

**BRADLEY UNIVERSITY**  
Peoria, Illinois

**REPORTING PACKAGE REQUIRED  
BY THE UNIFORM GUIDANCE**

**YEARS ENDED MAY 31, 2019 AND 2018**



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**Mr. Dennis Koch**  
Associate Controller

**Mr. Ryan Schmidgall**  
Assistant Controller

**BRADLEY UNIVERSITY  
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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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* and Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to these matters.

**Other Matters**

*Other Information - Schedule of Expenditures of Federal Awards*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 23, 2019, 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 23, 2019

**BRADLEY UNIVERSITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**MAY 31, 2019 AND 2018**  
**(IN THOUSANDS OF DOLLARS)**

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 43,812	\$ 35,418
Deposit with Trustee	1,160	21,919
Accounts Receivable:		
Tuition and Fees, Net of \$525 and \$475 Allowance in 2019 and 2018, Respectively	1,831	1,910
Government Grants and Appropriations	893	5,839
Other	1,514	1,342
Student Loans, Net of \$350 Allowance in 2019 and 2018	4,867	5,561
Deferred Charges and Other	964	1,110
Notes Receivable	24	-
Contributions Receivable, Net of \$5,182 and \$5,562 Allowance in 2019 and 2018, Respectively	9,168	11,420
Investments	289,109	292,081
Property, Plant, and Equipment, Net	346,732	306,560
Total Assets	\$ 700,074	\$ 683,160
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accrued Wages and Related Taxes	\$ 12,707	\$ 15,255
Accounts Payable and Accrued Expenses	17,519	10,781
Retainage Payable	4,155	-
Student Deposits	1,893	1,994
Deferred Revenue	4,506	4,578
Reserve for Annuities	1,589	3,344
Refundable Government Loan Fund	4,194	4,091
Postretirement Benefits Other than Pensions	47,001	43,131
Notes Payable	364	376
Capital Lease Obligation	905	1,006
Swap Contract	3,399	2,925
Bonds Payable, Net	147,692	131,678
Total Liabilities	245,924	219,159
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	132,867	171,927
Designated by the Board for Endowment Fund	205	205
Property and Equipment Net of Related Debt	194,373	170,574
Total Without Donor Restrictions	327,445	342,706
With Donor Restrictions:		
Purpose Restrictions	47,189	48,042
Perpetual in Nature	79,636	73,266
Underwater Endowments	(120)	(13)
Total With Donor Restrictions	126,705	121,295
Total Net Assets	454,150	464,001
Total Net Assets and Liabilities	\$ 700,074	\$ 683,160

See accompanying Notes to Financial Statements.

**BRADLEY UNIVERSITY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED MAY 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2018)**  
**(IN THOUSANDS OF DOLLARS)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>OPERATING REVENUES AND OTHER ADDITIONS</b>				
Tuition and Fees	\$ 168,451	\$ -	\$ 168,451	\$ 165,608
Tuition Allowance	(66,636)	-	(66,636)	(63,274)
Net Tuition and Fees	101,815	-	101,815	102,334
Contributions	950	5,802	6,752	3,369
Government Grants and Appropriations	3,058	-	3,058	2,573
Contracts	708	-	708	753
Net Investment Return Designated for Current Operations	11,202	231	11,433	10,726
Auxiliary	27,177	-	27,177	26,154
Other Income	6,717	1	6,718	7,090
Net Assets Released from Restrictions	2,717	(2,717)	-	-
Total Operating Revenue and Other Additions	154,344	3,317	157,661	152,999
<b>OPERATING EXPENDITURES</b>				
Instructional and Research	57,933	-	57,933	56,821
Operation and Maintenance of Plant	10,064	-	10,064	10,063
General Institutional	25,925	-	25,925	27,204
Student Services	9,660	-	9,660	9,762
General Administrative	5,405	-	5,405	5,601
Library	2,698	-	2,698	2,539
Public Service, Information, and Fundraising	3,780	-	3,780	3,603
Auxiliary	24,903	-	24,903	23,872
Interest on Indebtedness	4,219	-	4,219	3,721
Depreciation	13,431	-	13,431	13,429
Total Operating Expenditures	158,018	-	158,018	156,615
Change in Net Assets from Operating Activities	(3,674)	3,317	(357)	(3,616)
<b>NONOPERATING REVENUE AND EXPENDITURES</b>				
Net Investment Appreciation (Depreciation), Less Return Designated for Current Operations	(7,771)	73	(7,698)	13,324
Loss on Disposal of Asset	(32)	-	(32)	(3,217)
Capital Gifts	-	1,959	1,959	891
Capital Gifts Released From Restriction	1,959	(1,959)	-	-
Gain on Extinguishment of Debt	-	-	-	671
Swap Contract Gain (Loss)	(474)	-	(474)	1,551
Postretirement Benefits Related Charges, Other Than Periodic Cost	(4,675)	-	(4,675)	(1,015)
Change in Donor Restrictions	(849)	831	(18)	-
Changes in Split Interest Arrangements	255	1,189	1,444	(338)
Change in Net Assets from Nonoperating Activities	(11,587)	2,093	(9,494)	11,867
<b>TOTAL CHANGES IN NET ASSETS</b>	(15,261)	5,410	(9,851)	8,251
Net Assets - Beginning of Year	342,706	121,295	464,001	455,750
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 327,445</u>	<u>\$ 126,705</u>	<u>\$ 454,150</u>	<u>\$ 464,001</u>

See accompanying Notes to Financial Statements.

**BRADLEY UNIVERSITY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED MAY 31, 2018**  
**(IN THOUSANDS OF DOLLARS)**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES AND OTHER ADDITIONS</b>			
Tuition and Fees	\$ 165,608	\$ -	\$ 165,608
Tuition Allowance	(63,274)	-	(63,274)
Net Tuition and Fees	102,334	-	102,334
Contributions	1,363	2,006	3,369
Government Grants and Appropriations	2,573	-	2,573
Contracts	753	-	753
Net Investment Return Designated for Current Operations	10,591	135	10,726
Auxiliary	26,154	-	26,154
Other Income	7,087	3	7,090
Net Assets Released from Restrictions	2,689	(2,689)	-
Total Operating Revenue and Other Additions	153,544	(545)	152,999
<b>OPERATING EXPENDITURES</b>			
Instructional and Research	56,821	-	56,821
Operation and Maintenance of Plant	10,063	-	10,063
General Institutional	27,204	-	27,204
Student Services	9,762	-	9,762
General Administrative	5,601	-	5,601
Library	2,539	-	2,539
Public Service, Information, and Fundraising	3,603	-	3,603
Auxiliary	23,872	-	23,872
Interest on Indebtedness	3,721	-	3,721
Depreciation	13,429	-	13,429
Total Operating Expenditures	156,615	-	156,615
Change in Net Assets from Operating Activities	(3,071)	(545)	(3,616)
<b>NONOPERATING REVENUE AND EXPENDITURES</b>			
Net Investment Depreciation			
Less Return Designated for Current Operations	13,160	164	13,324
Loss on Disposal of Asset	(3,217)	-	(3,217)
Capital Gifts	98	793	891
Capital Gifts Released From Restriction	12,919	(12,919)	-
Gain on Extinguishment of Debt	671	-	671
Swap Contract Gain	1,551	-	1,551
Postretirement Benefits Related Charges Other than Periodic Cost	(1,015)	-	(1,015)
Change in Donor Restrictions	(696)	696	-
Changes in Split Interest Arrangements	(82)	(256)	(338)
Change in Net Assets from Nonoperating Activities	23,389	(11,522)	11,867
<b>TOTAL CHANGES IN NET ASSETS</b>	20,318	(12,067)	8,251
Net Assets - Beginning of Year	322,388	133,362	455,750
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 342,706</u>	<u>\$ 121,295</u>	<u>\$ 464,001</u>

See accompanying Notes to Financial Statements.



**BRADLEY UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MAY 31, 2019 AND 2018**  
**(IN THOUSANDS OF DOLLARS)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (9,851)	\$ 8,251
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	13,431	13,429
Provision (Recoveries) of Uncollectible Contributions and Accounts Receivable	(380)	4,098
Net Accretion of Premiums and Discounts on Bonds Payable and Bond Issuance Costs	(346)	(280)
Gain on Extinguishment of Debt	-	(671)
Loss on Disposal of Property, Plant, and Equipment	32	3,217
Net Realized and Unrealized Gain on Investments	(3,107)	(23,796)
Swap Contract (Gain) Loss	474	(1,551)
Post Retirement Benefits Related Charges Other than Periodic Cost	4,675	1,015
Contributions Restricted for Long-Term Investment	(4,500)	(2,474)
Interest and Dividends Restricted for Long-Term Investment	(45)	(183)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	4,829	895
Deferred Charges and Other	146	(369)
Contributions Receivable	2,632	4,273
Accounts Payable, Accrued Expenses, and Accrued Wages	(301)	760
Student Deposits	(101)	373
Deferred Revenue	(72)	151
Reserve for Annuities	(1,755)	(124)
Postretirement Benefits	(805)	299
Net Cash Provided by Operating Activities	4,956	7,313
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	66,959	53,684
Purchase of Investments	(60,880)	(45,822)
Purchase of Property and Equipment	(44,989)	(17,204)
Withdrawal of Deposit with Trustee	42,400	3,018
Deposit with Trustee	(21,641)	(24,937)
Net Cash Used by Investing Activities	(18,151)	(31,261)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Long-Term Investment	4,500	2,474
Interest and Dividends Restricted for Long-Term Investment	45	183
Proceeds from Issuance of New Debt	17,500	69,000
Retirement of Debt	-	(43,690)
Payments on Notes Payable	(12)	(12)
Payments on Bonds Payable	(1,140)	(1,245)
Payments for Bond Issuance Costs	-	(484)
Increase (Decrease) in Refundable Government Loan Funds, Net	797	(166)
Payments on Capital Lease Obligation	(101)	(93)
Net Cash Provided by Financing Activities	21,589	25,967
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	8,394	2,019
Cash and Cash Equivalents - Beginning of Year	35,418	33,399
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 43,812	\$ 35,418
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 3,438	\$ 3,534
Property, Plant, and Equipment Financed through Payables	\$ 9,871	\$ 1,225

See accompanying Notes to Financial Statements.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019 AND 2018**  
(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>2019</u>	<u>2018</u>
Revenue Recognized Over Time:		
Undergraduate Tuition and Fees	\$ 89,424	\$ 90,064
Graduate Tuition and Fees	12,391	12,270
Total	<u>\$ 101,815</u>	<u>\$ 102,334</u>

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019 AND 2018**  
**(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:

	2019	2018
Revenue Recognized Over Time:		
Housing	\$ 11,647	\$ 11,486
Dining	8,077	7,969
Athletics Ticket Sales	1,021	1,044
Apartment Rental Income	4,099	3,343
Other	2,333	2,312
Total	\$ 27,177	\$ 26,154

**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, 2019 AND 2018**  
**(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, 2019 will be recognized as revenue over the academic term beginning June 1, 2019 as services are rendered.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019 AND 2018**  
**(IN THOUSANDS OF DOLLARS)**

**NOTE 1 PRINCIPLE ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**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 35 of 717 individual endowment funds whose market values are \$120 in total under their historical cost that are considered to be "underwater" as of May 31, 2019 (approximately 14 of 706 with market value of \$13 in total under their historical cost that are considered to be "underwater" as of May 31, 2018). 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.

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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, 2019 and 2018, 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.

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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**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The University has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The University's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the University's reported historical revenue.

**Future Accounting Pronouncements**

In February 2016, FASB issued ASU 2016-02 *Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020. The University will be evaluating the effects of this new standard. FASB has subsequently issued a proposal to delay implementation to January 2021.

**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.

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**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:

	2019	2018
Cash and Cash Equivalents	\$ 43,812	\$ 35,418
Accounts Receivable	4,237	9,091
Net Contributions & Pledges Receivable	2,436	3,497
Total	<u>\$ 50,485</u>	<u>\$ 48,006</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.

The University's without donor restrictions endowment of \$248,334 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, 2019 and 2018 follows:

	2019	2018
Short-Term Funds Held for Investment	\$ 1,079	\$ 488
Equities and Equity Mutual Funds	160,200	166,634
Alternative Investments	82,024	78,140
Fixed Income Assets	24,736	26,228
Mortgages and Notes	392	410
Real Estate and Farms	11,207	11,162
Other Investments	9,471	9,019
Total	<u>\$ 289,109</u>	<u>\$ 292,081</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, 2019 and 2018 caused \$1,079 and \$488, to be held in short-term funds held for investment, respectively.



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**NOTE 3 INVESTMENTS (CONTINUED)**

Investment return for the years ended May 31, 2019 and 2018 is comprised of the following:

	2019	2018
Investment Income, Net of Fees	\$ 628	\$ 254
Net Realized and Unrealized Gains on Investments Reported at Fair Value	3,107	23,796
Total Return on Investments, Net of Fees	3,735	24,050
Investment Return Designated for Current Operations	(11,433)	(10,726)
Net Appreciation (Depreciation) on Investments	\$ (7,698)	\$ 13,324

**Endowments**

Bradley University endowments consist of 717 and 706 funds as of May 31, 2019 and 2018, 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

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**NOTE 3 INVESTMENTS (CONTINUED)**

**Endowments (Continued)**

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.

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, 2019	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	202,727	88,936	291,663
Accumulated Investment Gains	45,407	2,101	47,508
Total	<u>\$ 248,334</u>	<u>\$ 91,037</u>	<u>\$ 339,371</u>
<u>May 31, 2018</u>			
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	202,784	82,423	285,207
Accumulated Investment Gains	39,954	2,652	42,606
Total	<u>\$ 242,938</u>	<u>\$ 85,075</u>	<u>\$ 328,013</u>

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**NOTE 3 INVESTMENTS (CONTINUED)**

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, 2019 and 2018, respectively, funds with original gift values of \$8,968 and \$792, fair values of \$8,848 and \$779, and deficiencies of \$120 and \$13 were reported in net assets with donor restrictions.

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

May 31, 2019	Without Donor Restrictions	With Donor Restrictions	Total
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>
<u>May 31, 2018</u>			
Net Assets - Beginning of Year	\$ 230,437	\$ 82,562	\$ 312,999
Investment Return:			
Investment Income	89	174	263
Net Appreciation	31,446	492	31,938
Total	31,535	666	32,201
Contributions	744	2,251	2,995
Other, Net Appropriation of			
Appropriation of Endowment	(158)	202	44
Assets for Expenditure	(19,620)	(606)	(20,226)
Net Assets - End of Year	<u>\$ 242,938</u>	<u>\$ 85,075</u>	<u>\$ 328,013</u>

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**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 2.82% for pledges received in 2019 and 3.19% for pledges received in 2018 to arrive at this present value. At May 31, 2019 and 2018, the discount rates for all outstanding pledges ranged from 1.20% 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.

Unconditional contributions receivable at May 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Contributions Due in:		
Less Than One Year	\$ 2,636	\$ 3,672
One Year to Five Years	12,476	13,703
Six Years or Greater	-	-
Less: Discount to Present Value and Allowance	<u>(5,944)</u>	<u>(5,955)</u>
Total	<u>\$ 9,168</u>	<u>\$ 11,420</u>

Contributions receivable are distributed between net asset classifications as follows at May 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Without Donor Restrictions:	\$ -	\$ -
With Donor Restrictions	<u>9,168</u>	<u>11,420</u>
Total	<u>\$ 9,168</u>	<u>\$ 11,420</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.

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**NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

*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.

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, 2019 and 2018.

*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.

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**NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

*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.

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, 2019 and 2018:

	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

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**NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

	Assets at Fair Value as of May 31, 2018				Total
	Level 1	Level 2	Level 3	NAV Practical Expedient	
Short-Term Funds	\$ 488	\$ -	\$ -	\$ -	\$ 488
Equities and Equity					
Mutual Funds	153,829	-	-	-	153,829
Mutual Funds - Measured at Net Asset Value	-	-	-	12,805	12,805
Fixed Income Assets	15,281	-	-	-	15,281
Fixed Income Assets - Measured at Net Asset Value	-	-	-	10,947	10,947
Alternative Instruments: Measured at Net Asset Value					
Venture Capital	-	-	-	36,134	36,134
Hedge Funds	-	-	-	25,909	25,909
Opportunistic Funds	-	-	-	16,097	16,097
Mortgages and Notes	-	-	410	-	410
Real Estate and Farms	-	11,162	-	-	11,162
Other Investments	900	8,119	-	-	9,019
Total Investments	<u>\$ 170,498</u>	<u>\$ 19,281</u>	<u>\$ 410</u>	<u>\$ 101,892</u>	<u>\$ 292,081</u>
	Liabilities at Fair Value as of May 31, 2018				
	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Interest Rate Swap Agreement	\$ -	\$ 2,925	\$ -	\$ -	\$ 2,925

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, 2019 and 2018:

	Level 3 Assets Year Ended May 31, 2019	Level 3 Assets Year Ended May 31, 2018
Balance - Beginning of Year	\$ 410	\$ 428
Realized Gains	-	-
Unrealized Losses	(18)	(18)
Purchases, Settlements, Return on Capital (Net)	-	-
Balance - End of Year	<u>\$ 392</u>	<u>\$ 410</u>

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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, 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	1,372	Monthly/ Quarterly	30-180 Days
Opportunistic Funds	17,035	-	Bi-monthly	30 Days
Total	<u>\$ 111,557</u>	<u>\$ 7,842</u>		

Fair value measurements of investments that calculate Net Asset Value per share (or its equivalent) as of May 31, 2018:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity Mutual Funds	\$ 12,805	\$ -	Daily	N/A
Fixed Income Assets	10,947	-	Monthly	30 Days
Alternative Investments:				
Venture Capital	36,134	6,419	Monthly/ Quarterly	30-90 Days
Hedge Funds	25,909	2,004	Monthly/ Quarterly	30-180 Days
Opportunistic Funds	16,097	-	Bi-monthly	30 Days
Total	<u>\$ 101,892</u>	<u>\$ 8,423</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.

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**NOTE 6 PROPERTY, PLANT, AND EQUIPMENT, NET**

	Depreciable Life	May 31,	
		2019	2018
Educational Plant:			
Land		\$ 25,156	\$ 25,151
Buildings	20 to 60	261,043	260,289
Equipment	3 to 10	66,372	65,770
Improvement Other Than Buildings	20	30,875	30,804
Construction in Progress		75,635	24,987
Accumulated Depreciation		(156,139)	(148,037)
		<u>302,942</u>	<u>258,964</u>
Residential Halls:			
Buildings	20 to 60	82,133	81,941
Equipment	3 to 10	4,825	4,725
Accumulated Depreciation		(46,912)	(42,949)
		<u>40,046</u>	<u>43,717</u>
Fraternity and Sorority Housing			
Rental Property	20 to 60	4,974	4,974
Accumulated Depreciation	20 to 30	1,387	1,380
		(2,617)	(2,475)
		<u>3,744</u>	<u>3,879</u>
Total		<u>\$ 346,732</u>	<u>\$ 306,560</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 3.40% and 3.00% at May 31, 2019 and 2018, respectively. There is also a letter of credit included under this arrangement in the amount of \$900. The University had no borrowings under this arrangement as of May 31, 2019 and 2018. The line of credit arrangement expires March 23, 2020. 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, 2019.

The second arrangement was entered into during fiscal year 2013, and, as of May 31, 2019 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 3.20% and 2.80% at May 31, 2019 and 2018, respectively. The University had no borrowings under this arrangement as of May 31, 2019 and 2018. The line of credit arrangement expires January 31, 2020. 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, 2019.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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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 \$3,768 and \$6,806 at May 31, 2019 and 2018, 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, 2019 and 2018.

**NOTE 9 BONDS PAYABLE, NET**

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

	<u>2019</u>	<u>2018</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)	21,250	12,500
Series 2017B, Variable Rate Demand Revenue Refunding Bonds, Due September 1, 2047 (C)	21,250	12,500
Series 2017C, Revenue Bonds Due August 1, 2034	<u>38,360</u>	<u>39,500</u>
Subtotal	144,635	128,275
Less: Bonds Discounts	(93)	(99)
Plus Bond Premium	3,801	4,199
Less: Unamortized Bond Issuance Costs	<u>(651)</u>	<u>(697)</u>
Total Bonds Payable, Net	<u>\$ 147,692</u>	<u>\$ 131,678</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**  
**NOTES TO FINANCIAL STATEMENTS**  
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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>
2020	\$ 1,195
2021	2,920
2022	2,990
2023	3,130
2024	3,275
2024 and After	<u>131,125</u>
Total	<u>\$ 144,635</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, 2019.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 CAPITAL LEASE OBLIGATION**

The University is leasing a building under a capitalized lease that expires in December 2027. The cost of this building is \$3,186. Accumulated depreciation recorded in the statement of financial position relating to this lease was \$1,593 and \$1,434 at May 31, 2019 and 2018, respectively.

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

<u>Year Ending May 31,</u>	<u>Amount</u>
2020	\$ 116
2021	114
2022	112
2023	110
2024	108
2024 and After	<u>429</u>
Total Minimum Lease Payments	989
Less: Amount Representing Interest	<u>84</u>
Present Value of Minimum Lease Payments	<u><u>\$ 905</u></u>

**NOTE 11 OPERATING LEASES**

The University conducts activities from facilities that are leased under 10-year noncancelable operating leases expiring in 2020. The leases contain renewal options for two additional five-year periods. Future minimum rental payments due under the leases are as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2020	<u><u>\$ 131</u></u>

During the years ended May 31, 2019 and 2018, rental expense was \$206.

**NOTE 12 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, 2019 and 2018 was a liability of \$3,399 and \$2,925, respectively.

**BRADLEY UNIVERSITY**  
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**NOTE 13 NET ASSETS**

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

	<u>2019</u>	<u>2018</u>
Investment in Perpetuity, Income Available to Support:		
Scholarships	\$ 51,952	\$ 50,922
Annuity	1,379	1,874
Research, Academic Support, Student Services, and Institutional Support	25,844	20,794
Property and Equipment Acquisition and Maintenance Scholarships	150	150
Annuity, Life Income, and Similar Funds	4,159	3,737
Research, Academic Support, Student Services, and Institutional Support	2,931	2,918
Property and Equipment Acquisition and Maintenance	39,867	40,694
	423	206
	<u>\$ 126,705</u>	<u>\$ 121,295</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>2019</u>	<u>2018</u>
Scholarships	\$ 279	\$ 275
Instruction, Research, Academic, and Institutional Support	2,438	2,414
Total	<u>\$ 2,717</u>	<u>\$ 2,689</u>
Nonoperating Activities - Capital Improvements and Time Restriction	<u>\$ 1,959</u>	<u>\$ 12,919</u>

**NOTE 14 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.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The University is in the midst of entering 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 15 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 2019 and 2018, respectively.

**NOTE 16 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, 2019 and 2018 are as follows:

	Fiscal Year Ended	
	2019	2018
Change in Accumulated Postretirement Benefit Obligation		
Accumulated Postretirement Benefit Obligation at the Beginning of the Year	\$ 43,131	\$ 41,817
Service Cost	1,881	2,048
Interest Cost	1,782	1,678
Actuarial (Gain) Loss	2,961	(412)
Benefits Paid	(2,888)	(2,127)
Medicare Part D Reimbursement	134	127
Accumulated Postretirement Benefit Obligation at the End of the Year	<u>\$ 47,001</u>	<u>\$ 43,131</u>



**BRADLEY UNIVERSITY**  
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**NOTE 16 POSTRETIREMENT BENEFITS (CONTINUED)**

	Fiscal Year Ended	
	2019	2018
Change in Plan Assets:		
Fair Value of Plan Assets at the Beginning of the Year	\$ -	\$ -
Benefits Paid	(2,888)	(2,127)
Employer Contributions	2,888	2,127
	-	-
Fair Value of Assets at the End of the Year	\$ -	\$ -
Unfunded Status	\$ 47,001	\$ 43,131
Postretirement Benefits Other Than Pensions Included in Liabilities	\$ 47,001	\$ 43,131
Assumptions Used to Determine Benefit Obligation:		
Discount Rate	3.91%	4.23%
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	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
Components of Net Periodic Benefit Cost:		
Service Cost	\$ 1,881	\$ 2,048
Interest Cost	1,782	1,678
Amortization of Prior Service Cost	(2,623)	(2,623)
Amortization of Loss	908	1,195
Net Periodic Benefit Cost	\$ 1,948	\$ 2,298

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 16 POSTRETIREMENT BENEFITS (CONTINUED)**

	Fiscal Year Ended	
	2019	2018
Assumptions Used to Determine Net Periodic Benefit Cost:		
Discount Rate	4.23%	4.10%
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	7.57%	7.92%
Post-65 Trend Rate	8.28%	8.71%
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 2020 are \$2,198.

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

<u>Year Ending May 31,</u>	<u>Gross Payments</u>
2019	\$ 2,198
2020	2,213
2021	2,316
2022	2,460
2023	2,626
2024 - 2028	14,539

For measurement purposes, the following percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2019:

<u>Year Ending May 31,</u>	<u>Under 65</u>	<u>65 and Up</u>
2020	7.22 %	7.83
2021	6.86	7.37
2022	6.49	6.91
2023	6.12	6.44
2024	5.75	5.96
2025	5.38	5.48
2026	5.00	5.00

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 16 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, 2019	\$ 641	\$ (518)
Effect on Postretirement Benefits Obligation as of May 31, 2019	\$ 5,965	\$ (4,995)

**Reconciliation of Items Not Yet Reflected in Net Periodic Benefit Cost**

	June 1, 2018	Reclassified as Net Periodic Benefit Cost	Amounts Arising During Period	May 31, 2019
Prior Service Credit	\$ (9,129)	\$ 2,623	\$ -	\$ (6,506)
Net Loss	\$ 9,316	\$ (908)	\$ 2,961	\$ 11,369

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	1,202
Total	\$ (1,421)

**NOTE 17 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**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 17 ALLOCATION OF EXPENSES (CONTINUED)**

Functional expenses as of May 31, 2019 and 2018 are as follows:

	2019		
	Program Expenses	Management and General	Total
Salaries	\$ 61,401	\$ 12,256	\$ 73,657
Other Benefits	25,299	3,263	28,562
Fees for Services	1,021	432	1,453
Advertising	376	27	403
Office Expenses	7,020	1,368	8,388
Information Technology	3,111	1,619	4,730
Occupancy	11,829	3,519	15,348
Conferences & Travel	4,397	283	4,680
Other Expenses	6,325	1,041	7,366
Depreciation	13,431	-	13,431
Total	<u>\$ 134,210</u>	<u>\$ 23,808</u>	<u>\$ 158,018</u>

  

	2018		
	Program Expenses	Management and General	Total
Salaries	\$ 61,585	\$ 12,189	\$ 73,774
Other Benefits	25,150	2,992	28,142
Fees for Services	962	448	1,410
Advertising	408	11	419
Office Expenses	7,261	1,211	8,472
Information Technology	3,187	1,391	4,578
Occupancy	11,616	3,328	14,944
Conferences & Travel	3,931	235	4,166
Other Expenses	5,455	1,826	7,281
Depreciation	13,429	-	13,429
Total	<u>\$ 132,984</u>	<u>\$ 23,631</u>	<u>\$ 156,615</u>

**NOTE 18 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 \$4,575 at May 31, 2019.

**BRADLEY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 19 SUBSEQUENT EVENTS**

The University evaluated subsequent events through September 23, 2019, the date the financial statements were available to be issued.

In June and September 2019, the University made additional draws of \$1,250 each on the Series 2017A and Series 2017B bonds, for a total of \$5,000. As of September 23, 2019, the outstanding principal drawn on both the Series 2017A and Series 2017B Bonds is \$47,500, respectively.



**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, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2019.

**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.

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

**CliftonLarsonAllen LLP**

Peoria, Illinois  
September 23, 2019



**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, 2019. 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, 2019.

**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 2019-001, that we consider to be a significant deficiency.

Bradley University's response to the internal control over compliance findings identified in our audit are 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.

Board of Trustees  
Bradley University

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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Peoria, Illinois  
September 23, 2019

**BRADLEY UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED MAY 31, 2019**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>STUDENT FINANCIAL AID - CLUSTER (Major)</b>				
<b>U.S. Department of Education</b>				
Direct:				
Pell Grant	84.063		\$ -	\$ 6,000,000
Federal Supplemental Educational Opportunity Grant	84.007		-	600,000
Federal Work Study	84.033		-	362,331
Perkins Loan Program	84.038		-	5,676,831
Direct Student Loan Program	84.268		-	51,843,084
			-	64,482,246
<b>U.S. Department of Health and Human Services</b>				
Direct:				
Nursing Student Loan Program	93.364		-	276,967
Total Student Financial Aid (Major)			-	64,759,213
<b>RESEARCH AND DEVELOPMENT - CLUSTER</b>				
<b>National Science Foundation</b>				
Direct:				
Collaborative Research: Integrating Computation into Undergraduate Physics - A Faculty Development Approach to Community Transformation DUE-1525525 27-87 263	47.076		-	20,735
Collaborative Research: The Ciliate Genomics Consortium Model For Sustainable Teaching-Research Integration DUE-1431437 27-87 262	47.076		-	13,359
MRI: Acquisition of a Fluorescence Lifetime Imaging Microscope System for Research, Undergraduate Research and Training, and Curricular Reform CHE-1726263 27-87 265	47.049		-	240,521
			-	274,615
<b>NASA</b>				
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	-	3,000
Atomic Force Microscopy Studies on Cells and Nanofiber Scaffolds for Application in Tissue Engineering 27-86 511	43.008	2015-05200-02	-	2,048
Undergraduate Research in Nanotribology and BioMEMS 27-86 514 27-86 514/519	43.008	2015-05200-02	-	11,320
Continued Enhancement of Space-Related Demonstrations in Science Outreach Shows 27-86 522/529I	43.008	2015-05200-02	-	2,038
Area Coverage Optimization using Multiple Autonomous Agents 27-86 517	43.008	2015-05200-02	-	2,878
Optimization of Semiconductors for Solar Cell Application 27-86 527	43.008	2015-05200-02	-	4,298
Nano Modified Sulfur Concrete with Automated 3D Printing on Mars 27-86 520	43.008	2015-05200-02	-	2,154
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	-	4,725
Biomedical Research Engagement through the Human Carpal Tunnel 27-86 524	43.008	2015-05200-02	-	4,319
Suspension-Based Additive Manufacturing: A New Paradigm Using Air Levitation 27-86 525	43.008	2015-05200-02	-	7,842
Assessment of Thermally-Induced Slide Stability and Safety of Structure on Extraterrestrial Slopes 27-86 592A	43.008	2015-05200-02	-	665
Surface Electromyography in Human Resting Muscle: Signal Processing Prospectives 27-86 529B	43.008	2015-05200-02	-	988
Development of Advanced Materials for Nanocomposite Applications 27-86529F	43.008	2015-05200-02	-	2,325
Enhancement of the Introductory Mechanical Engineering Course 27-86529H	43.008	2015-05200-02	-	213
			-	48,813

See Notes to Schedule of Expenditures of Federal Awards.

**BRADLEY UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED MAY 31, 2019**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Transportation</b>				
<b>Federal Highway Administration</b>				
Passed through Illinois Department of Transportation, Methodology for Evaluation of Seal Coat, Gravel and Dirt Roads 27-86 219	20.205	087795-16653	\$ -	\$ 38,703
Correlation Between Work Zone Exposure and Work Zone Related Fatal and A-Injury Crashes 27-86 220	20.205	087795-16777	-	101,395
			<u>-</u>	<u>140,098</u>
<b>U.S. Department of Defense, U.S. Air Force</b>				
Direct:				
Distributed Detection and Control of Unexpected/Emergent Behaviors in Multiagent Systems FA8750-15-1-0143 27-88 208	12.300		-	28,334
<b>U.S. Department of Health and Human Services</b>				
<b>National Institute of Health</b>				
National Center for Research Services				
Passed through Cornell University:				
Resource Center for Tetrahymena Thermiphila 27-89 331	93.351	2P40OD010964-10 70706-10337	-	23,361
Total Research and Development			<u>-</u>	<u>515,221</u>
<b>OTHER PROGRAMS</b>				
<b>U.S. Department of Commerce, National Institute of Standards &amp; Technology</b>				
Passed through Illinois Manufacturing Excellence Center: Central Regional Center	11.611	27-87-532, 533	-	426,585
<b>U.S. Department of Commerce, Small Business Administration</b>				
Passed through Illinois Department of Commerce and Economic Opportunity:				
Small Business Development Center/International Trade Center 27-84 558	59.037	18-561120	-	278,000
<b>U.S. Department of Health and Human Services</b>				
Passed through Central Illinois Agency on Aging, Inc.:				
CIAA: Caregiver Counseling, Support Groups, Training and Education 27-89 327	93.052	760555-18	-	10,349
CIAA: Caregiver Counseling, Support Groups, Training/ Education Services 27-89 328	93.052	760555-19	-	17,181
			<u>-</u>	<u>27,530</u>
<b>U.S. Department of Defense</b>				
Passed through Illinois Department of Commerce and Economic Opportunity:				
Procurement Technical Assistance Center 27-84 172	12.002	18-601121	-	4,000
Procurement Technical Assistance Center 27-84 173	12.002	19-601121	-	50,000
			<u>-</u>	<u>54,000</u>
<b>U.S. Department of State</b>				
Passed through Association of Small Business Development Centers:				
Accelerating Small Business Growth in Colombia 27-88 251	19.750	S-LAMAQM- 16-GR-1303	-	48,726
Total other programs			<u>-</u>	<u>834,841</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ -</u>	<u>\$ 66,109,275</u>

See Notes to Schedule of Expenditures of Federal Awards.

**BRADLEY UNIVERSITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED MAY 31, 2019**

**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, 2019. 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, 2019 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, 2019 consists of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Federal Perkins Loan Program	84.268	\$ 4,980,913
Nursing Student Loans	93.364	236,411

**BRADLEY UNIVERSITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED MAY 31, 2019**

**NOTE 4    ADDITIONAL INFORMATION**

As of and during the year ended May 31, 2019, the University did not receive any noncash federal assistance or federal insurance.

**BRADLEY UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED MAY 31, 2019**

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**Section I – Summary of Auditors’ Results**

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**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:**

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
Various	Student Financial Aid cluster
Dollar threshold used to determine Type A projects:	<u>\$750,000</u>
Auditee qualify as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**BRADLEY UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED MAY 31, 2019**

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***Section II – Financial Statement Findings***

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

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***Section III – Federal Award Findings and Questioned Costs***

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**2019 – 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, 2018 – May 31, 2019

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

**Criteria or specific requirement:** The Code of Federal Regulations, 34 CFR 675.19(b) states, “The institution must also establish and maintain program and fiscal records that include a certification by the student’s supervisor, an official of the institution or off-campus agency that each student has worked and earned the amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day.”

**Condition:** Through our testing of eight student timesheets for students who received federal funds during 2018-2019, one student did not have a properly approved timesheet for the period September 9 – 18, 2018.

**Questioned costs:** None.

**Context:** During our testing, it was noted that in one instance in our sample the University did not review and approve the timesheet of a student receiving federal work study monies.



**BRADLEY UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED MAY 31, 2019**

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***Section III – Federal Award Findings and Questioned Costs - Continued***

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**2019 – 001 (Continued)**

**Cause:** Review by supervisor was missed before payroll was processed.

**Effect:** The University did not approve timesheet of student under federal mandate for students receiving federal work study monies.

**Repeat Finding:** No

**Recommendation:** We recommend the University reinforce the process in place to ensure that all students receiving federal work study money have timesheets which are properly reviewed and signed off to evidence approval.

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