

BRADLEY UNIVERSITY
Peoria, Illinois

**REPORTING PACKAGE REQUIRED
BY THE UNIFORM GUIDANCE**

YEARS ENDED MAY 31, 2020 AND 2019



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Bradley University
Peoria, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Bradley 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bradley 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No., 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made* and ASU No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to these matters.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Note 21, the financial responsibility supplemental schedule, and the financial responsibility ratio disclosure is required by the United States Department of Education and is presented for purposes and is not a required part of the financial statements. The 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 September 28, 2020, except for Note 21 as to which the date is June 15, 2021, on our consideration of Bradley University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 Bradley University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Peoria, Illinois

September 28, 2020, except for Note 21 and the financial responsibility ratio supplemental schedule, the financial responsibility ratio disclosure, and the schedule of expenditures of federal awards as to which the date is June 15, 2021

BRADLEY UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2020 AND 2019
(IN THOUSANDS OF DOLLARS)

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 43,330	\$ 43,812
Deposit with Trustee	-	1,160
Accounts Receivable:		
Tuition and Fees, Net of \$600 and \$525 Allowance in 2020 and 2019, Respectively	1,759	1,831
Government Grants and Appropriations	2,164	893
Other	1,502	1,514
Student Loans, Net of \$350 Allowance in 2020 and 2019	4,167	4,867
Deferred Charges and Other	637	964
Notes Receivable	21	24
Contributions Receivable, Net of \$5,209 and \$5,182 Allowance in 2020 and 2019, Respectively	8,258	9,168
Investments	286,131	289,109
Right-of-Use Asset - Operating	2,514	-
Property, Plant, and Equipment, Net	362,462	346,732
Total Assets	\$ 712,945	\$ 700,074
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of Credit	\$ 6,600	\$ -
Accrued Wages and Related Taxes	15,039	12,707
Accounts Payable and Accrued Expenses	9,726	17,519
Retainage Payable	4,702	4,155
Student Deposits	2,220	1,893
Deferred Revenue	3,898	4,506
Reserve for Annuities	1,608	1,589
Refundable Government Loan Fund	3,442	4,194
Postretirement Benefits Other than Pensions	53,345	47,001
Notes Payable	351	364
Lease Liability - Financing	820	905
Lease Liability - Operating	2,517	-
Swap Contract	4,455	3,399
Bonds Payable, Net	153,665	147,692
Total Liabilities	262,388	245,924
NET ASSETS		
Without Donor Restrictions:		
Undesignated	120,891	132,867
Designated by the Board for Endowment Fund	205	205
Property and Equipment Net of Related Debt	200,654	194,373
Total Without Donor Restrictions	321,750	327,445
With Donor Restrictions:		
Purpose Restrictions	39,966	47,189
Perpetual in Nature	89,684	79,636
Underwater Endowments	(843)	(120)
Total With Donor Restrictions	128,807	126,705
Total Net Assets	450,557	454,150
Total Net Assets and Liabilities	\$ 712,945	\$ 700,074

See accompanying Notes to Financial Statements.

BRADLEY UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2019)
(IN THOUSANDS OF DOLLARS)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING REVENUES AND OTHER ADDITIONS				
Tuition and Fees, Net of Allowance of \$71,588 and \$66,636 Allowance in 2020 and 2019, Respectively	\$ 101,482	\$ -	\$ 101,482	\$ 101,815
Contributions	692	13,375	14,067	6,752
Government Grants and Appropriations	6,214		6,214	3,058
Contracts	634		634	708
Net Investment Return Designated for Current Operations	12,551	8	12,559	11,433
Auxiliary	25,176		25,176	27,177
Other Income	3,750	(42)	3,708	6,718
Net Assets Released from Restrictions	1,725	(1,725)	-	-
Total Operating Revenue and Other Additions	<u>152,224</u>	<u>11,616</u>	<u>163,840</u>	<u>157,661</u>
OPERATING EXPENDITURES				
Instructional and Research	57,888	-	57,888	57,933
Operation and Maintenance of Plant	9,429	-	9,429	10,064
General Institutional	26,090	-	26,090	25,925
Student Services	9,130	-	9,130	9,660
General Administrative	5,253	-	5,253	5,405
Library	2,414	-	2,414	2,698
Public Service, Information, and Fundraising	3,900	-	3,900	3,780
Auxiliary	22,385	-	22,385	24,903
Interest on Indebtedness	4,370	-	4,370	4,219
Depreciation	14,272	-	14,272	13,431
Total Operating Expenditures	<u>155,131</u>	<u>-</u>	<u>155,131</u>	<u>158,018</u>
Change in Net Assets from Operating Activities	(2,907)	11,616	8,709	(357)
NONOPERATING REVENUE AND EXPENDITURES				
Net Investment Depreciation				
Less Return Designated for Current Operations	(4,844)	(415)	(5,259)	(7,698)
Loss on Disposal of Asset	(987)	-	(987)	(32)
Capital Gifts	-	1,288	1,288	1,959
Capital Gifts Released From Restriction	11,514	(11,514)	-	-
Swap Contract Loss	(1,056)	-	(1,056)	(474)
Postretirement Benefits Related Charges, Other Than Periodic Cost	(6,063)	-	(6,063)	(4,675)
Change in Donor Restrictions	(1,281)	1,279	(2)	(18)
Changes in Split Interest Arrangements	(71)	(152)	(223)	1,444
Change in Net Assets from Nonoperating Activities	<u>(2,788)</u>	<u>(9,514)</u>	<u>(12,302)</u>	<u>(9,494)</u>
TOTAL CHANGES IN NET ASSETS	(5,695)	2,102	(3,593)	(9,851)
Net Assets - Beginning of Year	<u>327,445</u>	<u>126,705</u>	<u>454,150</u>	<u>464,001</u>
NET ASSETS - END OF YEAR	<u>\$ 321,750</u>	<u>\$ 128,807</u>	<u>\$ 450,557</u>	<u>\$ 454,150</u>

See accompanying Notes to Financial Statements.

BRADLEY UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2019
(IN THOUSANDS OF DOLLARS)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND OTHER ADDITIONS			
Tuition and Fees, Net of Allowance of \$66,636 in 2019	\$ 101,815	\$ -	\$ 101,815
Contributions	950	5,802	6,752
Government Grants and Appropriations	3,058	-	3,058
Contracts	708	-	708
Net Investment Return Designated for Current Operations	11,202	231	11,433
Auxiliary	27,177	-	27,177
Other Income	6,717	1	6,718
Net Assets Released from Restrictions	2,717	(2,717)	-
Total Operating Revenue and Other Additions	154,344	3,317	157,661
OPERATING EXPENDITURES			
Instructional and Research	57,933	-	57,933
Operation and Maintenance of Plant	10,064	-	10,064
General Institutional	25,925	-	25,925
Student Services	9,660	-	9,660
General Administrative	5,405	-	5,405
Library	2,698	-	2,698
Public Service, Information, and Fundraising	3,780	-	3,780
Auxiliary	24,903	-	24,903
Interest on Indebtedness	4,219	-	4,219
Depreciation	13,431	-	13,431
Total Operating Expenditures	158,018	-	158,018
Change in Net Assets from Operating Activities	(3,674)	3,317	(357)
NONOPERATING REVENUE AND EXPENDITURES			
Net Investment Depreciation			
Less Return Designated for Current Operations	(7,771)	73	(7,698)
Loss on Disposal of Asset	(32)	-	(32)
Capital Gifts	-	1,959	1,959
Capital Gifts Released From Restriction	1,959	(1,959)	-
Swap Contract Loss	(474)	-	(474)
Postretirement Benefits Related Charges Other than Periodic Cost	(4,675)	-	(4,675)
Change in Donor Restrictions	(849)	831	(18)
Changes in Split Interest Arrangements	255	1,189	1,444
Change in Net Assets from Nonoperating Activities	(11,587)	2,093	(9,494)
TOTAL CHANGES IN NET ASSETS	(15,261)	5,410	(9,851)
Net Assets - Beginning of Year	342,706	121,295	464,001
NET ASSETS - END OF YEAR	\$ 327,445	\$ 126,705	\$ 454,150

See accompanying Notes to Financial Statements.

BRADLEY UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2020 AND 2019
(IN THOUSANDS OF DOLLARS)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (3,593)	\$ (9,851)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	14,272	13,431
Provision (Recoveries) of Uncollectible Contributions and Accounts Receivable	26	(380)
Net Accretion of Premiums and Discounts on Bonds Payable and Bond Issuance Costs	(331)	(346)
Loss on Disposal of Property, Plant, and Equipment	987	32
Net Realized and Unrealized Gain on Investments	(6,293)	(3,107)
Swap Contract Loss	1,056	474
Post Retirement Benefits Related Charges Other than Periodic Cost	6,063	4,675
Contributions Restricted for Long-Term Investment	(10,741)	(4,500)
Interest and Dividends Restricted for Long-Term Investment (Net of Expenses)	32	(45)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(1,184)	4,829
Deferred Charges and Other	327	146
Contributions Receivable	884	2,632
Accounts Payable, Accrued Expenses, and Accrued Wages	(585)	(301)
Student Deposits	327	(101)
Deferred Revenue	(608)	(72)
Reserve for Annuities	19	(1,755)
Right-of-Use Asset and Lease Liability - Operating	3	-
Postretirement Benefits	281	(805)
Net Cash Provided by Operating Activities	942	4,956
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	57,458	66,959
Purchase of Investments	(48,187)	(60,880)
Purchase of Property and Equipment	(35,318)	(44,989)
Net Cash Used by Investing Activities	(26,047)	(38,910)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Investment	10,741	4,500
Interest and Dividends Restricted for Long-Term Investment	(32)	45
Proceeds from Issuance of New Debt	7,500	17,500
Advance from Bank	6,600	-
Payments on Notes Payable	(13)	(12)
Payments on Bonds Payable	(1,196)	(1,140)
Payments for Bond Issuance Costs	-	-
Increase (Decrease) in Refundable Government Loan Funds, Net	(52)	797
Payments on Lease Liability - Financing	(85)	(101)
Net Cash Provided by Financing Activities	23,463	21,589
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,642)	(12,365)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	44,972	57,337
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 43,330	\$ 44,972
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 5,820	\$ 3,438
Property, Plant, and Equipment Financed through Payables	\$ 5,542	\$ 9,871
SUPPLEMENTAL DISCLOSURE OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and Cash Equivalents	\$ 43,330	\$ 43,812
Restricted Funds on Deposit with Trustee	-	1,160
Total Cash, Cash Equivalents and Restricted Cash	\$ 43,330	\$ 44,972

See accompanying Notes to Financial Statements.

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019
(IN THOUSANDS OF DOLLARS)

NOTE 1 PRINCIPLE ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Operations

Bradley University (the University) is a nonprofit organization established to provide educational opportunities to qualified students from throughout the world.

Basis of Presentation

The University prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which require classification of net assets and revenues, expenses, gains, and losses based on the absence or existence of donor-imposed restrictions into two categories: without donor restrictions which have no donor-imposed restrictions and are available for any purpose consistent with the University's mission; and with donor restrictions which have either donor-imposed restrictions that will expire in the future and normally fund specific expenditures of an operating or capital nature, such as life income funds, student loan funds, and pledges or donor-imposed restrictions that do not expire and are normally restricted to long-term investment with income earned and appreciation available for specific or general University purposes, such as life income funds, endowment funds, and pledges.

The University's financial statements are prepared on the accrual basis of accounting.

Cash and Cash Equivalents

The University defines cash equivalents as securities with original maturities of 90 days or less.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to our customers (students), in an amount that reflects the consideration we expect to be entitled in exchange for those goods or services.

The following table shows the University's tuition revenue disaggregated according to the timing of the transfer of goods or service and by source as of May 31:

	<u>2020</u>	<u>2019</u>
Revenue Recognized Over Time:		
Undergraduate Tuition and Fees	\$ 89,432	\$ 89,424
Graduate Tuition and Fees	12,050	12,391
Total	<u>\$ 101,482</u>	<u>\$ 101,815</u>

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019
(IN THOUSANDS OF DOLLARS)

NOTE 1 PRINCIPLE ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The following table shows the University's auxiliary revenues disaggregated according to the timing of the transfer of goods or service and by source as of May 31:

	2020	2019
Revenue Recognized Over Time:		
Housing	\$ 10,829	\$ 11,647
Dining	7,838	8,077
Athletics Ticket Sales	1,072	1,021
Apartment Rental Income	3,544	4,099
Other	1,893	2,333
Total	\$ 25,176	\$ 27,177

Performance Obligations and Revenue Recognition

The University has eleven academic terms; fall, fall online, spring, spring online, January Interim, Study Abroad, May 1, May 2, summer online, 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. Auxiliary revenue is recognized in the fiscal year in which housing and food services are provided, proratably over the term of the related semester. Any payments received prior to fiscal year-end related to academic terms that occur subsequent to fiscal year-end are recorded as deferred revenue in the accompanying statements of financial position.

Customer contracts generally have separately stated prices for each performance obligation contained in the contract. Therefore, each performance obligation generally has its own standalone selling price. Arrangements for payment are agreed to prior to registration of the student's first academic term. Generally, payments for tuition, fees and auxiliaries are due approximately two weeks prior to the start of the academic terms. Students may also enter into a payment plan in which payment is due at predetermined dates during the course of a semester. Many students obtain Title IV or other financial aid resulting in the University receiving a significant amount of the transaction price at the beginning of the academic term.

Transaction Price

Revenue, or transaction price, is measured as the amount of consideration expected to be received in exchange for transferring goods or services. Tuition and auxiliary revenues are reported at established rates, net of financial assistance provided by the University.

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.

Students who adjust their course load or withdraw completely within the first nine weeks of the academic term (add/drop period) may receive a full or partial refund in accordance with the University's refund policy.

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019
(IN THOUSANDS OF DOLLARS)

NOTE 1 PRINCIPLE ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transaction Price (Continued)

If a student withdraws prior to completing an academic term, federal regulations permit the University to retain only a set percentage of the total tuition and auxiliary revenues received from such student, which varies with, but generally equals or exceeds, the percentage of the academic term completed by such student. Payment amounts received by the University in excess of such set percentages of tuition are refunded to the student or the appropriate funding source.

For contracts with similar characteristics and historical data on refunds, the expected value method is applied in determining the variable consideration related to refunds. Estimates of the University's expected refunds are determined at the outset of each academic term, based upon actual experience in previous academic terms. Reserves related to refunds are presented as refund liabilities on the statements of financial position. All refunds are netted against revenue during the applicable academic term. Management believes it is not probable that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with variable consideration is subsequently resolved.

Management reassesses collectability throughout the period revenue is recognized by the University on a student-by-student basis. This reassessment is based upon new information and changes in facts and circumstances relevant to a student's ability to pay. Management also reassesses collectability when a student withdraws from the institution and has unpaid charges.

Contract Balances

Tuition, fees and auxiliary revenues are recognized in the period classes and services are provided and amounts received for future periods are reported as deferred revenue. Students are billed at the beginning of each academic term and payment is due at that time. The University's performance obligations are to provide educational services in the form of instruction as well as housing facilities and meals during the academic term. As these performance obligations are satisfied over the academic term, deferred revenue is reduced. A significant portion of student payments are from Title IV financial aid and other programs and are generally received during the first month of the respective term. When payments are received, accounts receivable is reduced.

The balance of deferred revenue at May 31, 2020 will be recognized as revenue over the academic term beginning June 1, 2020 as services are rendered.

Practical Expedients

As the University's performance obligations have an original expected duration of one year or less, we have applied the practical expedient to not disclose the amount of the transaction price allocated to our performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and when the entity expects to recognize this amount as revenue. All consideration from contracts with customers is included in the transaction price.

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019
(IN THOUSANDS OF DOLLARS)

NOTE 1 PRINCIPLE ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Auxiliary Enterprises

The University's auxiliary enterprises exist primarily to furnish goods and services to students, faculty, and staff. Managed as essentially self-supporting activities, the University's auxiliaries consist principally of dining halls, residence halls, and intercollegiate athletics. Auxiliary enterprise revenues and fully costed expenses are reported as changes in net assets without donor restrictions.

Grants and Contributions

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

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are presented at fair value. Investments in farms are stated at appraised value while other real estate investments are stated at acquisition cost or, for gifts, at fair value on the date of receipt. The net realized and unrealized appreciation or depreciation in the fair value of investments is reflected in the statements of activities.

Endowment funds are accounted for with a unitized accounting system. Individual funds within the investment pool are assigned units based on their proportionate share of the investments in the pool. Additions and subtractions are assigned units based on the unit value at the time of the additions or subtractions. Net appreciation or depreciation on endowment funds and all other funds is classified in the accompanying financial statements based on restrictions by the donor or by law.

An individual endowment fund is considered to be underwater if the fund is permanently restricted and the fair value has decreased below its historic dollar value. Due to the recent market conditions, the University has approximately 72 of 731 individual endowment funds whose market values are \$843 in total under their historical cost that are considered to be "underwater" as of May 31, 2020 (approximately 35 of 717 with market value of \$120 in total under their historical cost that are considered to be "underwater" as of May 31, 2019). Spending associated with endowment funds is governed by the Uniform Prudent Management of Institutional Funds Act and places stipulations upon spending from underwater endowment funds.

Purchases and sales of investment securities are recorded on the trade-date basis. Dividends are recorded on the ex-dividend date and interest is recorded as earned.

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019
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NOTE 1 PRINCIPLE ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant, and Equipment

Land, buildings, and equipment are stated at acquisition cost less accumulated depreciation. Donations of property are recorded at fair market value on the date of receipt. Depreciation is computed using the straight-line method over the estimated useful life of each asset type. The University has adopted a policy of capitalizing assets with values of \$1 (one thousand dollars) or greater.

Impairment of Long-Lived Assets

The University reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Income Taxes

The University is exempt from federal and state income taxes under the applicable U.S. and Illinois internal revenue codes for related income. No provision has been made in the accompanying financial statements as the University believes there is no significant unrelated business income.

Use of Estimates in the Preparation of Financial Statements

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.

At May 31, 2020 and 2019, reserves have been established for uncollectible accounts, student loans, and contributions receivable. These reserves have been estimated based on historical collection and allowance practices, as well as an evaluation by management of current trends.

Contributions receivable, annuities receivable, and the reserve for annuities are based on estimated fair values using discount rates. The University believes the methods and assumptions used are appropriate.

The liability for postretirement benefits other than pensions is based on actuarial studies. The University believes the methods and assumptions used in computing this liability are appropriate.

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 1 PRINCIPLE ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Donor Restrictions

A donor may change their imposed restrictions subsequent to the initial contribution. When such a change occurs, the net asset balance of the contribution is reclassified to reflect the current status of the restriction, if any.

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning June 1, 2019. The new guidance does not require prior period results to be restated. The implementation of this standard did not significantly impact the University's financial statements.

In February 2016, the FASB issued ASU 2016-02 *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operation leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The University adopted the requirements of the guidance effective June 1, 2019, and has elected to apply the provisions of these standards to the beginning of the period of adoption. The University has elected to adopt the package of practical expedients available in the year of adoption. The University has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the University's ROU assets.

Leases

The University determines if an arrangement is a lease at inception. Operating leases are included in ROU asset – operating and lease liability – operating in the statement of financial position. Financing leases are included in property, plant and equipment, net and lease liability – financing in the statement of financial position.

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 1 PRINCIPLE ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU asset – operating and ROU asset – financing represents the University’s right to use an underlying asset for the lease term and lease liability – operating and lease liability - financing represents the University’s obligation to make lease payments arising from the lease. ROU asset – operating, lease liability – operating, ROU asset – financing, and lease liability – financing are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain the University will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The University has elected to recognize payments for short-term leases with a least term of 12 months or less as expense as incurred and these leases are not included as ROU asset – operating or lease liability operating on the statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. The discount rate used in computing the present value of lease liabilities is determined based upon published bond index rates and the University’s credit rating.

The University has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020	2019
Cash and Cash Equivalents	\$ 43,330	\$ 43,812
Accounts Receivable	5,425	4,238
Total	<u>\$ 48,755</u>	<u>\$ 48,050</u>

The University’s endowment funds consist of donor-restricted endowments and without donor restrictions as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The University's without donor restrictions endowment of \$255,236 is subject to an annual spending rate up to 5.0% as described in Note 3. Although the University does not intend to spend from this endowment without donor restrictions (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary, subject to ensuring the University maintained compliance with the liquidity ratio covenants within the bond agreements.

NOTE 3 INVESTMENTS

A summary of the fair values of investments at May 31, 2020 and 2019 follows:

	2020	2019
Short-Term Funds Held for Investment	\$ 926	\$ 1,079
Equities and Equity Mutual Funds	183,226	160,200
Alternative Investments	55,418	82,024
Fixed Income Assets	25,016	24,736
Mortgages and Notes	370	392
Real Estate and Farms	11,159	11,207
Other Investments	10,016	9,471
Total	<u>\$ 286,131</u>	<u>\$ 289,109</u>

Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the statements of financial position and the statements of activities. The timing of the reallocation of investments as of May 31, 2020 and 2019 caused \$926 and \$1,079, to be held in short-term funds held for investment, respectively.

Investment return for the years ended May 31, 2020 and 2019 is comprised of the following:

	2020	2019
Investment Income, Net of Fees	\$ 1,007	\$ 628
Net Realized and Unrealized Gains on Investments Reported at Fair Value	<u>6,293</u>	<u>3,107</u>
Total Return on Investments, Net of Fees	7,300	3,735
Investment Return Designated for Current Operations	<u>(12,559)</u>	<u>(11,433)</u>
Net Appreciation (Depreciation) on Investments	<u>\$ (5,259)</u>	<u>\$ (7,698)</u>

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 INVESTMENTS (CONTINUED)

Endowments

Bradley University endowments consist of 731 and 717 funds as of May 31, 2020 and 2019, respectively, established to support a variety of purposes at the University. Its endowments consist of both donor-restricted endowment funds and funds designated by the Board of Trustees (Board) to function as endowments. 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 to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the University has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the historical cost of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts [or, if the fair value election has been made, including promises to give at fair value]) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce long-term investment gain with a tolerance for managed risk.

Spending Policy

The University has a policy of appropriating for distribution each year up to 5% of the endowment fund's average appreciated value over a moving three-year average.

In establishing this policy, the University considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the University expects the current spending policy will allow its endowment to retain or enhance the original fair value of the gift.

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 INVESTMENTS (CONTINUED)

Endowments (Continued)

Strategies Employed for Achieving Objectives

The University relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends).

As of May 31, we had the following endowment net asset composition by type of fund:

May 31, 2020	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 200	\$ -	\$ 200
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	202,903	99,878	302,781
Accumulated Investment Gains	<u>52,133</u>	<u>1,824</u>	<u>53,957</u>
Total	<u>\$ 255,236</u>	<u>\$ 101,702</u>	<u>\$ 356,938</u>
<hr/>			
May 31, 2019			
Board-Designated Endowment Funds	\$ 200	\$ -	\$ 200
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	202,727	88,936	291,663
Accumulated Investment Gains	<u>45,407</u>	<u>2,101</u>	<u>47,508</u>
Total	<u>\$ 248,334</u>	<u>\$ 91,037</u>	<u>\$ 339,371</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At May 31, 2020 and 2019, respectively, funds with original gift values of \$21,383 and \$8,968, fair values of \$20,541 and \$8,848, and deficiencies of \$843 and \$120 were reported in net assets with donor restrictions.

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 INVESTMENTS (CONTINUED)

Endowments (Continued)

Changes in Endowment net assets for the years ended May 31 are as follows:

May 31, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	\$ 248,334	\$ 91,037	\$ 339,371
Investment Return:			
Investment Income	1,826	41	1,867
Net Appreciation	23,546	(77)	23,469
Total	25,372	(36)	25,336
Contributions	104	10,958	11,062
Other, Net Appropriation of			
Appropriation of Endowment	(88)	181	93
Assets for Expenditure	(18,486)	(438)	(18,924)
Net Assets - End of Year	<u>\$ 255,236</u>	<u>\$ 101,702</u>	<u>\$ 356,938</u>
<u>May 31, 2019</u>			
Net Assets - Beginning of Year	\$ 242,938	\$ 85,075	\$ 328,013
Investment Return:			
Investment Income	83	55	138
Net Appreciation	24,186	1,801	25,987
Total	24,269	1,856	26,125
Contributions	901	4,456	5,357
Other, Net Appropriation of			
Appropriation of Endowment	(432)	89	(343)
Assets for Expenditure	(19,342)	(439)	(19,781)
Net Assets - End of Year	<u>\$ 248,334</u>	<u>\$ 91,037</u>	<u>\$ 339,371</u>

NOTE 4 CONTRIBUTIONS

Unconditional contributions receivable, less an appropriate reserve, are recorded at their estimated fair value with amounts due later than one year recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. The University utilized a discount rate of 0.70% for pledges received in 2020 and 2.82% for pledges received in 2019 to arrive at this present value. At May 31, 2020 and 2019, the discount rates for all outstanding pledges ranged from 0.70% to 3.25%. The expiration of a donor-imposed restriction on a contribution or endowment is recognized in the period in which the restriction expires, and the related resources are reclassified to unrestricted net assets at that time. Conditional promises to give are not included as contributions until the conditions are substantially met.

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 CONTRIBUTIONS (CONTINUED)

Unconditional contributions receivable at May 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Contributions Due in:		
Less Than One Year	\$ 2,656	\$ 2,636
One Year to Five Years	11,296	12,476
Six Years or Greater	-	-
Less: Discount to Present Value and Allowance	<u>(5,694)</u>	<u>(5,944)</u>
Total	<u>\$ 8,258</u>	<u>\$ 9,168</u>

Contributions receivable are distributed between net asset classifications as follows at May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Without Donor Restrictions:	\$ -	\$ -
With Donor Restrictions	<u>8,258</u>	<u>9,168</u>
Total	<u>\$ 8,258</u>	<u>\$ 9,168</u>

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

A significant portion of University's investments are held through limited partnerships and commingled funds for which fair value is estimated using net asset values (NAVs) reported by fund managers as a practical expedient for fair value measurements. GAAP allows such NAV measured investments to be excluded from the categories in the fair value hierarchy.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at May 31, 2020 and 2019.

Equities, Equity Mutual Funds, and Short-Term Funds: Valued at the closing price reported on the active market on which the individual securities are traded. Those classified in Level 2 are valued based on other observable inputs such as the published net asset value.

Fixed Income Assets: Valued at the closing price reported on the active market on which the individual securities are traded for those classified in Level 1. Those classified in Level 2 are valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality, and type.

Alternative Investments: Valued based on information provided by the manager of the various funds, developed utilizing net asset value, prices or quotes of similar assets or liabilities, or other discounted cash flow models.

Mortgages and Notes: Valued at the cost, which approximates fair value.

Real estate and Farms: Valued at the current appraised value.

Other Investments: Valued at the carrying amount, which approximates fair value.

Interest Rate Swap Agreement: Valued by a third party using a model that builds a yield curve from market data for actively traded securities at various times and maturities and takes into account current interest rates and the current creditworthiness of the respective counterparties.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University 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.

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the University's assets and liabilities at fair value on a recurring basis as of May 31, 2020 and 2019:

	Assets at Fair Value as of May 31, 2020				Total
	Level 1	Level 2	Level 3	NAV Practical Expedient	
Short-Term Funds	\$ 926	\$ -	\$ -	\$ -	\$ 926
Equities and Equity:					
Mutual Funds	174,753	-	-	-	174,753
Mutual Funds - Measured at Net Asset Value	-	-	-	8,473	8,473
Fixed Income Assets	23,066	-	-	-	23,066
Fixed Income Assets - Measured at Net Asset Value	-	-	-	1,950	1,950
Alternative Instruments - Measured at Net Asset Value					
Venture Capital	-	-	-	24,817	24,817
Hedge Funds	-	-	-	30,601	30,601
Opportunistic Funds	-	-	-	-	-
Mortgages and Notes	-	-	370	-	370
Real Estate and Farms	-	11,159	-	-	11,159
Other Investments	895	9,121	-	-	10,016
Total Investments	<u>\$ 199,640</u>	<u>\$ 20,280</u>	<u>\$ 370</u>	<u>\$ 65,841</u>	<u>\$ 286,131</u>
	Liabilities at Fair Value as of May 31, 2020				
	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Interest Rate Swap Agreement	<u>\$ -</u>	<u>\$ 4,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,455</u>

BRADLEY UNIVERSITY
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NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Assets at Fair Value as of May 31, 2019				Total
	Level 1	Level 2	Level 3	NAV Practical Expedient	
Short-Term Funds	\$ 1,079	\$ -	\$ -	\$ -	\$ 1,079
Equities and Equity:					
Mutual Funds	137,697	-	-	-	137,697
Mutual Funds - Measured at Net Asset Value	-	-	-	22,503	22,503
Fixed Income Assets	17,706	-	-	-	17,706
Fixed Income Assets - Measured at Net Asset Value	-	-	-	7,030	7,030
Alternative Instruments:					
Measured at Net Asset Value					
Venture Capital	-	-	-	33,062	33,062
Hedge Funds	-	-	-	31,927	31,927
Opportunistic Funds	-	-	-	17,035	17,035
Mortgages and Notes	-	-	392	-	392
Real Estate and Farms	-	11,207	-	-	11,207
Other Investments	903	8,568	-	-	9,471
Total Investments	<u>\$ 157,385</u>	<u>\$ 19,775</u>	<u>\$ 392</u>	<u>\$ 111,557</u>	<u>\$ 289,109</u>
	Liabilities at Fair Value as of May 31, 2019				
	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Interest Rate Swap Agreement	\$ -	\$ 3,399	\$ -	\$ -	\$ 3,399

The following tables set forth a summary of changes in fair value of the University's Level 3 assets and liabilities for the years ended May 31, 2020 and 2019:

	Level 3 Assets Year Ended May 31, 2019	Level 3 Assets Year Ended May 31, 2018
Balance - Beginning of Year	\$ 392	\$ 410
Realized Gains	-	-
Unrealized Losses	(22)	(18)
Purchases, Settlements, Return on Capital (Net)	-	-
Balance - End of Year	<u>\$ 370</u>	<u>\$ 392</u>

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets Measured Net Asset Value (or its Equivalent)

Fair value measurements of investments that calculate Net Asset Value per share (or its equivalent) as of May 31, 2020:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity Mutual Funds	\$ 8,473	\$ 14,156	Daily	N/A
Fixed Income Assets	1,950	-	Monthly	30 Days
Alternative Investments:				
Venture Capital	24,817	5,098	Monthly/ Quarterly	30-90 Days
Hedge Funds	30,601	634	Monthly/ Quarterly	30-180 Days
Opportunistic Funds	-	-	Bi-monthly	30 Days
Total	<u>\$ 65,841</u>	<u>\$ 19,888</u>		

Fair value measurements of investments that calculate Net Asset Value per share (or its equivalent) as of May 31, 2019:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity Mutual Funds	\$ 22,503	\$ -	Daily	N/A
Fixed Income Assets	7,030	-	Monthly	30 Days
Alternative Investments:				
Venture Capital	33,062	6,470	Monthly/ Quarterly	30-90 Days
Hedge Funds	31,927	2,004	Monthly/ Quarterly	30-180 Days
Opportunistic Funds	17,035	-	Bi-monthly	30 Days
Total	<u>\$ 111,557</u>	<u>\$ 8,474</u>		

Equity mutual funds include investments in funds that are invested in domestic and emerging market, and international common stocks. The fair value of the investments in this category is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the University is able to verify its account balances.

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NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets Measured Net Asset Value (or its Equivalent) (Continued)

Fixed income assets include investments in funds with an objective of providing consistent returns with a diversified portfolio of emerging market, inflation-linked fixed income instruments, equity securities, and debt obligations. The fair value of the investments in this category has been based on quoted market prices or the net asset value per share of the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the University is able to verify its account balances.

Hedge funds and venture capital include investments in portfolio funds invested in domestic equity markets, partnerships, buyouts, or other limited liability vehicles. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

Opportunistic funds include funds invested primarily in a diversified portfolio of fixed-income securities including lower-rated, higher-yield corporate, and mortgage bonds. The fair value of the funds in this category has been estimated using the net asset value per share of the investments.

The following methods were used to estimate the fair value of the following financial instruments:

Contributions Receivable – The fair value is estimated based upon the present value of the expected future cash flows, discounted based on a risk-free rate.

Reserve for Annuities – The fair value is estimated based upon actuarially determined present values considering the income beneficiaries and applicable discount rates based on federal tables.

For all other financial instruments, the fair values approximate the carrying values in the accompanying financial statements.

BRADLEY UNIVERSITY
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NOTE 6 PROPERTY, PLANT, AND EQUIPMENT, NET

	Depreciable Life	May 31,	
		2020	2019
Educational Plant:			
Land		\$ 25,165	\$ 25,156
Buildings	20 to 60	337,831	261,043
Equipment	3 to 10	76,185	66,372
Improvement Other Than Buildings	20	31,115	30,875
Construction in Progress		9,079	75,635
Accumulated Depreciation		(157,044)	(156,139)
		<u>322,331</u>	<u>302,942</u>
Residential Halls:			
Buildings	20 to 60	82,614	82,133
Equipment	3 to 10	4,871	4,825
Accumulated Depreciation		(50,960)	(46,912)
		<u>36,525</u>	<u>40,046</u>
Fraternity and Sorority Housing			
Rental Property	20 to 60	4,974	4,974
Accumulated Depreciation	20 to 30	1,391	1,387
		(2,759)	(2,617)
		<u>3,606</u>	<u>3,744</u>
Total		<u>\$ 362,462</u>	<u>\$ 346,732</u>

NOTE 7 LINE OF CREDIT ARRANGEMENTS

The University has formal line of credit arrangements with two banks. The first arrangement permits borrowing up to \$7,500 on an unsecured basis at the one-month London Interbank Offered Rate (LIBOR) rate plus 100 basis points. The interest rate was 1.67% and 3.40% at May 31, 2020 and 2019, respectively. There is also a letter of credit included under this arrangement in the amount of \$900. The University had borrowed \$6,600 and \$0, respectively, under this arrangement as of May 31, 2020 and 2019. The line of credit arrangement expires May 31, 2021. This line of credit agreement contains financial covenants pertaining to an annual debt service coverage ratio and an unrestricted cash and investments to long-term indebtedness ratio. The University was in compliance with these financial covenants at May 31, 2020.

The second arrangement was entered into during fiscal year 2013, and, as of May 31, 2020 permits borrowing up to \$5,000 on an unsecured basis at the LIBOR rate plus 80 basis points. The University incurs nonusage fees at the LIBOR rate plus 15 basis points. The interest rate was 0.97% and 3.20% at May 31, 2020 and 2019, respectively. The University had no borrowings under this arrangement as of May 31, 2020 and 2019. The line of credit arrangement expires January 31, 2021. This line of credit agreement contains financial covenants pertaining to an annual debt service coverage ratio and an unrestricted cash and investments to long-term indebtedness ratio. The University was in compliance with these financial covenants at May 31, 2020.

BRADLEY UNIVERSITY
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NOTE 8 RESERVE FOR ANNUITIES

Several donors have entered into split-interest agreements with the University. These agreements are in the form of charitable gift annuities, charitable remainder annuity trusts, charitable remainder unitrusts, and life income funds. The assets held in the trusts, which approximate \$3,589 and \$3,768 at May 31, 2020 and 2019, respectively, are reported at fair value as investments in the statements of financial position. The annuities payable to beneficiaries resulting from these agreements are reported as a liability at the present value of the estimated future payments to be distributed over the beneficiaries' lives. The University calculates the present value of these payments through the use of discount rates (risk-free interest rates, which are 120% of the mid-term Applicable Federal Rate) and mortality tables (IRS Publication 590 expectancy tables). The University utilized discount rates based upon the applicable year in which the split-interest agreements were initiated within these calculations. The University used discount rates based upon industry standards as established by the American Council on Gift Annuities, ranging from 1.20% to 8.80% for the years ended May 31, 2020 and 2019.

NOTE 9 BONDS PAYABLE, NET

The University's bonds payable consist of the following at May 31:

	<u>2020</u>	<u>2019</u>
Bonds Payable:		
Series 2008A, Variable Rate Demand Revenue Refunding Bonds, Due April 1, 2033 (B)	\$ 38,385	\$ 38,385
Series 2008B, Variable Rate Demand Revenue Refunding Bonds, Due April 1, 2038 (B)	25,390	25,390
Series 2017A, Variable Rate Demand Revenue Refunding Bonds, Due September 1, 2047 (C)	25,000	21,250
Series 2017B, Variable Rate Demand Revenue Refunding Bonds, Due September 1, 2047 (C)	25,000	21,250
Series 2017C, Revenue Bonds Due August 1, 2034	<u>37,165</u>	<u>38,360</u>
Subtotal	150,940	144,635
Less: Bonds Discounts	(87)	(93)
Plus: Bond Premium	3,415	3,801
Less: Unamortized Bond Issuance Costs	<u>(603)</u>	<u>(651)</u>
Total Bonds Payable, Net	<u>\$ 153,665</u>	<u>\$ 147,692</u>

BRADLEY UNIVERSITY
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NOTE 9 BONDS PAYABLE, NET (CONTINUED)

(B) Pursuant to Trust Indentures dated March 1, 2008 between the University and the Illinois Finance Authority (the Authority), the University issued Promissory Notes, which collectively comprised the Series 2008 Bonds. The Authority issued two series known as the "Illinois Finance Authority Variable Rate Demand Revenue Refunding Bonds (Bradley University) Series 2008A" (the Series 2008A Bonds) in the principal amount of \$38,385 maturing on April 1, 2033 and the "Illinois Finance Authority Variable Rate Demand Revenue Refunding Bonds (Bradley University) Series 2008B" (the Series 2008B Bonds) in the principal amount of \$25,390 maturing April 1, 2038.

The Series 2008A Bonds proceeds were used by the University to refund all Illinois Development Finance Authority Variable Rate Demand Revenue Bonds (Bradley University Projects) Series 2002 with an outstanding principal amount of \$37,800 and paid certain expenses incurred in connection with the issuance of the Series 2008A Bonds and the refunding of the Refunded Bonds.

The Series 2008B Bonds proceeds were used by the University to refund all Illinois Finance Authority Variable Rate Demand Revenue Bonds (Bradley University Projects) Series 2007B with an outstanding principal amount of \$25,000 and paid certain expenses incurred in connection with the issuance of the Series 2008B Bonds and the refunding of the Refunded Bonds.

The Series 2008A Bonds are secured with an irrevocable letter of credit in an amount sufficient to pay the principal or purchase price of the Series 2008A Bonds plus an amount up to 34 days of interest on the Series 2008A Bonds computed at an assumed maximum rate of 10% per annum and expiring on April 5, 2022 unless extended or terminated.

The Series 2008B Bonds are secured with an irrevocable letter of credit in an amount sufficient to pay the principal or purchase price of the Series 2008B Bonds plus an amount up to 34 days of interest on the Series 2008B Bonds computed at an assumed maximum rate of 10% per annum and expiring on April 5, 2022, unless extended or terminated.

BRADLEY UNIVERSITY
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NOTE 9 BONDS PAYABLE, NET (CONTINUED)

(C) Pursuant to a Trust Indenture dated September 1, 2017 between the University and the Illinois Finance Authority (the Authority), the University issued a Promissory Note, Series 2017 in the principal amount of \$89,500, issued under and secured by the Loan Agreement to (1) finance a portion of the costs of the construction of the Business & Engineering Complex, (2) refund certain bonds heretofore issued by the Authority for the benefit of the Borrower, and (3) pay certain of the costs relating to the issuance of the Series 2017 Bonds. The Authority issued bonds in three series known as the "Illinois Finance Authority Revenue Bonds (Bradley University Project) Series 2017A and 2017B" (the Series 2017A and 2017B Bonds) and the "Illinois Finance Authority Revenue Bonds (Bradley University Project) Series 2017C" (the Series 2017C Bonds and with the Series 2017A and 2017B Bonds, the "Bonds"). A premium of \$4,500 was received upon issuance of the Series 2017 Bonds. The agreement requires annual principal payments ranging in amounts from \$835 to \$920 from 2021 through 2048 for the Series 2017A and 2017B Bonds. The agreement also requires annual principal payments ranging in amounts from \$1,140 to \$5,725 from 2019 through 2035 from the Series 2017C Bonds.

Scheduled principal payments on bonds payable are:

<u>Year Ending May 31,</u>	<u>Amount</u>
2021	\$ 2,920
2022	2,990
2023	3,130
2024	3,275
2025	3,345
2026 and After	135,280
Total	<u>\$ 150,940</u>

Certain bonds payable and letter of credit agreements contain financial covenants pertaining to unrestricted revenues, annual debt service coverage, and unrestricted cash and investments. The University was in compliance with these financial covenants at May 31, 2020.

NOTE 10 LEASES

The University leases equipment as well as certain facilities for various terms under long-term noncancellable lease agreements and has multiple noncancelable lease agreements that provide renewal options for various terms. It is expected the University will renew or replace these leases with similar agreements. The leases expire at various dates through 2029.

BRADLEY UNIVERSITY
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NOTE 10 LEASES (CONTINUED)

The following table provides quantitative information concerning the University's leases:

	<u>2020</u>
Lease Costs:	
Finance Lease Cost:	
Amortization of Right-to-Use Asset	\$ 820
Interest on Lease Liabilities	56
Operating Lease Costs	<u>2,861</u>
Total Lease Cost	<u>\$ 3,737</u>
Other Information	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows From Finance Leases	\$ 160
Operating Cash Flows From Operating Leases	399
Financing Cash Flows From Finance Leases	85
Right-of-Use Assets Obtained in Exchange for New Financing Lease Liabilities	-
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	2,842
Weighted Average Remaining Lease Term - Financing Leases	8 years
Weighted Average Remaining Lease Term - Operating Leases	4 years
Weighted Average Discount Rate - Financing Leases	2%
Weighted Average Discount Rate - Operating Leases	3%

A maturity analysis of annual undiscounted cash flows for lease liabilities is as follows:

Year Ending May 31,	Financing Leases Amount	Operating Leases Amount
2021	\$ 114	\$ 368
2022	112	354
2023	110	354
2024	108	306
2025	106	296
Thereafter	<u>326</u>	<u>1,183</u>
Total	<u>\$ 876</u>	<u>\$ 2,861</u>

BRADLEY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 INTEREST RATE SWAP AGREEMENT

The University entered into an interest rate swap agreement with Morgan Stanley Capital Services, Inc. (MSCS) in conjunction with the Series 2002 bond issuance, which was transferred to the Series 2008A Bonds upon the refunding of the Series 2002 Bonds. The swap agreement exchanges the variable rate interest for a fixed rate of 3.48% until maturity on August 1, 2032. A floating rate is determined monthly to calculate settlement payments between the University and MSCS. MSCS determines the floating rate monthly based on 67% of the 30-day LIBOR Index. The fair value of the swap is recorded as an asset or a liability based on its valuation as of May 31. The fair value of the swap at May 31, 2020 and 2019 was a liability of \$4,455 and \$3,399, respectively.

NOTE 12 NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2020</u>	<u>2019</u>
Investment in Perpetuity, Income Available to Support:		
Scholarships	\$ 54,167	\$ 51,952
Annuity	1,335	1,379
Research, Academic Support, Student Services, and Institutional Support	34,032	25,844
Property and Equipment Acquisition and Maintenance	150	150
Scholarships	4,923	4,159
Annuity, Life Income, and Similar Funds	2,856	2,931
Research, Academic Support, Student Services, and Institutional Support	29,627	39,867
Property and Equipment Acquisition and Maintenance	1,717	423
Total	<u>\$ 128,807</u>	<u>\$ 126,705</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended May 31:

	<u>2020</u>	<u>2019</u>
Scholarships	\$ 290	\$ 279
Instruction, Research, Academic, and Institutional Support	1,435	2,438
Total	<u>\$ 1,725</u>	<u>\$ 2,717</u>
Nonoperating Activities - Capital Improvements and Time Restriction	<u>\$ 11,514</u>	<u>\$ 1,959</u>

BRADLEY UNIVERSITY
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NOTE 13 COMMITMENTS AND CONTINGENCIES

The University is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot currently be determined, the University believes that eventual liability, if any, will not have a material effect on the University's financial position.

All funds expended in conjunction with government grants and contracts are subject to audit by government agencies. In the opinion of management, any liability resulting from these audits will not have a material effect on the University's financial position.

The University has entered into various contracts related to the construction of a 270,000 square foot business and engineering complex, also referenced as the Convergence Center, with total estimated expenditures of \$100,000 to occur over a period of several years

NOTE 14 RETIREMENT PLAN

Retirement benefits are available to all full-time employees of the University through Teachers Insurance and Annuity Association (TIAA), a national organization which funds pension benefits for educational institutions. Under this fully vested plan, the University and plan participants make monthly contributions to TIAA to purchase individual annuities equivalent to accrued retirement benefits. The University's cost of these benefits was \$3,263 and \$2,992 in 2020 and 2019, respectively.

NOTE 15 POSTRETIREMENT BENEFITS

Through the University's self-insured health plan, certain benefits (other than pension benefits) are offered and provided to eligible employees and dependents after retirement. The University uses a May 31 measurement date for this plan.

The obligation, funded status, and amounts recognized in the financial statements for the postretirement plans at May 31, 2020 and 2019 are as follows:

	Fiscal Year Ended	
	2020	2019
Change in Accumulated Postretirement Benefit Obligation		
Accumulated Postretirement Benefit Obligation at the Beginning of the Year	\$ 47,001	\$ 43,131
Service Cost	1,928	1,881
Interest Cost	1,795	1,782
Actuarial (Gain) Loss	4,642	2,961
Benefits Paid	(2,155)	(2,888)
Medicare Part D Reimbursement	134	134
Accumulated Postretirement Benefit Obligation at the End of the Year	\$ 53,345	\$ 47,001

BRADLEY UNIVERSITY
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NOTE 15 POSTRETIREMENT BENEFITS (CONTINUED)

	Fiscal Year Ended	
	2020	2019
Change in Plan Assets:		
Fair Value of Plan Assets at the Beginning of the Year	\$ -	\$ -
Benefits Paid	(2,155)	(2,888)
Employer Contributions	2,155	2,888
Fair Value of Assets at the End of the Year	\$ -	\$ -
Unfunded Status	\$ 53,345	\$ 47,001
Postretirement Benefits Other Than Pensions Included in Liabilities	\$ 53,345	\$ 47,001
Assumptions Used to Determine Benefit Obligation:		
Discount Rate	3.09%	3.91%
Rate of Compensation Increase	N/A	N/A
Retiree Participation Rate	70%	70%
Assumed Healthcare Cost Trend Rates for Benefit Obligation:		
Healthcare Cost Trend Rate Assumed for Next Year:		
Pre-65 Trend Rate	6.86%	7.22%
Post-65 Trend Rate	7.37%	7.83%
Ultimate Rate	4.50%	5.00%
Year that the Ultimate Rate is Reached:		
Pre-65 Trend Rate	2028	2025
Post-65 Trend Rate	2028	2025
Components of Net Periodic Benefit Cost:		
Service Cost	\$ 1,928	\$ 1,881
Interest Cost	1,794	1,782
Amortization of Prior Service Cost	(2,623)	(2,623)
Amortization of Loss	1,202	908
Net Periodic Benefit Cost	\$ 2,301	\$ 1,948

BRADLEY UNIVERSITY
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NOTE 15 POSTRETIREMENT BENEFITS (CONTINUED)

	Fiscal Year Ended	
	2020	2019
Assumptions Used to Determine Net Periodic Benefit Cost:		
Discount Rate	3.91%	4.23%
Rate of Compensation Increase	N/A	N/A
Assumed Healthcare Cost Trend Rates for Net Periodic Benefit Cost:		
Healthcare Cost Trend Rate Assumed for Next Year:		
Pre-65 Trend Rate	7.22%	7.57%
Post-65 Trend Rate	7.83%	8.28%
Ultimate Rate	5.00%	5.00%
Year that the Ultimate Rate is Reached:		
Pre-65 Trend Rate	2025	2025
Post-65 Trend Rate	2025	2025

Expected contributions for fiscal year 2021 are \$2,087.

Estimated future benefit payments for postretirement benefits other than pensions are as follows:

<u>Year Ending May 31,</u>	<u>Gross Payments</u>
2021	\$ 2,246
2022	2,426
2023	2,627
2024	2,823
2025	2,977
2026 - 2030	16,801

For measurement purposes, the following percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2020:

<u>Year Ending May 31,</u>	<u>Under 65</u>	<u>65 and Up</u>
2021	6.86 %	7.37
2022	6.49	6.91
2023	6.21	6.57
2024	5.93	6.23
2025	5.64	5.89
2026	5.36	5.54
2027	5.07	5.20

BRADLEY UNIVERSITY
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NOTE 15 POSTRETIREMENT BENEFITS (CONTINUED)

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care benefits. A one-percentage point change in assumed health care cost trend rates would have the following effect:

	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on Total of Service and Interest Cost Components for Fiscal Year Ended May 31, 2020	\$ 644	\$ 641
Effect on Postretirement Benefits Obligation as of May 31, 2020	\$ 6,881	\$ 5,965

Reconciliation of Items Not Yet Reflected in Net Periodic Benefit Cost

	June 1, 2019	Reclassified as Net Periodic Benefit Cost	Amounts Arising During Period	May 31, 2020
Prior Service Credit	\$ (6,506)	\$ 2,623	\$ -	\$ (3,883)
Net Loss	11,369	(1,202)	4,642	14,809

The amounts in unrestricted net assets expected to be recognized as components of net periodic benefit cost in the next fiscal year are as follows:

Prior Service Credit	\$ (2,623)
Net Loss	1,719
Total	\$ (904)

NOTE 16 ALLOCATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a direct basis on the statement of activities and on a functional basis in the disclosure of functional expenses. The University excludes operating and maintenance of plant, interest on indebtedness, depreciation, and general institutional expenses from function expense categories in the statements of activities. The disclosure of functional expenses presents the natural classification detail of expenses by function. Therefore, expense require allocation on a reasonable basis that is consistently applied. Expenses including occupancy and depreciation are allocated on based on usage, while the remaining expenses including salaries, benefits, office expenses, information technology, travel, and other are allocated on the basis of estimates of time and effort.

BRADLEY UNIVERSITY
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NOTE 16 ALLOCATION OF EXPENSES (CONTINUED)

Functional expenses as of May 31, 2020 and 2019 are as follows:

	2020						Total
	Instructional	Student Services	General Administration	Library	Public Service	Auxiliary	
Salaries	\$ 50,132	\$ 6,195	\$ 4,720	\$ 1,170	\$ 2,943	\$ 7,888	\$ 73,048
Other Benefits	19,126	2,893	1,722	756	1,253	1,175	26,925
Fees for Services	2,449	403	235	19	37	516	3,659
Advertising	90	250	-	-	26	3	369
Office Expenses	4,742	2,081	393	127	661	3,065	11,069
Information Technology	1,809	1,151	27	1,327	104	65	4,483
Occupancy	743	117	122	1	8	10,287	11,278
Conferences and Travel	1,418	308	5	-	164	1,299	3,194
Other Expenses	1,227	309	172	9	194	552	2,463
Interest on indebtedness	2,508	396	223	105	169	970	4,371
Depreciation	8,190	1,292	729	342	552	3,167	14,272
Total	<u>\$ 92,434</u>	<u>\$ 15,395</u>	<u>\$ 8,348</u>	<u>\$ 3,856</u>	<u>\$ 6,111</u>	<u>\$ 28,987</u>	<u>\$ 155,131</u>

	2019						Total
	Instructional	Student Services	General Administration	Library	Public Service	Auxiliary	
Salaries	\$ 50,278	\$ 6,269	\$ 4,631	\$ 1,295	\$ 2,892	\$ 8,113	\$ 73,478
Other Benefits	18,115	2,922	1,690	776	1,150	1,147	25,800
Fees for Services	1,122	425	86	43	61	778	2,515
Advertising	115	258	8	-	19	4	404
Office Expenses	3,155	2,258	514	337	696	2,906	9,866
Information Technology	1,332	1,181	55	1,213	18	65	3,864
Occupancy	2,707	417	364	96	205	12,042	15,831
Conferences and Travel	2,374	344	91	2	144	1,725	4,680
Other Expenses	2,138	442	202	54	212	884	3,932
Interest on indebtedness	2,341	390	218	109	153	1,006	4,217
Depreciation	7,455	1,243	695	347	486	3,205	13,431
Total	<u>\$ 91,132</u>	<u>\$ 16,149</u>	<u>\$ 8,554</u>	<u>\$ 4,272</u>	<u>\$ 6,036</u>	<u>\$ 31,875</u>	<u>\$ 158,018</u>

NOTE 17 CONCENTRATION OF CREDIT

The University primarily maintains its cash in various accounts. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Total cash held by these banks was \$3,835 at May 31, 2020.

BRADLEY UNIVERSITY
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NOTE 18 CARES ACT FUNDING

Under the CARES Act, the United States Department of Education provided the University a total of \$4,276,013 through the Higher Education Emergency Relief Fund (HEERF). Half of the funds (the institutional portion) were to be used by the University to help offset internal costs incurred from the outbreak of COVID-19. The total institutional portion of the funds totaled \$2,138,006. During the year ended May 31, 2020, the University used the institutional portion of the funds to support the costs incurred as a result of refunding room and board to students when the University's campus closed in March 2020. The other half of the funds were to be made available to support students with Title IV eligibility who were directly financially impacted by COVID-19. Requests for reimbursement totaling \$1,487,200 were submitted by students. The remaining funds of \$650,807 had not been drawn down from the Department of Education as of May 31, 2020 and will be available for students during the next fiscal year.

NOTE 19 RISKS AND UNCERTAINTIES

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. Specific to the University, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, declines in enrollment, loss of auxiliary revenues, additional bad debts, and costs for increased use of technology. Management believes the University is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 20 SUBSEQUENT EVENTS

The University evaluated subsequent events through September 28, 2020, the date the financial statements were available to be issued.

NOTE 21 COMPOSITE SCORE

The University participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the University is required to demonstrate financial responsibility by meeting a certain composite score based on a formula developed by the Department of Education. This score uses financial ratios based on the University's audited financial statements. The composite score calculated reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0.

BRADLEY UNIVERSITY
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NOTE 21 COMPOSITE SCORE (CONTINUED)

The composite score for the year ended May 31, 2020 is as follows:

Primary Reserve Ratio:

Expendable Equity	\$ 175,536	
Total Expenses	\$ 170,414	1.03

Equity Ratio:

Modified Equity	\$ 451,557	
Modified Assets	\$ 714,538	0.63

Net Income Ratio:

Net Income	\$ (4,695)	
Total Revenues	\$ 177,070	(0.03)

	Ratios	Strength Factors	Weight	Composite Scores
Primary Reserve	1.03	3.0	40%	1.2
Equity	0.63	3.0	40%	1.2
Net Income	(0.03)	0.3	20%	0.1
Composite Score				2.5



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

Board of Trustees
Bradley University
Peoria, 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 Bradley University, which comprise the statement of financial position as of May 31, 2020, 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 September 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bradley University'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 Bradley University's internal control. Accordingly, we do not express an opinion on the effectiveness of Bradley University's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bradley University's financial statements are free of 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Peoria, Illinois

September 28, 2020, except for Note 21 and the financial responsibility ratio supplemental schedule, the financial responsibility ratio disclosure, and the schedule of expenditures of federal awards as to which the date is June 15, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Bradley University
Peoria, Illinois

Report on Compliance for Each Major Federal Program

We have audited Bradley University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bradley University's major federal programs for the year ended May 31, 2020. Bradley University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bradley University'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 Bradley University'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 Bradley University's compliance.

Opinion on Each Major Federal Program

In our opinion, Bradley University 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, 2020.

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 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

Bradley University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Bradley University'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 Bradley University 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 Bradley University'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 Bradley University'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

Board of Trustees
Bradley University

Bradley University's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Bradley University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Peoria, Illinois
June 15, 2021

BRADLEY UNIVERSITY
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
YEAR ENDED MAY 31, 2020

Supplemental Schedule - Financial Responsibility Calculation Supplemental Components
(In Thousands of Dollars)

Primary Reserve Ratio:		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 322,750
2	SFP	Net assets with donor restrictions	128,807
3	SFP or Supplemental Disclosure (SD) Line 1	Net assets restricted in perpetuity	89,684
4	SD Line 20	Unsecured related-party receivable	-
5	SD Line 2d	Donor restricted annuities, term endowments, life income funds	39,123
6	SD Line 3d	Property, plant, and equipment pre-implementation	329,880
7	SD Line 4d	Property, plant, and equipment post-implementation with outstanding debt for original purchase	7,500
8	SD Line 5	Construction in progress purchased with long-term debt	25,082
9	SD Line 35	Post-implementation property, plant, and equipment, net, acquired without debt	-
10	SD Line 14	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	1,593
11	SD Line 15	Lease right-of-use asset, post-implementation	2,514
12	SFP	Intangible assets	-
13	SFP	Post-employment and pension liabilities	53,345
14	SD Line 8d	Long-term debt - for long-term purposes pre-implementation	150,161
15	SD Line 9d	Long-term debt - for long-term purposes post-implementation	7,500
16	SD Line 10	Line of credit for construction in progress	-
17	SD Line 17	Pre-implementation right-of-use asset liability	905
18	SD Line 18	Post-implementation right-of-use asset liability	3,337
		Total Expenses and Losses:	
19	Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	162,308
20	SOA	Nonservice component of pension/postemployment (nonoperating) cost, (if loss)	6,063
21	SD Line 22	Sale of fixed assets (if loss)	987
22	SOA	Change in value of interest-rate swap agreements (if loss)	1,056
		Equity Ratio:	
		Modified Net Assets:	
23	SFP	Net assets without donor restrictions	322,750
24	SFP	Net assets with donor restrictions	128,807
25	SFP	Intangible assets	-
26	SD Line 20	Unsecured related-party receivables	-
		Modified Assets:	
27	SFP	Total assets	712,945
28	SD Line 14	Lease right-of-use asset pre-implementation	1,593
29	SFP	Intangible assets	-
30	SD Line 20	Unsecured related-party receivables	-
		Net Income Ratio:	
31	SOA	Change in Net Assets Without Donor Restrictions	(4,695)
		Total Revenues and Gains:	
32	SOA	Total operating revenue (including net assets released from restrictions)	163,840
33	SOA	Investments gain, net (aggregate operating and nonoperating interest, dividends, realized and unrealized gains)	7,300
34	SOA	Nonservice component of pension/postemployment (nonoperating) cost (if gain)	-
35	SOA	Pension-related changes other than net periodic pension costs (if gain)	4,642
36	SOA	Change in value of annuity agreement (typically in nonoperating)	-
37	SOA	Change in value of interest-rate swap agreements (if gain)	-
38	SD Line 25	Sale of fixed assets (if gain)	-
39	SOA	Other gains	1,288

BRADLEY UNIVERSITY
FINANCIAL RESPONSIBILITY RATIO DISCLOSURE
YEAR ENDED MAY 31, 2020

Supplemental Disclosures - U.S. Department of Education
Fiscal Year Ended May 31, 2020
(In Thousands of Dollars)

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

Net Assets

1	Net assets with donor restrictions: restricted in perpetuity	\$	89,684
2	Other net assets with donor restrictions (not restricted in perpetuity):		
	a. Annuities with donor restrictions		1,608
	b. Term endowments		37,515
	c. Life income funds (trusts)		-
	d. Total annuities, term endowments, and life income funds with donor restrictions		39,123

Property, Plant, and Equipment, net

3	Pre-implementation property, plant, and equipment, net		
	a. Ending balance of last financial statements submitted to and accepted by the Department of Education (May 31, 2019, financial statement)		346,732
	b. Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard		(1,593)
	c. Less subsequent depreciation and disposals (net of accumulated depreciation)		(15,259)
	d. Balance pre-implementation property, plant, and equipment, net		329,880
4	Debt financed post-implementation property, plant, and equipment, net		
	Long-lived assets acquired with debt subsequent to May 31, 2019:		
	a. Equipment		-
	b. Land improvements		-
	c. Building		7,500
	d. Total property, plant, and equipment, net acquired with debt exceeding 12 months		7,500
5	Construction in progress - acquired subsequent to May 31, 2019		25,082
6	Post-implementation property, plant, and equipment, net, acquired without debt:		
	a. Long-lived assets acquired without use of debt subsequent to June 30, 2019		-
7	Total Property, Plant, and Equipment, net - May 31, 2020		362,462

Debt to be excluded from expendable net assets

8	Pre-implementation debt:		
	a. Ending balance of last financial statements submitted to the Department of Education (May 31, 2019):		152,360
	b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.		(905)
	c. Less subsequent debt repayments		(1,294)
	d. Balance Pre-implementation Debt		150,161
9	Allowable post-implementation debt used for capitalized long-lived assets:		
	a. Equipment - all capitalized		-
	b. Land improvements		-
	c. Buildings		7,500
	d. Balance Post-implementation Debt		7,500
10	Construction in progress (CIP) financed with debt or line of credit		-
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value		4,147
			161,808

BRADLEY UNIVERSITY
FINANCIAL RESPONSIBILITY RATIO DISCLOSURE (CONTINUED)
YEAR ENDED MAY 31, 2020

Debt to be excluded from expendable net assets (continued)

12 Terms of current year debt and line of credit for PPE additions:

	Issue Date	Maturity Date	Nature of Capitalized Amounts	Amount Capitalized
a.	None		Equipment	\$ -
b.	None		Land improvements	-
c.	Various	Sep 1, 2047 5 year term (from original maturity)	Buildings	7,500

Lease right-of-use assets and liabilities

13	Lease right-of-use assets		\$	2,514
	Right-of-use assets as of balance sheet date May 31, 2020			
14	Lease right-of-use assets - Pre-implementation			
	Right-of-use assets as of balance sheet date May 31, 2020, excluding leases entered into before December 15, 2018			1,593
15	Lease right-of-use assets - Post-implementation			
	Right-of-use assets as of balance sheet date May 31, 2020, excluding leases entered into on or after December 15, 2018			2,514
16	Lease right-of-use liability			
	Lease liabilities as of balance sheet date May 31, 2020, excluding			3,337
17	Lease right-of-use liability - Pre-implementation			
	Lease liabilities as of balance sheet date May 31, 2020, excluding leases entered into before December 15, 2018			905
18	Lease right-of-use liability - Post-implementation			
	Lease liabilities as of balance sheet date May 31, 2020, excluding leases entered into on or after December 15, 2018			3,337

Unsecured related-party receivables

19	Secured related-party receivables	-
20	Unsecured related party receivables	-
21	Total secured and unsecured related-party receivables	-

Sale of fixed assets (if loss)

22	Loss on sale of fixed assets	987
23	Remaining balances in expense category in which loss on sale of assets is included on SOA	-
24	Expense category in which loss on sale of assets is included on SOA	987

Sale of fixed assets (if gain)

25	Gain on sale of fixed assets	-
26	Remaining balances in nonoperating other income category in which gain on sale of assets is included on SOA	-
27	Other income category in which gain on sale of assets is included on SOA	-

BRADLEY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
STUDENT FINANCIAL AID - CLUSTER (Major)				
U.S. Department of Education				
Direct:				
Pell Grant	84.063		\$ -	\$ 6,375,127
Federal Supplemental Educational Opportunity Grant	84.007		-	659,829
Federal Work Study	84.033		-	371,909
Perkins Loan Program	84.038		-	4,980,913
Direct Student Loan Program	84.268		-	51,919,816
			-	64,307,594
U.S. Department of Health and Human Services				
Direct:				
Nursing Student Loan Program	93.364		-	275,411
Total Student Financial Aid (Major)			-	64,583,005
HIGHER EDUCATION EMERGENCY RELIEF FUND - CLUSTER (Major)				
U.S. Department of Education				
Direct:				
U.S. Department of Education, Higher Education Emergency Relief Fund (HEERF)				
Student Aid Portion (COVID-19)	84.425E	P425E200271	-	1,487,200
Institutional Portion (COVID-19)	84.425F	P425F202050	-	2,138,006
Total Higher Education Emergency Relief Fund (Major)			-	3,625,206
RESEARCH AND DEVELOPMENT - CLUSTER				
National Science Foundation				
Direct:				
Collaborative Research: Integrating Computation into Undergraduate Physics - A Faculty Development Approach to Community Transformation DUE-1525525 27-87 263				
	47.076		-	15,169
NASA				
Passed through University of Illinois, Illinois Space Grant Consortium: Illinois Space Grant Consortium (ISGC) Scholarship/ Award Management 27-86 510				
	43.008	2015-05200-02	-	13,500
Area Coverage Optimization using Multiple Autonomous Agents 27-86 517				
	43.008	2015-05200-02	-	2,377
Undergraduate Research in Nanotribology and BioMEMS 27-86 519				
	43.008	2015-05200-02	-	8,111
Continued Enhancement of Space-Related Demonstrations in Science Outreach Shows 27-86 529I/27-86 530J				
	43.008	2015-05200-02	-	1,169
Optimization of Semiconductors for Solar Cell Application 27-86 527				
	43.008	2015-05200-02	-	1,273
Nano Modified Sulfur Concrete with Automated 3D Printing on Mars 27-86 520				
	43.008	2015-05200-02	-	11,950
Characterization of the Lower Back Passive Myofascial Properties in Healthy Subjects, Ankylosing Spondylitis Patients and in Patients with Low Back Pain 27-86 521				
	43.008	2015-05200-02	-	5,276
Undergraduate Research in Incompressible Fluid Dynamics Laboratory 27-86 523				
	43.008	2015-05200-02	-	4,013
Suspension-Based Additive Manufacturing: A New Paradigm Using Air Levitation 27-86 525				
	43.008	2015-05200-02	-	150
Distributed Task Coordination and Coordinated Reinforcement Learning in Multi-Robot Missions 27-86 528				
	43.008	2015-05200-02	-	3,092
Assessment of Thermally-Induced Slide Stability and Safety of Structure on Extraterrestrial Slopes 27-86 529A				
	43.008	2015-05200-02	-	6,793
Surface Electromyography in Human Resting Muscle: Signal Processing Prospectives 27-86 529B/27-86 511				
	43.008	2015-05200-02	-	4,348
Study and Development of Area Coverage Strategies for Nondeterministic Environments 27-86 529C				
	43.008	2015-05200-02	-	366
Measurement of Viscoelastic Properties of the Lower Back Passive Myofascial in Healthy Subjects and in Ankylosing Spondylitis Patients 27-86 529D				
	43.008	2015-05200-02	-	4,169

See Notes to Schedule of Expenditures of Federal Awards.

BRADLEY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED MAY 31, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
RESEARCH AND DEVELOPMENT - CLUSTER (CONTINUED)				
NASA (CONTINUED)				
Passed through University of Illinois, Illinois Space Grant Consortium (Continued):				
Remote Sensing of Algae Blooms in Inland Water Bodies Using Landsat and MODIS as a Tool in Watershed Management 27-86 529E	43.008	2015-05200-02	\$ -	\$ 6,541
Development of Advanced Materials for Nanocomposite Applications 27-86 529F	43.008	2015-05200-02	-	2,292
Efficiency Enhancement of Dye-sensitized Solar Cells: Developing TiO2 Nanoparticles with Different Characteristics 27-86 529G	43.008	2015-05200-02	-	2,746
Enhancement of the Introductory Mechanical Engineering Course 27-86 529H	43.008	2015-05200-02	-	3,993
Development of Radiation-Hardened Hardware for CubeSat-Based Science Missions in Geospace and Atmospheric Research 27-86 530A	43.008	2015-05200-02	-	2,526
Research Experience for Undergraduates in Intelligent Control of Networked Autonomous Robotic Systems 27-86 530C	43.008	2015-05200-02	-	1,457
Reinforcing of Sulfur Concrete Using Post-tensioning Method for Planetary Applications 27-86 530D	43.008	2015-05200-02	-	4,075
Pumpability and Printability of Extraterrestrial 3D Printing Materials 27-86 530E	43.008	2015-05200-02	-	1,986
Underrepresented STEM Engagement through University, School District and Community Collaboration 27-86 530F	43.008	2015-05200-02	-	4,052
			-	<u>96,255</u>
U.S. Department of Transportation				
Federal Highway Administration				
Passed through Illinois Department of Transportation, Methodology for Evaluation of Seal Coat, Gravel and Dirt Roads 27-86 219				
	20.205	087795-16653	-	4,321
Correlation Between Work Zone Exposure and Work Zone Related Fatal and A-Injury Crashes 27-86 220				
	20.205	087795-16777	-	72,329
Small Cell Installation in Transportation Infrastructure 27-86-221				
	20.205	087795-17583	-	26,998
			-	<u>103,648</u>
U.S. Department of Health and Human Services				
National Institute of Health				
National Center for Research Services				
Passed through Cornell University: Resource Center for Tetrahymena Thermiphila 27-89 332				
	93.351	P40OD010964 87107-11272	-	19,810
Total Research and Development				
			-	<u>234,882</u>
OTHER PROGRAMS				
U.S. Department of Commerce, National Institute of Standards & Technology				
Passed through Illinois Manufacturing Excellence Center: Central Regional Center				
	11.611	27-87-533, 534	-	348,690
Passed through Illinois Manufacturing Excellence Center: Manufacturing Projects - Chen				
	11.611	27-87-611	-	10,914
			-	<u>359,604</u>
U.S. Department of Defense				
Passed through Illinois Department of Commerce and Economic Opportunity: Procurement Technical Assistance Center 27-84 174				
	12.002	20-601121	-	35,705
National Endowment for the Humanities				
Passed through Illinois Humanities Midwest Women Artists: Champions of the Environment				
	45.129	GR_A630_00	-	4,000
U.S. Department of Commerce, Small Business Administration				
Passed through Illinois Department of Commerce and Economic Opportunity: Small Business Development Center/International Trade Center 27-84 557				
	59.037	19-561120	-	258,000
U.S. Department of Health and Human Services				
Passed through Central Illinois Agency on Aging, Inc.:				
CIAA: Caregiver Counseling, Support Groups, Training/ Education Services 27-89 328				
	93.052	760555-19	-	10,655
CIAA: Caregiver Counseling, Support Groups, Training/ Education Services 27-89 329				
	93.052	760555-20	-	18,096
			-	<u>28,751</u>
Total Other Programs				
			-	<u>686,060</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 69,129,153

See Notes to Schedule of Expenditures of Federal Awards.

BRADLEY UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MAY 31, 2020

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) summarizes the expenditures of Bradley University (the University) under programs of the federal government for the fiscal year ended May 31, 2020. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, or the changes in net assets and cash flows of the University.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government and all sub awards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures for federal student financial aid programs are recognized as incurred and include Pell program grants to students, the federal share of the student's Federal Supplemental Educational Opportunity Grant (FSEOG) program, and Federal Work Study (FWS) program.

Expenditures for federal programs are recognized as incurred using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, expenditures include a portion of costs associated with general University activities (indirect costs) which are allocated to federal awards under negotiated formulas commonly referred to as indirect cost rates. Indirect costs allocated to such awards for the year ended May 31, 2020 were based on predetermined fixed rates as stipulated in the respective grant agreements or as negotiated with the Department of Health and Human Services.

NOTE 3 FEDERAL STUDENT LOAN PROGRAMS

The federal student loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at May 31, 2020 consists of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Federal Perkins Loan Program	84.268	\$ 4,310,015
Nursing Student Loans	93.364	207,151

BRADLEY UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
MAY 31, 2020

NOTE 4 ADDITIONAL INFORMATION

As of and during the year ended May 31, 2020, the University did not receive any noncash federal assistance or federal insurance.

**BRADLEY UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditor’s report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? Yes No
 - Were significant deficiency(ies) identified not considered to be a material weakness(es)? Yes None Reported
3. Noncompliance material to basic financial statements noted? Yes No

Federal Awards

1. Internal control over compliance:
- Material weakness(es) identified? Yes No
 - Were significant deficiency(ies) identified not considered to be a material weakness(es)? Yes None Reported
2. Type of auditor’s report issued on compliance for major programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) Yes No

Identification of major federal programs:

CFDA Number(s)

Various
84.425E, 84.425F

Name of Federal Program or Cluster

Student Financial Aid cluster
Higher Education Emergency Relief Funds

Dollar threshold used to determine Type A projects: \$750,000

Auditee qualify as low-risk auditee? Yes No

**BRADLEY UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED MAY 31, 2020**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

2020 – 001

Federal agency: U.S. Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.SFA

Pass-Through Agency: N/A

Pass-Through Number(s): N/A

Award Period: June 1, 2019 – May 31, 2020

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 668.164(e) states, "Whenever an institution disburses title IV, HEA program funds by crediting a student's account and the total amount of all title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but—

(1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or

(2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

Condition: Through our testing of 40 students whose accounts had a credit balance resulting from federal funds during the year, we noted that one student did not have the credit balance refunded within the 14 day period.

Questioned costs: None.

Context: During our testing, it was noted that the University was not reviewing credit balances on student accounts for credit balances caused by federal funds.

**BRADLEY UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED MAY 31, 2020**

Section III – Federal Award Findings and Questioned Costs - Continued

2020 – 001 (Continued)

Cause: Student was claimed by the University before they selected type of refund they wanted for credit balance in account. This caused student to be overlooked during refund process.

Effect: The University did not refund the student within 14 days for credit balances that arose from federal funds as required by DOE regulations.

Repeat Finding: No

Recommendation: We recommend the University implement a process to ensure any credit balances resulting from Federal Student Financial Aid are returned directly to the student within the 14-day time frame imposed by the U.S. Department of Education.

Views of responsible officials: There is no disagreement with the audit finding.