353

10. U.S. GOVERNMENT STUDENT LOAN FUNDS

The U.S. government student loan funds consist of the Federal Capital Contributions, interest, and loan cancellations for the Federal Perkins Loan program. The College's Perkins Loan program is funded through a revolving loan fund maintained by the College and provides for long-term, low-interest loans to students. The revolving loan fund was established with a Federal Capital Contribution and a matching Institutional Capital Contribution. Repayment of principal, interest, new Federal Contributions and the Institutional Contributions are deposited into the fund. Students who enter certain public, military, or teaching service employment are eligible to have all or part of their loans cancelled. The College is reimbursed by the Federal government for principal of the loans cancelled. The Federal government has not reimbursed the College for these cancellations during the last 5 years. At May 31, 2019 and 2018 the liability for federal contributions to this program was $2,760,942 and $2,695,504, respectively. If the program concludes, the College would be required to return these funds to the Federal government.

11. INTERFUND BORROWING

The College has received contributions with donor restrictions that cannot be removed by the passage of time or by the actions of the College which require the College to maintain the principal of those contributions in perpetuity. At May 31, 2019 and 2018, the College had borrowings from the donor restricted contributions of $6,657,129 and $4,480,520, respectively. The College will make payments to repay internal borrowings as approved by the Board of Trustees annually.

The College last borrowed from the donor restricted funds during the year ended May 31, 2019. The College has established an inter-fund receivable/payable to account for the borrowing. In the accompanying Statements of Financial Position at May 31, 2019 and 2018, the inter-fund receivables/payables have been eliminated in accordance with financial statement presentation guidelines.

12. NET ASSETS

Net assets without donor restrictions is comprised of undesignated and Board designed amounts for the following purposes as of May 31:

	2019	2018
Undesignated	$ (1,714,547)	$ 2,044,861
Board designated for endowment	294,137	295,929
Total	$ (1,420,410)	$ 2,340,790

Net assets with donor restrictions that can be removed by the passage of time or by the actions of the College are available for the following purposes as of May 31:

	2019	2018
Scholarships	$ 82,512	$ 82,193
Time restrictions - split-interest agreements	203,570	229,906
Capital improvements	170,982	153,134
Academic departments	99,499	109,120
Operations and maintenance	217,174	287,679
Other	111,238	84,706
Total	$ 884,975	$ 946,738

12. NET ASSETS (Continued)

Net assets with donor restrictions that cannot be removed by the passage of time or by the actions of the College consist of the following purposes as of May 31:

	2019	2018
Investment in perpetuity, the income from which is expendable to support:		
Scholarships	$ 15,077,610	$ 15,063,623
Beneficial interests in perpetual trusts	1,081,268	1,141,045
Split-interest agreements	51,958	51,958
Instruction and other	3,143,638	2,751,430
Operation and maintenance of facilities	291,127	291,127
Total	$ 19,645,601	$ 19,299,183

13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2019	2018
Scholarships	$ 22,556	$ 14,033
Capital improvements	144,556	139,582
Academic departments	32,559	134,065
Other	84,887	128,762
Total	$ 284,558	$ 416,442

14. ENDOWMENTS

The College's endowment consists of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, 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.

Sometimes, the Board of Trustees designates a portion of net assets without donor restriction for a specific purpose, project, or investment. Such board designations are not restrictions because only donor-imposed limitations result in restricted net assets. Further, the board at its discretion can reverse self-imposed limitations.

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

14. ENDOWMENTS (Continued)

As a result of this interpretation, the College classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 as net assets to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. All such amounts had been appropriated as of May 31, 2019 and 2018, respectively.

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

The endowment assets are invested in accordance with predetermined asset allocation and performance benchmarks. To satisfy its long-term rate-of-return objectives, the College 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). Currently, the College is utilizing operating income to fund endowed activities. The endowed investment income released from restriction is being utilized to repay interfund borrowing, see note 10. The spending policy provides for appropriation of 4% of the average fair market value over the previous 12 quarter period. The Board of Trustees has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

During the year ended May 31, 2019, the College had the following endowment-related activities:

	Endowment Funds without Donor Restriction	Endowment Funds with Donor Restriction	Total
Endowment net assets, beginning of year	$ 295,929	$ 19,529,089	$ 19,825,018
Investment return:			
Investment income	(123,408)	564,672	441,264
Net depreciation (realized and unrealized)	-	(197,134)	(197,134)
Transfer of income	123,408	(123,408)	-
	295,929	19,773,219	20,069,148
Net loss on perpetual trusts	-	(59,776)	(59,776)
Actuarial loss on split-interest agreements	-	(22,041)	(22,041)
Contributions to endowment	-	283,492	283,492
Appropriation of endowment assets for expenditure	(1,792)	(125,223)	(127,015)
ENDOWMENT ASSETS, END OF YEAR	$ 294,137	$ 19,849,671	$ 20,143,808

14. ENDOWMENTS (Continued)

During the year ended May 31, 2018, the College had the following endowment-related activities:

	Endowment Funds without Donor Restriction	Endowment Funds with Donor Restriction	Total
Endowment net assets, beginning of year	$ 358,913	$ 18,962,091	$ 19,321,004
Investment return:			
Investment income	971,908	(548,429)	423,479
Net depreciation (realized and unrealized)	-	855,084	855,084
Transfer of income	(971,908)	971,908	-
	358,913	20,240,654	20,599,567
Net gain on perpetual trusts	-	33,189	33,189
Actuarial gain on split-interest agreements	-	18,984	18,984
Contributions to endowment	-	208,170	208,170
Appropriation of endowment assets for expenditure	(62,984)	(971,908)	(1,034,892)
ENDOWMENT ASSETS, END OF YEAR	$ 295,929	$ 19,529,089	$ 19,825,018

Endowments consist of the following as of May 31:

	2019	2018
Net assets with donor restrictions		
Beneficial interest in perpetual trusts to be held in perpetuity	$ 1,081,268	$ 1,141,044
Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or Illinois UPMIFA	18,564,833	18,158,139
Term endowment funds	203,570	229,906
	19,849,671	19,529,089
Net assets without donor restrictions		
Board designated endowments	294,137	295,929
Total endowment assets	$20,143,808	$19,825,018

From time-to-time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of restricted contributions. There were no deficiencies of this nature that are reported in net assets with donor restriction as of May 31, 2019 and 2018, respectively. As discussed in note 11, the College has borrowings of $6,657,129 and $4,480,520, at May 31, 2019 and 2018, respectively, from the from the perpetual endowment funds and thus does not have enough assets to satisfy the original donor restrictions.

15. RETIREMENT PLAN

The College has established a defined contribution plan covering all employees of the College, who are not part of an excluded class of employees and who have performed one year of service or received an educational waiver. Excluded classes of employees include students and adjunct professors. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. Prior to 2011, the College had established two employee benefit plans (defined contribution (DC) and tax deferred annuity (TDA)). The DC plan was available to eligible employees following a one year waiting period. Prior to January 1, 2009 the College contributed an amount equal to 4% of each qualifying employee's salary on their behalf and matched individual contributions to the plan to a maximum of 7 1/2% of each participant's salary. Subsequent to January 1, 2009 the College amended their plan to allow for discretionary employer matching contributions rather than mandatory employer contributions. The TDA plan was made available to all eligible employees that do not meet the eligibility requirements for the DC plan. This plan provided for only employee deferrals with no employer contributions. The plans were merged effective January 1, 2011 to simplify plan administration and cost through maintenance of a single plan document and plan summary, and to reduce cost and complexity of the annual filing and audit requirements.

For the year ended May 31, 2019 and 2018, the College made retirement contributions for eligible employees in the amount of $273,513 and $245,363, respectively.

16. SPLIT-INTEREST AGREEMENTS

The College has entered into several charitable gift annuity agreements which require the College to make annual payments totaling $14,069 and $17,159 as of May 31, 2019 and 2018, respectively to donors over their respective life expectancies.

Assets held in the charitable remainder trusts totaled $494,687 and $518,701 at May 31, 2019 and 2018, respectively, and are reported at fair value in the College's Statements of Financial Position.

On an annual basis, the College revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. At May 31, 2019 and 2018, the present value of the estimated future payments ($154,330 and $151,454) was calculated using discount rates of 4.75% and 4.00% and applicable mortality tables, respectively.

17. EXPENSES

Expenses, including allocation of depreciation and interest, are reported by program and supporting functions in the Statements of Activities for the years ended May 31, 2019 and 2018. For additional disclosure, the following schedules of expenses by natural classification are presented:

	Programs						
	Educational Services	Auxiliary Services	Total Programs	Management & General	Fundraising	2019 Total	2018 Total
Salaries	$ 4,739,118	$ 54,767	$ 4,793,885	$ 1,209,244	$ 262,663	$ 6,265,792	$ 6,340,387
Employee benefits	1,019,571	51,094	1,070,665	348,452	49,393	1,468,510	1,463,451
Professional fees	829,612	-	829,612	849,936	79,733	1,759,281	1,671,616
Supplies, equipment rental and maintenance	610,154	15,329	625,483	119,819	20,273	765,575	571,124
Telephone	37,638	1,200	38,838	18,529	960	58,327	69,537
Postage and shipping	6,182	-	6,182	39,905	4,227	50,314	47,097
Occupancy	314,110	133,586	447,696	150,997	28,506	627,199	575,988
Printing	15,004	-	15,004	75,605	430	91,039	113,648
Travel	159,039	-	159,039	8,175	6,068	173,282	215,033
Professional development	54,009	442	54,451	11,326	125	65,902	60,782
Insurance	134,707	24,964	159,671	95,070	10,495	265,236	241,729
Advertising and recruiting	76,351	-	76,351	111,104	-	187,455	215,515
Student programs and dining hall	52,726	875,501	928,227	-	61,293	989,520	829,421
Dues and memberships	74,916	312	75,228	38,755	5,252	119,235	94,176
Subscriptions	74,534	-	74,534	-	106	74,640	81,242
Internet and cable (Technology)	62,829	1,789	64,618	29,397	21,469	115,484	73,772
Miscellaneous	64,160	1,326	65,486	-	543	66,029	82,345
Gifts and awards	81,345	2,046	83,391	112,330	43,851	239,572	470,324
Depreciation	524,110	79,043	603,153	203,430	33,231	839,814	770,046
Bad debt expense	187,978	-	187,978	90,422	-	278,400	46,930
Interest	222,659	30,314	252,973	85,773	15,350	354,096	202,989
Total expenses	$ 9,340,752	$ 1,271,713	$10,612,465	$ 3,598,269	$ 643,968	$14,854,702	$14,237,152

18. CASH FLOW DISCLOSURES

Cash paid for interest for the years ending May 31, 2019 and 2018 was $354,096 and $202,989, respectively.

19. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the College is subject to proceedings, lawsuits, and other claims including proceedings under government laws and regulations. Certain of these proceedings are covered by insurance. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. While these matters could affect the operating results when resolved in future periods, management believes that after final disposition, any monetary liability or financial impact would not be material to the financial statements.

In addition, net assets with donor restrictions were used to fund current operations. At May 31, 2019 and 2018, the amount borrowed from net assets with donor restrictions was $6,657,129 and $4,480,520, respectively.

The College had outstanding construction commitments and purchases of approximately $1,967,805 as of May 31, 2018.

Participation in the Federal Student Aid program requires the College to satisfy the standards of financial responsibility set forth by the Department of Education. For the year ended May 31, 2019, the College has a composite score of less than 1.5 and therefore did not meet the financial responsibility standards. To continue participation in the program, the College participated in the provisional certification alternative. The U.S. Department of Education requires a letter of credit equal to a minimum of 10% of the Federal Student Aid program funds received during the most recently completed fiscal year. The College had a letter of credit on file with the U.S. Department of Education in the amount of $532,525 as of May 31, 2019.

20. MANAGEMENT AGREEMENTS

Beginning March 3, 2014, the College outsourced its maintenance and housekeeping services to National Management Corporation. The term of the agreement is from March 3, 2014 for an initial period of five years, thereafter automatically renewed for a period of five years unless either party notifies the other of its intent not to renew in writing by certified mail at least 120 days prior to the anniversary date. The College has agreed to pay National Management Corporation $803,065 for each twelve-month period beginning, March 1, 2014 and the term of the agreement adjusted annually subject to increase by 2.5% on each anniversary of the commencement date, payable in twelve advance installments on the first day of each calendar month during the term. As part of the agreement, National Management gave MacMurray College $200,000 for use in the upgrading and repairs of College facilities. Upon any termination of the agreement prior to the expiration date, the College is required to reimburse National management the “Reimbursement amount” defined as the unamortized amount remaining of the original $200,000. Amortization shall be by the straight line method over a ten (10) year period beginning March 1, 2014. The unamortized amount is recorded in deferred revenue in the accompanying financial statements. On March 3, 2019, the College amended the agreement to extend the period to May 31, 2019. On June 1, 2019 the College renewed the agreement for five years.

20. MANAGEMENT AGREEMENTS (Continued)

Beginning January 24, 2014, the College outsourced security services to Synergy Corporation. The agreement is for five years and shall automatically renew on the same terms for an indefinite number of successive five-year terms (not to exceed four additional terms) unless either party shall give written notice of termination by certified mail to the other party not less than 120 days prior to the end of the then current term. The College has agreed to pay Synergy Corporation $140,637 for each twelve-month period beginning, March 1, 2014, and for the term of the agreement adjusted annually subject to increase by 2.5% on each anniversary of the commencement date, payable in twelve advance installments on the first day of each calendar month during the term. On March 3, 2019, the College amended the agreement to extend the period to May 31, 2019. On June 1, 2019 the College renewed the agreement for five years.

Beginning, June 1, 2012, the College outsourced its dining hall services to Chartwells. Meal plan rates are negotiated between the College and Chartwells each fiscal year.

The College outsources its bookstore services to Follet Higher Education Group, Inc. (Follet). The original term of the agreement was from July 15, 2007 through June 30, 2013 and provides for a commission to be paid to the College based on gross revenue from the bookstore. Thereafter, unless either party notifies the other in writing at least 120 days before the expiration of the initial term, or then the current renewal term, of its intention not to renew, the agreement shall automatically renew for successive one-year terms. On June 30, 2019, the contract was automatically renewed for a successive one-year term. During fiscal years ended May 31, 2019 and 2018, commissions earned by the College were $14,299 and $13,275, respectively. The commissions are included in the line item sales and services – auxiliary enterprises on the Statements of Activities.

21. CONCENTRATIONS

For the year ended May 31, 2019 and 2018, contributions from the College’s seven largest donors represented 47% and 49% of total contributions, respectively.

22. RISKS AND UNCERTAINTIES

The College invests in various investment securities. Investment securities are exposed to risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

23. RELATED PARTY

During 2019, the College received services for construction from a company owned by a member of the board of directors. The College paid approximately $1,149,000 to this Company.

24. LIQUIDITY AND AVAILABILITY OF RESOURCES

The College structures its financial assets to be available to meet its general expenditures, liabilities, and other obligations as they become due. In addition, the College experiences seasonal fluctuations in cash flow due to the billing cycle for student tuition, fees, and room and board. The College maintains a line of credit with its bank in order to help manage liquidity. In addition, annual fundraising and contributions provide approximately $1,350,000 to the College.

As of May 31, 2019, financial assets and liquidity resources available within one year for general expenditures were as follows:

Financial Assets:	
Cash and cash equivalents	$1,218,648
Accounts receivable	205,352
Interest receivable	43,500
Promises to give	3,500
Subtotal financial assets	1,471,000
Donor restricted funds	(680,905)
Total financial assets available within one year	$ 790,095
Amounts due to funds restricted in perpetuity	(6,657,129)

25. MANAGEMENT'S PLAN

During 2019 and 2018, the College experienced losses of approximately $3,760,000 and $2,370,000 in net assets without donor restrictions causing a net deficit in this net asset category of approximately $1,420,000 at May 31, 2019. The College is in the process of adding new program majors and courses, undertaking facility improvements to increase enrollment and retention, and continuing its fundraising efforts. The College is monitoring budget performance to contain operational costs.

SUPPLEMENTAL FINANCIAL INFORMATION

MACMURRAY COLLEGE

SCHEDULES OF REVENUE, GAINS, AND OTHER SUPPORT
WITHOUT DONOR RESTRICTIONS

For the Years Ended May 31, 2019 and 2018

	2019	2018
TUITION AND FEES (NET)		
Tuition and fees (net):		
Tuition	$ 12,635,344	$ 11,939,787
Fees, service charges, and discounts	498,711	482,903
Total tuition and fees	13,134,055	12,422,690
Scholarships and fellowships:		
Scholarships and grants	7,224,522	6,393,059
Tuition remission	157,043	106,206
Total scholarships and fellowships	7,381,565	6,499,265
Total tuition and fees (net)	$ 5,752,490	$ 5,923,425
CONTRIBUTIONS	$ 1,420,640	$ 1,550,682
GOVERNMENT GRANTS AND CONTRACTS	$ 96,981	$ 146,809
INVESTMENT INCOME (LOSS)	$ (123,408)	$ 971,908
SALES AND SERVICES - AUXILIARY ENTERPRISES		
Residence halls:		
Student rooms	$ 1,959,696	$ 1,557,945
Salary by room - staff	82,313	58,294
Total residence halls	2,042,009	1,616,239
Dining hall:		
Student board	$ 1,295,254	$ 1,072,525
Conferences and catering	862	2,162
Total dining hall	1,296,116	1,074,687
Bookstore:		
Sundries and notions	$ 14,299	$ 13,275
Total bookstore	14,299	13,275
Total sales and services - auxiliary enterprises	$ 3,352,424	$ 2,704,201

This schedule continued on the following page.

SCHEDULES OF REVENUE, GAINS, AND OTHER SUPPORT
WITHOUT DONOR RESTRICTIONS (Continued)

For the Years Ended May 31, 2019 and 2018

	2019	2018
OTHER INCOME		
Transcripts	$ 11,324	$ 12,378
Rental of buildings	5,150	9,395
Vending machines	1,220	2,191
Miscellaneous income	263,269	104,168
Parking	21,960	21,505
Intercollegiate athletics	6,894	4,350
Total other income	$ 309,817	$ 153,987
NET ASSETS RELEASED FROM RESTRICTIONS	$ 284,558	$ 416,442
TOTAL REVENUE, GAINS, AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	$ 11,093,502	$ 11,867,454

MACMURRAY COLLEGE

SCHEDULES OF EXPENSES WITHOUT DONOR RESTRICTIONS

For the Years Ended May 31, 2019 and 2018

	2019	2018
INSTRUCTION		
Instruction salaries and benefits	$ 3,301,345	$ 3,282,536
Department expense	171,165	168,850
Allocation of information technology	386,435	385,783
Allocation of operation and maintenance expense	913,387	818,248
Allocation of interest charges	116,538	67,336
Total instruction	$ 4,888,870	$ 4,722,753
ACADEMIC SUPPORT		
Library	$ 261,365	$ 259,625
Staff benefits	45,482	44,195
General	397	7,089
Allocation of information technology	94,820	113,592
Allocation of operation and maintenance expense	95,165	90,522
Allocation of interest charges	12,142	7,449
Total academic support	$ 509,371	$ 522,472
STUDENT SERVICES		
Admissions office	$ 633,138	$ 733,813
Dean of Student Services and Counseling	296,507	247,211
Chaplain	28,552	29,997
Health services	39,759	35,913
Financial Aid	262,686	293,623
Placement	65,804	70,593
Intercollegiate athletics - salaries	725,526	668,401
Intercollegiate athletics - general expenses	123,060	104,831
Intercollegiate athletics - direct expenses	408,071	406,186
Staff benefits and special salaries	382,149	391,365
Allocation of information technology	146,702	162,886
Allocation of operation and maintenance expense	736,578	670,610
Allocation of interest charges	93,979	55,186
Total student services	$ 3,942,511	$ 3,870,615

This schedule continued on the following page.

MACMURRAY COLLEGE

SCHEDULES OF EXPENSES WITHOUT DONOR RESTRICTIONS (Continued)

For the Years Ended May 31, 2019 and 2018

	2019	2018
INSTITUTIONAL SUPPORT		
Board of Trustees	$ 16,814	$ 6,904
Executive management	745,918	851,717
Fiscal operations	1,092,290	910,445
Public relations	388,699	353,594
Personnel	41,693	53,577
Campus security	154,926	151,147
Staff benefits	296,127	270,944
Allocation of information technology	103,765	111,449
Allocation of operation and maintenance expense	672,264	577,843
Allocation of interest charges	85,773	47,552
Total institutional support	$ 3,598,269	$ 3,335,172
FUNDRAISING		
Salaries and benefits	$ 312,055	$ 318,617
General expenses	174,782	201,772
Allocation of information technology	21,469	23,576
Allocation of operation and maintenance expense	120,312	115,996
Allocation of interest charges	15,350	9,546
Total fundraising	$ 643,968	$ 669,507
Total educational and general expenses	$ 13,582,989	$ 13,120,519
AUXILIARY ENTERPRISES EXPENSES		
Residence halls:		
Salaries and benefits	$ 104,489	$ 149,890
Utilities	1,200	-
General expenses	15,038	16,047
Total residence halls	$ 120,727	$ 165,937
Dining hall:		
Salaries and benefits	1,372	6,185
General expenses	6,541	8,471
Food	873,377	724,512
Total dining hall	$ 881,290	$ 739,168

This schedule continued on the following page.

	2019	2018
AUXILIARY ENTERPRISES (CONTINUED)		
Bookstore:		
Allocation of information technology	$ 1,789	$ 2,143
Allocation of operation and maintenance expenses	237,593	193,464
Allocation of interest charges	30,314	15,921
Total bookstore	269,696	211,528
Total auxiliary enterprises	1,271,713	1,116,633
TOTAL EXPENSES WITHOUT DONOR RESTRICTIONS	$ 14,854,702	$ 14,237,152

SUPPLEMENTAL INFORMATION RELATED TO THE AUDIT OF FEDERAL AWARDS PROGRAMS

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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
MacMurray College
Jacksonville, Illinois

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 MacMurray College (College), which comprise the Statement of Financial Position as of May 31, 2019, and the related Statements of Activities and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that may not have been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Springfield, Illinois
October 15, 2019

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SIKICH.COM

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
MacMurray College
Jacksonville, Illinois

Report on Compliance for Each Major Federal Program

We have audited MacMurray College's (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended May 31, 2019. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The College's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sikich LLP

Springfield, Illinois
October 15, 2019

MACMURRAY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended May 31, 2019

Federal Grantor/Program or Cluster Title	**CFDA Number**	**Federal Expenditures**
U.S. Department of Education		
Direct Programs:		
Student financial assistance cluster:		
Federal Pell Grant Program - 17-18 PELL	84.063	$ 12,876
Federal Pell Grant Program - 18-19 PELL	84.063	1,209,166
Federal Work-Study Program - 17-18 FWS	84.033	1
Federal Work-Study Program - 18-19 FWS	84.033	64,516
Federal Perkins Loans	84.038	2,905,534
Federal Supplemental Educational Opportunity Grants - 17-18 SEOG	84.007	183
Federal Supplemental Educational Opportunity Grants - 18-19 SEOG	84.007	83,340
Federal Direct Student Loans (Direct Loan)	84.268	4,061,873
Teacher Education Assistance for College and Higher Education Grants	84.379	11,208
Total student financial assistance cluster		
TOTAL U.S. DEPARTMENT OF EDUCATION		8,348,697 *
U.S. Department of Veterans Affairs		
Direct Program:		
Chapter 33 Post 9/11 GI Bill	64.028	79,100
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS		79,100
U.S. Department of Labor		
Direct Program:		
WIA Dislocated Workers	17.260	13,043
TOTAL U.S. DEPARTMENT OF LABOR		13,043
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 8,440,840

* Major program

See accompanying Notes to Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

2. LOAN PROGRAMS

Expenditures of the Direct Loan program include the total value of the loans awarded and paid to the College's students during the year ended May 31, 2019. The Perkins Loans represent the amounts of the federal Perkins loans outstanding as May 31, 2019. The College had the following loan balances outstanding at May 31, 2019.

Program or Cluster Title	CFDA Number	Amount Outstanding
Student Financial Aid:		
Federal Perkins Loans		
(net of allowance of $944,910)	84.038	$ 1,960,624

3. ADDITIONAL INFORMATION

As of and during the year ended May 31, 2019, the College did not receive any noncash federal assistance or federal insurance. In addition, the College did not pass through any federal grants to sub-recipients. The College did not elect to use the 10% de minimis indirect cost rate.

MACMURRAY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION I – SUMMARY OF AUDITOR'S RESULTS

For the Year Ended May 31, 2019

SECTION I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	____ Yes	x No
• Significant deficiency(ies) identified?	____ Yes	x None reported
Noncompliance material to financial statements noted?	____ Yes	x No

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	____ Yes	x No
• Significant deficiency(ies) identified?	____ Yes	x None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	x Yes	____ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063	Student Financial Assistance Cluster – Federal Pell Grant Program
84.033	Student Financial Assistance Cluster – Federal Work Study Program
84.038	Student Financial Assistance Cluster – Federal Perkins Loans
84.007	Student Financial Assistance Cluster – Federal Supplemental Educational Opportunity Grants
84.268	Student Financial Assistance Cluster – Federal Direct Student Loans (Direct Loan)
84.379	Student Financial Assistance Cluster – Teacher Education Assistance for College and Higher Education Grants

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	x Yes	____ No

SECTION II – Financial Statement Findings

None Identified

2019-001: (a) Federal Pell Grant Program (b) Federal Work-Study Program (c) Federal Perkins Loans (d) Federal Supplemental Educational Opportunity Grants (e) Federal Direct Student Loans (f) Teacher Education Assistance for College and Higher Education Grants CFDA No. (a) 84.063 (b) 84.033 (c) 84.038 (d) 84.007 (e) 84.268 (f) 84.379 – Year ended May 31, 2019

Condition: During our testing of forty individuals receiving federal work study, we noted one individual working during scheduled class hours. When questioned about the time entered, student noted Federal Work Study hours were not correctly reported. We consider this condition to be an instance of non-compliance relating to the Activities Allowed or Unallowed compliance requirement.

Criteria: Section 34 CFR 675.20 (d)(1) states "A student may be employed under the FWS program and also receive academic credit for the work performed. Those jobs include, but are not limited to, work performed when the student is – (i) Enrolled in an internship; (ii) Enrolled in practicum; or (iii) Employed in a research, teaching, or other assistantship." Further, 34 CFR 675.20 (d)(2) states "A student employed in a FWS job and receiving academic credit for that job may not be – … (ii) Paid for receiving instruction in a classroom, laboratory, or other academic setting."

Questioned Costs: $252

Cause and Effect: Without proper review and approval of hours worked against class hours scheduled, federal work study recipients could receive compensation that is not allowed under the Code of Federal Regulations.

Recommendation: We recommend the College evaluate policies and procedures in place to review federal work study timesheets and ensure hours are correctly reported and recipients do not receive compensation for hours worked when they have scheduled class hours.

Views from Responsible Officials: Management agrees with this finding and their response is included in the corrective action plan.

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended May 31, 2019

2019-001: (a) Federal Pell Grant Program (b) Federal Work-Study Program (c) Federal Perkins Loans (d) Federal Supplemental Educational Opportunity Grants (e) Federal Direct Student Loans (f) Teacher Education Assistance for College and Higher Education Grants CFDA No. (a) 84.063 (b) 84.033 (c) 84.038 (d) 84.007 (e) 84.268 (f) 84.379 – Year ended May 31, 2019

Condition: During our testing of forty individuals receiving federal work study, we noted one individual working during scheduled class hours. When questioned about the time entered, student noted Federal Work Study hours were not correctly reported. We consider this condition to be an instance of non-compliance relating to the Activities Allowed or Unallowed compliance requirement.

Corrective Action Plan: A Student Employment Guide for Supervisors was developed and distributed to all potential student supervisors. The guide clearly dictates student and supervisor responsibilities. The guide clearly states "Students are not permitted to work during times they are scheduled to be in class". All supervisors were required to sign an acknowledgement of receipt of the guide.

Responsible Person for Corrective Action Plan: Andrew Sidock

Implementation Date for Corrective Action Plan: May 31, 2020

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MACMURRAY COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended May 31, 2019

Prior Finding	Condition	Status
2018-001	Did not award proper amount of Subsidized Direct Loans	Not Repeated
2018-002	Enrollment reporting not timely and accurately submitted	Not Repeated
2018-003	Authorized level of expenditure for new Perkins Loans exceed	Not Repeated