

A photograph of the Rust College campus. In the background is a large, multi-story brick building with a prominent clock tower featuring a green dome and a cross on top. The building is surrounded by green lawns and trees. In the foreground, there is a low brick wall with the words "RUST COLLEGE" and "FOUNDED 1884" inscribed on it. The sky is clear and blue.

RUST COLLEGE, INC.

(A not-for-profit corporation)

Independent Auditor's Report on the Comparative Basic Financial Statements & Supplementary Schedule of Expenditures of Federal Awards

Years Ended June 30, 2021 and 2020

Booker T. Camper, Jr. CPA

RUST COLLEGE, INC.
(A nonprofit organization)

TABLE OF CONTENTS

<u>Report and Basic Financial Statements</u>	<u>Page</u>
Independent Auditor's Report on Comparative Financial Statements and Supplementary Schedule of Expenditures of Federal Awards.....	1-3
Statement of Financial Position.....	4
Statement of Activities-2021.....	5
Statement of Activities-2020.....	5-A
Statement of Cash Flows.....	6
Statement of Functional Expenses-2021.....	7
Statement of Functional Expenses-2020.....	7-A
Notes to the Financial Statements.....	8-32
Supplementary Schedule of Expenditures of Federal and State Awards.....	33
Schedule of Grant Activity/State and Non-Federal Expenditures.....	34
Notes to the Schedule of Expenditures of Federal Awards.....	35-37
Corrective Action Plan.....	38
<u>Independent Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.....	39-41
<u>Independent Report on Compliance for Each Major Federal Program; Independent Report on Internal Control Over Compliance; and Independent Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance</u>	
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control.....	42-46

RUST COLLEGE, INC.
(A nonprofit organization)

TABLE OF CONTENTS

Schedule of Findings and Questioned Costs	47
Section I – Summary of Auditor’s Results	48
Section II – Financial Statement Findings	49
Section III – Federal Award Findings and Questioned Costs.....	50-52
Summary Schedule of Prior Audit Findings.....	53



Whitehaven Levi Center
1067 E. Raines Road
Memphis, TN 38116-6336

Phone: 901.398.3210
Fax: 901.398.4114
bcamper@btcjrca.com
whitehavenlevi@bellsouth.net

Booker T. Camper Jr., CPA PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
RUST COLLEGE, INC.
Holly Springs, MS

Ladies and Gentlemen:

Report on the Financial Statements

I have audited the accompanying statement of financial statements of RUST COLLEGE, INC., Not-for-Profit Entity, which comprises the statement of financial position of June 30, 2021 and 2020, and the related statement of activities, cash flows, and statement of functional expenses for the fiscal years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 auditor's judgment, including the assessment of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RUST COLLEGE, INC., Not-for-Profit Entity, as of June 30, 2021 and 2020 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.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as 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 my 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*, I have also issued my report dated October 8, 2021 on my considerations of RUST COLLEGE, INC.'s internal control over financial reporting and on my tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the RUST COLLEGE, INC.'S internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RUST COLLEGE, INC.'S internal control over financial reporting and compliance.

A handwritten signature in blue ink, reading "Booker T. Camper, Jr.", with a long horizontal flourish extending to the right.

Booker T. Camper, Jr., CPA
Memphis, Tennessee
October 8, 2021

RUST COLLEGE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2021 and June 30, 2020

	June 30 2021	June 30 2020
ASSETS		
Cash and Cash Equivalents	\$ 9,713,481	\$ 7,129,232
Accounts Receivable, Net of Allowance	4,296,404	3,723,391
Perkins Loans Receivable	159,191	159,919
Notes Receivable, Net of Allowance	465,768	465,768
Other receivables	1,168,244	3,748,434
Deposits and Prepaid Expenses	143,690	143,690
Investments		
Certificates of Deposits and Marketable Securities	12,181,187	9,718,253
Temporary Investments	3,143,316	4,369,329
Common Fund Pool	42,884,457	33,999,137
Other Assets	393,414	393,414
Inventories	714,349	735,612
Plant, Property and Equipment, Net	<u>13,614,253</u>	<u>12,784,236</u>
TOTAL ASSETS	<u>\$ 88,877,754</u>	<u>\$ 77,370,415</u>
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 81,269	\$ 194,592
Accrued Compensation and Related Deductions	452,514	386,857
Payroll Taxes Withheld and Payable	89,294	190,884
Deposits and Other Liabilities	304,862	485,985
Deposits Held in Custody for Others	445,693	500,400
U. S. Government Loan Fund Refundable	112,350	109,794
Deferred Revenue	13,321,002	9,271,520
Long Term Debt - Mortgage Payable	<u>894,693</u>	<u>894,693</u>
TOTAL LIABILITIES	<u>\$ 15,701,677</u>	<u>\$ 12,034,725</u>
NET ASSETS (Note B & O)		
Without Donor's Restrictions (Unrestricted)	54,197,334	50,358,428
With Donor's Restrictions:		
Temporary Restricted	7,168,488	5,824,732
Permanent Restricted	<u>11,810,255</u>	<u>9,152,530</u>
Total With Donor's Restrictions	<u>18,978,743</u>	<u>14,977,262</u>
TOTAL NET ASSETS	<u>73,176,077</u>	<u>65,335,690</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 88,877,754</u>	<u>\$ 77,370,415</u>

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

RUST COLLEGE, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

With Comparative

Year Ended June 30, 2020

	2021						2020
	Unrestricted Operating	Long Term Investment	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total Restricted	Total
OPERATING REVENUES							
Tuition and Fees	\$ 5,925,463		\$ 5,925,463			\$ 5,925,463	\$ 7,004,670
Less Tuition Deduction	(70,150)		(70,150)			(70,150)	(68,696)
Net Tuition and Fees	5,855,313		5,855,313			5,855,313	6,935,974
Contributions , Gifts & Private Grants	2,306,942		2,306,942			2,306,942	2,247,996
Investment Income	8,887		8,887			8,887	172,273
Government Grants & Contracts	3,134,837		3,134,837	7,961,032		7,961,032	5,342,060
Auxiliary Services	1,318,172		1,318,172			1,318,172	2,505,724
Other Income:							49,683
Paycheck Protection Program	1,377,520		1,377,520			1,377,520	
Cares	676,024		676,024			676,024	
Organizer Activities	40,947		40,947			40,947	
Endowment Spending Plan Transfer	-		-			-	
Net Assets Released from Restriction	7,961,032		7,961,032	(7,961,032)		(7,961,032)	-
Total Operating Revenues	22,679,674		22,679,674	-	-	-	17,253,710
OPERATING EXPENSES							
Educational and General							
Instruction	3,415,716		3,415,716			3,415,716	3,522,354
Academic Support	1,840,757		1,840,757			1,840,757	933,921
Student Services	1,958,717		1,958,717			1,958,717	1,878,669
Administration	2,257,159		2,257,159			2,257,159	2,412,527
General Institutional Support	5,241,039		5,241,039			5,241,039	5,058,240
Scholarships	2,436,047		2,436,047			2,436,047	2,513,632
Auxiliary Services	2,571,851		2,571,851			2,571,851	2,014,112
Total Operating Expenses	19,721,286		19,721,286			19,721,286	18,333,455
Change in Net Assets Operating	2,958,388	-	2,958,388	-	-	-	(1,079,745)
NON-OPERATING INCOME							
Contributions to Endowment		250,000	250,000		479,185	479,185	357,703
Investment Appreciation(Depreciation)		1,601,075	1,601,075	2,170,664	1,601,075	3,771,739	1,065,756
Construction in Progress				(1,220,000)		(1,220,000)	-
Change in Net Assets Non-Operating	-	1,851,075	1,851,075	950,664	2,080,260	3,030,924	1,423,459
Other Changes in Net Assets	-		-				(22,511)
Total Change in Net Assets	2,958,388	1,851,075	4,809,463	950,664	2,080,260	3,030,924	321,203
NET ASSETS							
Beginning Net Assets	28,218,740	21,169,131	49,387,871	6,217,824	9,729,995	15,947,819	65,014,488
Ending Net Assets	\$ 31,177,128	23,020,206	54,197,334	\$ 7,168,488	\$ 11,810,255	18,978,743	\$ 65,335,691

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

RUST COLLEGE, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	2020						
	Unrestricted Operating	Long Term Investment	Total Without Donor Restrictions	Temporarily Restricted	Permanently Restricted	Total With Donor Restrictions	Total
Tuition and Fees	\$ 7,004,670		\$ 7,004,670				\$ 7,004,670
Less Tuition Deduction	(68,696)		(68,696)				(68,696)
Net Tuition and Fees	6,935,974		6,935,974				6,935,974
Contributions , Gifts & Private Grants	1,622,270		1,622,270	625,726		625,726	2,247,996
Investment Income	172,273		172,273				172,273
Government Grants & Contracts	1,521,867		1,521,867	3,820,193		3,820,193	5,342,060
Auxiliary Services	2,505,724		2,505,724				2,505,724
Other	49,683		49,683				49,683
Endowment Spending Plan Transfer	1,251,966	(717,377)	534,589	(210,330)	(324,259)	(534,589)	
Net Assets Released from Restriction	4,539,497	(53,620)	4,485,877	(4,461,640)	(24,237)	(4,485,877)	
Total Operating Revenues	18,599,254	(770,997)	17,828,257	(226,051)	(348,496)	(574,547)	17,253,710
OPERATING EXPENSES							
Educational and General							
Instruction	3,522,354		3,522,354				3,522,354
Academic Support	933,921		933,921				933,921
Student Services	1,878,669		1,878,669				1,878,669
Administration	2,412,527		2,412,527				2,412,527
General Institutional Support	5,058,240		5,058,240				5,058,240
Scholarships	2,513,632		2,513,632				2,513,632
Auxiliary Services	2,014,112		2,014,112				2,014,112
Total Operating Expenses	18,333,455		18,333,455				18,333,455
Change in Net Assets Operating	265,799	(770,997)	(505,198)	(226,051)	(348,496)	(574,547)	(1,079,745)
NON-OPERATING INCOME							
Contributions to Endowment		136,107	136,107	5,000	216,596	221,596	357,703
Investment Appreciation(Depreciation)		610,678	610,678	179,047	276,031	455,078	1,065,756
Other							
Change in Net Assets Non-Operating	-	746,785	746,785	184,047	492,627	676,674	1,423,459
Other Changes In Net Assets	(22,511)		(22,511)				(22,511)
Total Change in Net Assets	243,288	(24,212)	219,076	(42,004)	144,131	102,127	321,203
NET ASSETS							
Beginning Net Assets	27,975,452	21,193,343	49,168,795	6,259,828	9,585,864	15,845,692	65,014,487
Ending Net Assets	\$ 28,218,740	\$ 21,169,131	\$ 49,387,871	\$ 6,217,824	\$ 9,729,995	\$ 15,947,819	\$ 65,335,690

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

RUST COLLEGE, INC.
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2021 and June 30, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Total Changes in Net Assets For Fiscal Year	\$ 7,840,387	\$ 321,203
Adjustments to Reconcile Change in Total Net Assets to Net Cash Provided by Operating Activities		
Depreciation	471,305	471,305
(Increase) Decrease in Accounts Receivable	(573,013)	(78,995)
(Increase) Decrease in Perkins Loans Receivable	728	680
(Increase) Decrease in Notes Receivable	-	-
(Increase) Decrease in Other Receivables	515,833	(515,399)
(Increase) Decrease in Deposits & Prepaid Expenses	-	-
(Increase) Decrease in Inventories	(21,263)	89,428
Increase (Decrease) in Accounts Payable	(113,323)	42,111
Increase (Decrease) in Accrued Compensation & Deductions	(65,657)	48,303
Increase (Decrease) in Payroll Taxes Payable	(101,590)	59,612
Increase (Decrease) in Deposits & Other Liabilities	(181,123)	(123,808)
Increase (Decrease) in Deposits Held for Others	54,707	(3,376)
Increase (Decrease) in Deferred Revenues	4,049,482	4,158,024
Increase (Decrease) in US Loan Funds Payable	-	(223)
Net Cash Provided By Operating Activities	<u>11,876,473</u>	<u>4,468,865</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Investments	10,122,241	392,397
(Increase) Decrease in Plant, Property & Equipment	<u>(830,017)</u>	<u>(1,107,702)</u>
Net Cash Provided by Investment Activities	9,292,224	(715,305)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Retirement of Long Term Debt	<u>-</u>	<u>(106,082)</u>
Net Cash Used by Financing Activities	<u>-</u>	<u>(106,082)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,584,249	3,647,478
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,129,232</u>	<u>3,481,754</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>9,713,481</u>	\$ <u>7,129,232</u>

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

RUST COLLEGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Fiscal Years ended June 30, 2021 and June 30, 2020

	Academic		Student Services		Institutional							Totals	
	Instructional	Library	Student Services	Student Aid	Academic Support	Plant Operations Maintenance	Administration	General Institutional	Public Services	Fund Raising	Auxiliary Enterprises Operations		
												2021	2020
Salary and Wages	\$ 2,633,492	\$ 305,276	\$ 993,654	\$ -	\$ 261,273	\$ 402,525	\$ 1,265,443	\$ 182,690	\$ 73,339	\$ 104,549	\$ 475,349	\$ 6,697,590	\$ 6,891,994
Student Wages	88,007	8,057	114,365	-	414	36,225	50,280	-	8,380	1,523	91,531	398,782	408,930
Fringe Benefits	543,127	51,897	168,921	-	44,416	70,429	215,125	31,057	12,467	31,041	80,809	1,249,289	1,335,685
Supplies & Equipment	108,787	11,120	147,474	-	43,443	142,476	158,922	163,536	24,554	7,315	316,684	1,124,311	734,643
Academic Textbooks	-	-	136,982	-	-	-	-	-	-	-	-	136,982	66,684
Travel	35,981	2,451	33,304	-	3,732	975	23,334	6,130	-	531	711	107,149	108,701
Communication	41,384	998	50,880	-	8,565	527	33,102	339,552	558	791	-	476,357	333,468
HEERF Stabilization Expenses	-	-	-	-	-	-	-	2,251,644	-	-	-	2,251,644	-
Purchases - Food Srv	-	-	-	-	-	-	-	-	-	-	629,657	629,657	736,056
Student Aid	-	-	-	3,192,711	-	-	-	-	-	-	-	3,192,711	2,513,632
Professional Fees	38,958	-	2,258	-	-	-	24,110	-	9,871	-	-	75,197	14,063
Property/Liability Insurance	-	-	-	-	-	303,513	-	-	-	-	-	303,513	317,404
Student Health Insurance	-	-	38,557	-	-	-	-	-	-	-	-	38,557	24,999
Organized Activities	-	-	159,243	-	-	-	-	-	-	-	-	159,243	174,680
Investment Fees	-	-	-	-	-	-	88,521	-	-	-	-	88,521	93,578
Other Costs	179,331	65,487	194,171	-	30,192	257,109	165,739	1,041,687	61,652	-	325,110	2,320,478	4,052,197
Subtotal	3,669,067	445,286	2,039,809	3,192,711	392,035	1,213,779	2,024,576	4,016,296	190,821	145,750	1,919,851	19,249,981	17,806,714
Depreciation	-	-	-	-	-	471,305	-	-	-	-	-	471,305	471,305
Interest	-	-	-	-	-	-	-	-	-	-	-	-	55,436
Total All Expenses	\$ 3,669,067	\$ 445,286	\$ 2,039,809	\$ 3,192,711	\$ 392,035	\$ 1,685,084	\$ 2,024,576	\$ 4,016,296	\$ 190,821	\$ 145,750	\$ 1,919,851	\$ 19,721,286	\$ 18,333,455

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

RUST COLLEGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Fiscal Year ended June 30, 2020

	Academic		Student Services		Institutional							Totals 2020
	Instructional	Library	Student Services	Student Aid	Support	Plant Operations Maintenance	Administration	General Institutional	Public Services	Fund Raising	Auxiliary Enterprises Operations	
Salary and Wages	\$ 2,710,245	\$ 314,193	\$ 1,022,499		\$ 268,916	\$ 414,782	\$ 1,302,206	\$ 187,309	\$ 75,475	\$ 107,623	\$ 488,747	\$ 6,891,994
Student Wages	47,556	4,901	128,616		6,931	36,027	44,696	28,498	8,497		103,207	408,930
Fringe Benefits	516,916	58,682	201,901		48,405	69,823	293,355	44,566	9,818	25,833	66,386	1,335,685
Supplies	125,997	6,084	123,838		23,098	103,543	87,821	31,814	7,829	2,339	222,280	734,643
Equipment			2,399			9,769	644		53,873			66,684
Travel	18,594	5,132	45,359		2,078		32,411	693	1,045	242	3,147	108,701
Communication	1,609	58	14,136		4,405		29,180	283,241		839		333,468
Purchases - Food Srv											736,056	736,056
Student Aid				2,513,632								2,513,632
Professional Fees							8,400		5,663			14,063
Property/Liability Insurance						317,404						317,404
Student Health Insurance			24,999									24,999
Organized Activities			174,680									174,680
Investment Fees							93,578					93,578
Other Costs	101,435	47,041	140,241		143,997	867,682	147,301	2,136,349	73,862		394,289	4,052,197
Subtotal	3,522,353	436,092	1,878,669	2,513,632	497,830	1,819,030	2,039,591	2,712,469	236,062	136,875	2,014,112	17,806,714
Depreciation						471,305						471,305
Interest						55,436						55,436
Total All Expenses	<u>\$ 3,522,353</u>	<u>\$ 436,092</u>	<u>\$ 1,878,669</u>	<u>\$ 2,513,632</u>	<u>\$ 497,830</u>	<u>\$ 2,345,771</u>	<u>\$ 2,039,591</u>	<u>\$ 2,712,469</u>	<u>\$ 236,062</u>	<u>\$ 136,875</u>	<u>\$ 2,014,112</u>	<u>\$ 18,333,455</u>

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

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – DESCRIPTION OF ORGANIZATION

RUST COLLEGE, INC. (a nonprofit organization) is a private, historically black college located in Holly Springs, Mississippi, which was founded in 1866. The College provides education and training services for students at the undergraduate level with other services under grants, contracts and similar agreements with sponsoring organizations and government agencies. The organization has an enrollment of approximately 552 students, primarily from throughout the USA. The College is primarily supported by tuition, investments, gifts, donations and pledges, and federal, state, and private grants and contracts, and contributions from the United Methodist Church.

Management and general activities include the functions necessary to provide support for the organization's program activities. They include activities that provide governance (Board of Trustees), oversight, business management, financial recordkeeping, legal services, human resource management, and similar functions that ensure an adequate working environment. Fundraising activities include publicizing and conducting campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals and others.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

The organization prepares its financial statements in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) for-not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

The organization prepares its financial using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The organization's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in a perpetual charitable trust held by a bank trustee.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisitions of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organizations, unless the donor provides more specific directions about the period of its use.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce the net assets class.

Cash and Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless such investments are held for meeting restrictions of a capital or endowment nature with trustees on deposit and are classified as long-term investments. The organization maintains cash balances at several financial institutions located in Holly Springs, Mississippi. Deposits accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000 per account. The balances occasionally exceed those limits.

Notes and Accounts Receivable

The notes, loans and accounts receivable from students are reported net of any anticipated losses due to uncollectible accounts. The collectability of individual accounts is evaluated closely at the close of each fiscal year and the allowance for uncollectible accounts is adjusted to a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio.

Historical write-off history as a percentage of outstanding receivable balances is used to help establish an appropriate allowance for uncollectible accounts. The College does not assess finance charges against student receivables that are past due.

Grants, contracts and other receivable are primarily unsecured non-interest-bearing amounts due from grantors on cost reimbursement or performance grants. Management believes that these outstanding grants/contracts and other accounts receivable are collectible in full, therefore no allowance for uncollectible receivable has been provided.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

Perkins Loan Program (Formerly NDSL)

The College is not active in the Perkins Loan Program under which the United States Government furnished capital contributions up to 90% of loans to qualified students. Accordingly, the College is in the process of assigning the loans back to the U. S. Department of Education under the due diligent initiative program.

As of June 30, 2021, and 2020, \$ 80,765 and \$ 112,350, respectively, is refundable to the U. S. Government loan fund upon liquidation of the funds and the assignment of loans back to the government.

The college previously participated in the National Defense Student Loan Program, which expired on July 1, 1972 and was replaced by other loan program. Terms of the two programs were basically the same.

However, terms of the National Defense Student Loan Program, which required repayments to the government to commence on June 30, 1972, have been waived.

Investments

Investments securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements. Long-term investing is governed by the College's investment pool policy. The investment committee of the Board is responsible for oversight of all investments and compliance with the investment policies, which are approved by the Investment Committee.

The investment policies attempt to provide a predictable stream of funding to the College's investment pool, while seeking to maintain the purchasing power of the assets. The pooled investments are invested in a widely diversified portfolio in a manner to promote both growth and current income to achieve the College's investment policies. Diversification of portfolio assets is an integral part of the College's investment philosophy to provide reasonable assurance that no single security or class of security will have a disproportionate impact on the total investment pool. As such, funds are placed with Common Fund managers who have distinct investment philosophies.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

Investments - continued

The College has various controls and policies in place related to the purchase, sale, and valuation of its investment securities. Purchases and sales of investments are recorded on trade dates and realized, and unrealized gains and losses are determined on the basis of average cost of securities. Realized and unrealized appreciation or depreciation in the carrying value of investments is classified as part of either unrestricted, temporarily restricted, or permanently restricted net assets in accordance with applicable donor and legal requirements.

Inventories

Inventories of books and supplies are stated at lower of cost or market and are based principally on the first-in, first-out method.

Land, Buildings, and Equipment

Land, buildings, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than one (1) year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets, as follow:

Buildings and Improvements	40 years
Leasehold Improvements	20 years, or remaining lease Terms, if shorter
Equipment	5-10 years
Equipment used under Capital Lease	5-7 years

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

Land, Buildings, and Equipment - continued

Land, buildings and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period. Contributions of long-lived assets or contributions restricted for acquisition of long-lived assets are reported as increases in net assets with donor restrictions.

Fair Value of Financial Instruments

Fair value methods, assumptions, and estimates of the financial instruments for the College are set forth below:

- Cash equivalents, accounts and loan receivable, accounts payable and accrued expenses; the carrying amounts approximates fair value because of the relatively short maturity of these financial instruments.
- Investments are carried at fair value.

Notes Payable

Notes payable consist of debt related to construction of dormitories.

Endowment Investments

Endowment investments consist of investment purchased with the following resources:

- Donor-restricted permanent endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the college's activities.
- Donor-restricted term endowments, which are contributions restricted by donors to investment for the term specified by the donor. During that term, the donor may either require investment income and appreciation to be reinvested in the fund, or may permit the college to spend those amounts in accordance with the donor's restrictions on use.
- Board-designated endowments, which are resources, set aside by the Board of Trustees for an indeterminate period to operate in manner similar to a donor-restricted permanent endowment.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Trustees.

Endowment investments also include investments purchased with unspent investment income and net gains on those resources. Endowment investments are reported at fair value with changes to fair value reported as investment return in the statement of activities. Purchase and sales of investments are reported on the trade date.

The investment and spending policies for the Endowment Fund are discussed in Note G.

Operating Revenues/Grant Revenue

Revenues include tuition, fees, charges for auxiliary services to students, contributions, gifts and private grants, grant and contract revenue from federal and state agencies, restricted gifts, investment income endowment spending plan transfer and other miscellaneous revenue. Grant revenue from federal and state agencies is subject to independent audit under the Office of Management and Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based upon prior experience, the college's management believes that cost ultimately disallowed, if any, would not materially affect the financial position of the college.

Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied , as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, depreciation, and amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Telephone and internet services, insurance, and supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

Every three years, or more often when new space or programs are added, the bases are allocated are evaluated.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The college generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred and is considered minor in relation to the total expenses.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefor are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Tax Status

The College is exempt from federal income taxation under Section 501 (a) of the Internal Revenue Code (IRC) as an organization described in Section 501 (c) (3), whereby only unrelated business income, as defined by Section 512(a) of the Code, is subject to federal income tax.

The College reviews its positions annually and has determined that there are no material uncertain tax positions that recognition in the financial statements as June 30, 2021 and 2020.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

Changes in Accounting Principles

The organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at June 30, 2021:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted Net Assets	\$54,197,334	
Temporarily Restricted Net Assets	7,168,488	
Permanently Restricted Net Assets	11,810,255	
Net Assets Without Donor Restrictions		\$54,197,334
Net Assets With Donor Restrictions		18,978,743
Total Net Assets	<u>\$73,176,077</u>	<u>\$73,176,077</u>

The two classes of net assets and changes in net assets are based on the existence or absence of restrictions on the use that are placed by donors:

Net Assets Without Donor Restrictions are resources that are available immediately to support operations.

The only limits on the use of these net assets are the broad limits resulting from the nature of our organization as an institution of higher education and our mission statement. The total amount of net assets without donor restrictions at June 30, 2021 was \$ 54,197,334. Net Assets with Donor Restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Donor restrictions may be temporary in nature and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor restrictions are perpetual in nature and must continue to be used permanently in accord with the donor's instructions. The total amount of net assets with donor restrictions at June 30, 2021 was \$ 18,978,743. Resources temporarily restricted within this total were \$ 7,168,488 and resources permanently restricted within this total were \$ 11,810,255.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE C –LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021, are:

Financial Assets:

Cash and Cash Equivalents	\$ 9,713,481
Accounts Receivable, Net	4,296,404
Short Term Investments	4,927,584
Grants Receivable	<u>-</u>
Total Financial Assets Available Within One Year	<u>\$ 18,937,469</u>

These financial assets do not include donor-imposed restrictions, other financial assets not available within one year and board-designated endowment fund.

Investment Risk

Liquidity risk represents the possibility that the College may not be able to rapidly adjust the size of its portfolio holdings in time of high volatility and financial stress at a

reasonable price. If the College were forced to dispose of an illiquid investment at an inopportune time, it might be forced to do so at a substantial discount to fair value.

The value of securities held by the College may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio.

Those events impacting valuation may include, but are not limited to, economic changes, market fluctuations, regulatory changes, global and political instability, currency, interest rate, and commodity price fluctuations.

The College attempts to manage this risk through diversification, ongoing due diligence of fund managers, Common Fund, and monitoring of economic conditions.

Recently Issued Accounting Standards

In February 2018, the FASB issued ASU 2018-02, Leases (Topic 842), which supersedes FASB ASC Topic 840, Leases, and makes other conforming amendments to U.S. GAAP. ASU 2018-02 requires, among other changes to the lease accounting guidance, leases to recognize most leases on-balance sheet via a right of use asset and lease liability, and additional qualitative and quantitative disclosures.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

Recently Issued Accounting Standards – continued

ASU 2018-02 is effective for the College for annual periods in fiscal years beginning after December 15, 2018, permits early adoption, and mandates a modified retrospective transition method. The College implemented the provisions of ASU 2018-02 as of July 1, 2020 although leasing is minor in regard to the right of use assets and lease liability, and additional qualitative and quantitative disclosure. Accordingly, the College did not implement the new standard on its financial statements for FY 2020 because of the immateriality of the leases in effect.

ASU 2018-04 is effective for the College for annual periods in fiscal years beginning after early adoption, and is applied retrospectively in the year of adoption. The College has implemented the provisions of ASU 2018-04 as of July 1, 2018.

NOTE D – FAIR VALUE MEASUREMENTS

The College determines fair value in accordance with Accounting Standards Codification (ASC) Topic 820 Fair Value Measurement. ASC Topic 820 establishes a framework for measuring fair value, a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs, and disclosure requirements for fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of fair value inputs that may be used to measure fair value under the hierarchy established by the standard are as follows:

- Level 1. Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U. S. for identical assets or liabilities in active markets to which the college has access at the measurement date.
- Level 2. Observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets in markets that not active;
 - Observable in inputs other than quoted prices for the assets or liability (for example, interest rates and yield curves); and
 - Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

FAIR VALUE MEASUREMENTS - continued

- Level 3. Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value required significant management judgment or estimation.

When available, the college measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 1 inputs are available for the material assets and liabilities that the college is required to measure at fair value.

The primary uses of fair value in the college's financial statements are:

- Recurring measurement of cash equivalents
- Recurring measurement of mortgage payable (Note H)
- Recurring measurement of short term investments (Note E)
- Recurring measurement of endowment investments (Note E)

A reasonable estimate of the fair value of the loans to students under government loan programs and U.S. government loan funds refundable could not be made because the notes receivable is not salable and can only be assigned to the U.S. government or its designees; the fair value of notes receivable from students under college loan programs approximates carrying value.

The estimated fair values of the College's financial instruments are as follows for carrying amount and fair value for fiscal years ended June 30, 2021 and 2020:

	2021	2020
Cash and Cash Equivalents	\$ 9,713,481	\$ 7,129,232
Investments	\$ 58,602,374	\$ 48,480,113
Accounts Receivable	\$ 4,296,404	\$ 3,723,391
Long Term Debt – Mortgage Payable	\$ 894,693	\$ 894,693

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE E – ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable and notes receivable – Students at June 30, 2021 and 2020 are presented as follows:

	<u>2021</u>	<u>2020</u>
Accounts Receivable – Students	\$ 6,906,576	\$ 6,333,634
Less: Allowance for Doubtful Accounts	<u>(2,610,172)</u>	<u>(2,610,243)</u>
Net Accounts Receivable – Students	<u>\$ 4,296,404</u>	<u>\$ 3,723,391</u>
Perkins Loans Receivable – Students	\$ 419,862	\$ 416,862
Less: Allowance for Doubtful Accounts	<u>(260,671)</u>	<u>(256,942)</u>
Net Perkins Loans Receivable – Students	<u>\$ 159,191</u>	<u>\$ 159,920</u>
Notes Receivable – Students	\$ 693,643	\$ 693,643
Less: Allowance for Doubtful Accounts	<u>(227,875)</u>	<u>(227,875)</u>
Net Notes Receivable – Students	<u>\$ 465,768</u>	<u>\$ 465,768</u>
 Total Net Accounts Receivables	 <u>\$ 4,921,363</u>	 <u>\$ 4,349,078</u>
 <u>OTHER RECEIVABLES</u>		
	<u>2021</u>	<u>2020</u>
Other receivables consist of the following:		
Grants Receivable	\$ 641,932	\$ 2,062,574
Health Insurance Trust	135,189	
CARES Act Funds Receivable	-	942,237
Miscellaneous Receivable	16,123	16,123
Retirement Annuity Trust	<u>375,000</u>	<u>727,500</u>
 Total Other Receivables	 <u>\$ 1,168,244</u>	 <u>\$ 3,748,434</u>

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE F – INVESTMENTS

Certificates of deposit and marketable securities consist of the following as June 30, 2021: Monies received from matching grants from the Department of Education and funds held in trust by the Black College Fund of the United Methodist Church. The challenge grants are endowment funds to be invested for a twenty-year period. The college is permitted to withdraw and spend up to fifty percent (50%) of the total aggregate endowment return on these funds annually. Certificates and securities are held by the following institutions:

	June 30, 2021	June 30, 2020
<u>Certificate of Deposits</u>	<u>Fair Value</u>	<u>Fair Value</u>
Bank of Holly Springs	\$100,000	\$100,000
Bank of New Albany	100,000	100,000
First State Bank, Holly Springs	100,000	100,000
Merchants & Farmers Bank, Holly Springs	50,000	50,000
Merchants & Farmers Bank, Holly Springs	50,000	50,000
The Peoples Bank, Ripley	50,000	50,000
The Peoples Bank, Ripley	45,000	45,000
Total Certificates of Deposit	<u>\$495,000</u>	<u>\$495,000</u>
	June 30, 2021	June 30, 2020
<u>Marketable Securities</u>	<u>Market Value</u>	<u>Market Value</u>
Black College Fund, UMC	\$419,407	\$419,407
UMHE Foundation (Hamilton)	25,612	25,612
MS UM Foundation (Wood College Transfer)	32,355	32,355
Challenge I Grant – Common Fund	4,764,465	3,823,517
Challenge II Grant – Common Fund	3,981,823	3,040,691
Challenge III Grant – Common Fund	2,457,525	1,876,671
Misc. Corporate Security Holdings	5,000	5,000
Total Marketable Securities	<u>\$11,686,187</u>	<u>\$9,223,253</u>
Total Marketable Securities & CDs	<u>\$12,181,187</u>	<u>\$9,718,253</u>

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

INVESTMENTS

Temporary Investments consist of organizational working capital and long-term allocations of endowment funds. Funds are held by:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Temporary Investments - Common Fund	<u>\$1,923,313</u>	<u>\$4,369,329</u>
Marketable Funds - renewal & Renovations	<u>\$1,220,003</u>	<u>\$ -</u>

The Common Fund Pool under the name of Rust College, Inc. consists of long-term endowment investments in securities and fixed income instruments. Investment counselors and managers make investment transactions within the Common Fund under the purview of the Investment Committee of the Rust College's Board of Trustees.

Common Fund Pool	<u>June 30, 2020</u> <u>Market Value</u>	<u>June 30, 2020</u> <u>Market Value</u>
Equity Investments	\$27,314,422	\$19,810,695
Fixed Income Investments	8,261,412	8,014,203
Secondary Partners 2015	680,217	738,281
Secondary Partners II	1,417,825	846,382
Capital Partners III	354,242	3,580
Capital Partners III & IV & V & VI	1,715,011	1,881,770
Redmond Fund	1,339,194	1,954,310
Global Private Equity Partners	393,682	194,518
Capital Emerging Markets II	560,178	308,489
Capital Venture Partners XII	848,274	208,199
Capital Venture Partners	-	38,710
Total CommonFund Pool	<u>\$42,884,457</u>	<u>\$33,999,137</u>

OTHER ASSETS

Other assets consist of the following:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Land	\$104,554	\$104,554
Investment Real Estate	<u>288,860</u>	<u>288,860</u>
Net Total Value	<u>\$393,414</u>	<u>\$393,414</u>

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

Fair Value of Investments

Rust College's total investment at June 30, 2021 and 2020 was \$ 58,602,374 and \$ 48,480,133, respectively. As discussed in note C to these financial statements, the college is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the college's valuation techniques for 2021 and 2020. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of the June 30, 2021. Level 2 is for investments measured using inputs such as quoted prices for similar assets, quoted prices for the identical asset in inactive markets, and for investments measured at net asset value that can be redeemed in the near term. Level 3, for which the college has none, is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any, market activity for the investment.

Investment counselors and managers make investment transactions within the Common Fund under the purview of the Investment Committee of the Rust College's Board of Trustees. The college uses the following ways to determine the fair value of its investments:

Money market funds: Determined by the published net assets value per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

U. S. Department of Treasury obligations: Determined by the closing bid price on the last business day of the fiscal year if actively traded.

Equity securities traded on national securities exchanges: determined by the closing price on the last business day of the fiscal year.

Equity securities traded on the over-the-counter market: determined by the last reported bid prices, if actively traded.

Open-end mutual funds: Determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

Exchange-traded funds: Determined by the published closing price on the last business day of the fiscal year.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

Fair Value of Investments - continued

For investments that are not actively traded at June 30, 2021 and 2020, the Common fund uses a pricing service. The service employs a proprietary market approach method that uses as inputs observed interest rates and yield curves, prices in active markets for similar assets, and prices for identical assets in inactive markets that have been adjusted by observable indexes (level 2). There were no level 3 for 2021 and 2020.

The following table summarizes the levels in the fair value hierarchy of the college's investments at June 30, 2021 and 2020, respectively:

	<u>2021 Total</u>	<u>Level 1</u>	<u>Level 2</u>
Certificate of Deposits	\$ 495,000	\$ 495,000	\$
Marketable Securities	11,686,187	11,686,187	
Temporary Investments	3,143,316	3,143,316	
Equity Investments	28,742,563	28,742,563	
Fixed Income Investment	8,261,412	8,261,412	
Secondary Partners	1,417,825	1,417,825	
Capital Partners III & IV	1,715,011		1,718,011
Redmond Fund	1,339,194	1,339,194	
Capital Emerging Markets/Venture	1,408,452		1,408,452
Other Assets	393,414		393,414
	<u>\$ 58,602,374</u>	<u>\$ 55,085,497</u>	<u>\$ 3,519,877</u>
	<u>2020 Totals</u>	<u>Level 1</u>	<u>Level 2</u>
Certificate of Deposits	\$ 495,000	\$ 495,000	\$
Marketable Securities	9,223,253	9,223,253	
Temporary Investments	4,369,329	4,369,329	
Equity Investments	19,810,695	19,810,695	
Fixed Income Investment	8,014,203	8,014,203	
Secondary Partners	1,588,243	1,588,243	
Capital Partners III & IV	1,881,770		1,881,770
Redmond Fund	1,954,310	1,954,310	
Capital Emerging Markets/Venture	749,916		749,916
Other Assets	393,414	393,414	-
	<u>\$ 48,480,133</u>	<u>\$ 45,848,447</u>	<u>\$ 2,631,686</u>

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

Fair Value of Investments - continued

There were no significant transfers between the levels during the year, although some investments moved into level 2 when the markets for them became less active. The college's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized. At June 30, 2021 and 2020, the college does not have any investments measured using level 3 inputs.

The investment return reported in the Statement of Activities is \$ 5,372,814 for 2021 and \$ 1,095,756 for 2020.

NOTE G - PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment at June 30, 2021 and 2020, consisted of the following:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Land and Improvements	\$ 1,685,554	\$ 1,685,554
Campus Sports Complex	220,758	220,758
Buildings and Improvements	18,635,250	18,635,250
Residence Halls and Improvements	6,187,076	6,105,754
Faculty Housing and Improvements	1,314,337	1,314,337
Equipment	7,414,628	7,414,628
Library Books	1,802,786	1,802,786
Construction in Progress	<u>1,220,000</u>	<u>0</u>
Total	\$ 38,480,389	\$ 37,179,067
Less: Accumulated Depreciation	<u>(24,866,136)</u>	<u>(24,394,831)</u>
Net Book Value	<u>\$ 13,614,253</u>	<u>\$ 12,784,236</u>

NOTE H - ACCOUNTING FOR ENDOWMENTS

The college's endowment, for years 2021 and 2020, consist of 212 individual funds established either by donors (referred to as donor-restricted endowment funds) and or by resources set aside by the Board of Trustees to function as endowments (referred to as board-designated endowment funds). Donor-restricted endowment funds are further divided into those that provide a perpetual source of support for the college's activities (referred to as permanent endowments) and those that are restricted by donors to investment for a specified term (referred to as term endowments).

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING FOR ENDOWMENTS - continued

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The state of Mississippi enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective June 30, 2009. UPMIFA establishes law for the management and investment of donor-restricted endowment funds. The Board of Trustees of the college has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted permanent endowment funds unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the college classifies as permanently restricted net assets (a) the original value of gifts to donor-restricted permanent endowments, (b) the original value of any subsequent gifts to donor-restricted permanent endowment, and (c) the original value of accumulations to donor-restricted permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of a donor-restricted permanent endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the college. All donor-restricted term endowments are classified as temporarily restricted net assets until the term expires and they are used in accordance with the donor's restriction on use.

UPMIFA permits the college to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making its determination to appropriate or accumulate, the organization must act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and it must consider, if relevant, the following factors:

- The duration and preservation of the endowment 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 policy of the organization

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE I – ENDOWMENT DISCLOSURE

The net assets composition of the endowment as of June 30, 2021 and June 30, 2020, is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENT RESTRICTED</u>	<u>TOTAL</u>
June 30, 2021				
Donor-Provided Endowment Funds				
	\$ 21,194,503	\$ 5,794,704	\$ 9,152,530	\$ 36,141,737
Board-Designated Endowment Funds				
	<u>4,300,000</u>		-	<u>4,300,000</u>
Total Funds	<u>\$ 25,494,503</u>	<u>\$ 5,794,704</u>	<u>\$ 9,152,530</u>	<u>\$ 40,441,737</u>
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENT RESTRICTED</u>	<u>TOTAL</u>
June 30, 2020				
Donor-Provided Endowment Funds				
	\$ 19,791,964	\$ 5,794,704	\$ 9,152,530	\$ 34,739,198
Board-Designated Endowment Funds				
	<u>2,347,725</u>		-	<u>2,347,725</u>
Total Funds	<u>\$ 21,194,503</u>	<u>\$ 5,794,704</u>	<u>\$ 9,152,530</u>	<u>\$ 36,141,737</u>

Investment and Spending Policies

The college has an investment policy specific to its Endowment Fund, which is monitored by the Investment Committee of its Board of Trustees. Investment counselors and managers make investment transactions within the Common Fund Pool. The investment policy describes the objective for the fund and sets ranges for assets allocation. The objective of the Endowment Fund is to earn the highest possible total return consistent with the level of risk suitable for these assets. At a minimum, long term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment Fund assets, to provide necessary capital to fund the spending policy, and to cover the cost of managing the Endowment Fund investments. The organization uses an endowment spending formula based on total return of the investments for determining the amount to spend from the Endowment Fund each year.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

Investment and Spending Policies - continued

The changes in endowment net assets for the year ended June 30, 2021 and 2020 are as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment Net Asset				
For the Fiscal Year Ended 6/30/2021				
Net Assets, Beginning of Year 6/30/20	\$ 21,170,291	\$ 6,188,956	\$ 9,727,675	\$ 37,086,922
Investment Return:				
Total Investment Return	286,654	90,179	126,954	503,787
Net Appreciation (Realized & Unrealized)	<u>3,077,381</u>	<u>1,392,398</u>	<u>903,035</u>	<u>5,372,814</u>
	<u>24,534,326</u>	<u>7,671,533</u>	<u>10,757,664</u>	<u>42,963,523</u>
Total Investment Return	681,410	199,785	308,003	1,189,198
New Gifts	250,000	1,023,835	147,500	1,421,335
Appropriation of Endowment Assets for Expenditures under Spending Plan	4,300,000			4,300,000
Other Changes:				
Other: Investment Mngt Fees	59,444	15,721	24,237	99,402
Total Other Charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>5,290,854</u>	<u>1,239,341</u>	<u>479,740</u>	<u>7,009,935</u>
Net Assets				
End of Year 6/30/2021	<u>\$ 19,243,472</u>	<u>\$ 6,432,192</u>	<u>\$ 10,277,924</u>	<u>\$ 35,953,588</u>

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE J – LONG-TERM DEBT

Mortgage payable to the U.S. Department of Education in the principal amount of \$ 894,693 and \$ 894,693 for years at June 30, 2021 and 2020 is due in semi-annual installments of \$ 80,759, plus interest payable at 5.5% per annum. The mortgage is secured by a deed of trust on the New Women's dormitories, net revenues from the operation of the dormitories and a first lien on revenues derived from student tuition and fees. The mortgage matures February 1, 2027.

Annual maturities for long-term debt at June 30, 2021 and June 30, 2020:

NOTE H – LONG-TERM DEBT		Principal & Interest Payments
	2021	\$ 161,518
	2022	161,518
	2023	161,518
	2024	161,518
	2025	161,518
	and thereafter	87,103
	Total	\$ 894,693
		Payments
	2020	\$ 161,518
	2021	161,518
	2022	161,518
	2023	161,518
	2024	161,518
	and thereafter	87,103
	Total	\$ 894,693

Interest expense for the fiscal year ended June 30, 2021 and 2020, on the above debt was \$ -0- and \$ 55,436.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE K – RETIREMENT PLAN

Rust College, Inc. maintains defined contribution retirement plans covering substantially all academic and non-academic personnel. Under the plans the College matches one hundred percent (100%) of the participants' contributions up to 5% of their respective gross salaries. The participants may contribute any additional amounts in excess of the 5% of gross but these contributions are not matched by the College. Pension costs for the years ended June 30, 2021 and 2020 amounted to \$181,935 and \$235,251, respectively. All participants in the plan contribute 5% of gross salary, which is matched by the College. The plan assets were \$ 5,326,543 and \$ 5,821,888 at June 30, 2021 and 2020 respectively.

At the present time the retirement plans are being reviewed by a CPA Firm specializing in retirement plan accounting and compliance. The plans will be rewritten as needed to insure full, up-to-date compliance with all current regulations and fiduciary responsibilities.

NOTE L – CONCENTRATION OF CREDIT RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The College deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

The college's investments, which are held by Commonfund, www.Commonfund.org, are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes (see Note E and G) should mitigate the impact of changes in any one class.

NOTE M – ADVERTISING

Advertising is expensed in the period incurred and is considered minor in relation to total expenses for years ended June 30, 2021 and 2020.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE N – COHORT RATE FOR FEDERAL LOANS

A cohort default rate for Perkins is not calculated since the College is in the process of liquidating the Perkins program and not awarding loans. Accordingly, the college is assigning the principal balance and interest of the Perkins Loan of \$ 418,862 to the U.S. Department of Education. The cohort default rate for Perkins Loan Program was 0.00% as of June 30, 2021.

The Direct Loan 3 (three) YR Official 2017 default rate is 30.3% and the Direct Loan 2018 Official Cohort default rate is 16.3%. The college is seeking to continually decrease its default rates for the respective loan program.

NOTE O – NET ASSETS

The total net assets for all funds in the aggregate equal the total of all unrestricted, temporary restricted and permanent net assets of the various funds shown separately; however, when the distribution of the net assets to the various fund balances is separated for reporting purposes there is a compensating difference that results in a zero effect among the various net assets classification. This effect has occurred in the Statement of Activities for the Southern Association of Colleges and Schools.

NOTE P – RELATED-PARTY TRANSACTIONS

There are no material related-party transactions that existed during the fiscal years ended June 30, 2021 and 2020.

NOTE Q – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 8, 2021 and October 26, 2020, which is the date of the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

RUST COLLEGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE R – SCHEDULE OF RELEASES FROM RESTRICTION, RECLASSIFICATIONS, AND SPENDING PLAN TRANSFERS

	<u>June 30,2021</u>	<u>June 30,2020</u>
Spending Plan Reclassification (Excess of Dividend and Interest Income)		
Transfer from Temporary Restricted Endowment	\$ -	\$ 210,330
Transfer from Permanently Restricted Endowment	<u>-</u>	<u>324,259</u>
Total Spending Plan Reclassification Transfers to Current Fund	<u>-</u>	<u>534,589</u>
Other Releases from Restriction and Reclassifications		
Temporary Restricted Released for Operating Expenses	4,300,000	4,445,919
Temporarily Restricted, Reclassified for Management Fees	39,958	15,721
Permanently Restricted, Reclassified for Management Fees	<u>59,444</u>	<u>24,237</u>
Total Other Releases from Restriction and Reclassification	<u>4,399,402</u>	<u>4,485,877</u>
Total Releases from Restriction, Reclassification, & Spending Plan Transfers	<u>\$ 4,399,402</u>	<u>\$ 5,020,466</u>

RUST COLLEGE, INC.
Supplementary Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Provided to Identifying Number Subrecipients</u>	<u>Federal Expenditures</u>
Student Financial Assistance - Cluster (Note 1, 2 & 3)			
Department of Education			
Programs			
Federal Pell Grant Program	84.063		\$ 2,818,771
Federal Direct Student Loan	84.268		2,339,840
Federal Supplemental Educational Opportunity Grant	84.007		552,253
Federal Work-Study Program	84.033		83,815
Federal Perkins Loan Program (Note 4)			-
Total Student Financial Assistance Cluster			<u>\$ 5,794,679</u>
Trio Cluster			
TRIO - Student Support Services	84.042A		<u>80,273</u>
Total TRIO Cluster			<u>80,273</u>
Other Programs			
Strengthening Historically Black Colleges & Universities (Note 5)	84.031B		2,468,655
HEERF Program Grants			
Higher Education Emergency Relief Fund Student Aid	84.42E		679,794
Higher Education Emergency Relief Fund Institutional Portion	84.42F		679,793
Higher Education Emergency Relief Fund Institutional Portion	84.42J		<u>1,571,851</u>
Total Other Programs			<u>5,400,093</u>
Total Department of Education			<u>11,275,045</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,275,045</u>

RUST COLLEGE, INC.
Supplementary Schedule of Grant Activity
State and Non-Federal Expenditures
For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through/Entity Identifying Number	Federal Expenditures
State of Mississippi:			
Mississippi Tuition Assistance Grant			\$ 4,700
Mississippi State Cares			339,106
Total State of Mississippi			<u>\$ 343,806</u>
Non-Federal/State Grant Awards:			
Corporation for Public Broadcasting			
Radio Community Service Grant:			
WURC-FM 1472-18-20			\$ 40,496
WURC-FM 1472-19-21			41,786
WURC-FM 1472-19-21			<u>168,459</u>
Total Corporation for Public Broadcasting			<u>\$ 250,741</u>
UNCF:			
The Robert M. Hearin 2012			<u>\$ 2,250</u>
Career Pathways - 2020			\$ 87,321
Career Pathways - 2019			<u>87,321</u>
			<u>\$ 174,642</u>
Southern Company Charitable Foundation, Inc.			<u>\$ 277,297</u>
Council of Independent Colleges 2019-2020			<u>\$ 2,299</u>
RC Health Explorers- 2016 - 2017 RC - Health Explorer			\$ 12
RC Health Explorers - 2021			2,500
RC Health Explorers - 2018 United Way			<u>4,529</u>
			<u>\$ 7,041</u>
Mississippi Hills			
Community Heritage Grant - 19 - 2000			\$ 1,809
Community Heritage Grant - Matching Grant			<u>3,748</u>
			<u>\$ 5,557</u>
Lilly Endowment - Theology (2019)			\$
Lilly Endowment - Theology (2022)			<u>67,655</u>
			<u>\$ 67,655</u>
Ida B. Wells - Barnett			
2019 Ida B. Wells			-
Social Justice - In kind			1,540
MHHAA1913-2019			<u>4,215</u>
SJDLS			<u>\$ 5,755</u>
TOTAL STATE AND NON-FEDERAL EXPENDITURES			<u>\$ 1,137,043</u>

RUST COLLEGE, INC.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal awards (the "Schedule") includes the federal award activity of RUST COLLEGE, INC. under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of the Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of RUST COLLEGE, INC., it is not intended to and does not present the financial position, changes in net assets, or cash flows of RUST COLLEGE, INC.

NOTE 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - Indirect Cost Rate

RUST COLLEGE, INC. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. However, the College have a federally negotiated indirect rate that is being used for federal awards.

RUST COLLEGE, INC.
Notes to the Schedule of Expenditures of Federal Awards

NOTE 4 - Federal Student Loan Programs

The federal student loan programs listed subsequently are administered directly by RUST COLLEGE, INC. and balances and transactions relating to these programs are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2021 consists of :

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance June 30, 2021</u>
84.038	Federal Perkins Loan	<u>\$ -</u>
84.268	Plus Loans	<u>\$ 50,943</u>
84.268	Subsidized Loan	<u>\$ 1,555,679</u>
84.268	Unsubsidized Loan	<u>\$ 733,218</u>

NOTE 5 – TITLE III PROGRAM

P031B150085-19	\$ 25,564
P031B170094-20	1,312,550
P031E200093-1	486,413
P031B170094-018	6,259
PO31B170094-19	<u>637,869</u>
Total	<u>\$ 2,468,655</u>

RUST COLLEGE, INC.
Notes to the Schedule of Expenditures of Federal Awards

NOTE 6 – COLLEGE WORK STUDY

The college processed college work study for the fiscal year as follows:

Community Service Program	\$	1,295
Federal Workstudy July/Aug		-
Federal Workstudy June		-
Federal Workstudy		82,520
Administrative Costs		-
Total College Workstudy	\$	<u>83,815</u>



BUSINESS OFFICE

RUST
COLLEGE

Holly Springs, MS 38635 • Phone (662) 252- 8000, Ext. 4033 • Fax (662) 252-6107

Corrective Action Plan
YEAR ENDED JUNE 30, 2021

The college had no corrective action plan since there were no findings from prior years:



"An Institution of the United Methodist Church"

**Independent Report on Internal Control over Financial Reporting
and on Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards***



Whitehaven Levi Center
1067 E. Raines Road
Memphis, TN 38116-6336

Phone: 901.398.3210
Fax: 901.398.4114
bcamper@btcjrca.com
whitehavenlevi@bellsouth.net

Booker T. Camper Jr., CPA PLLC

Independent Report on Internal Control Over Financial Reporting and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

RUST COLLEGE, INC.
Board of Directors

I 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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of RUST COLLEGE, INC., which comprise the statements of financial position as of June 30, 2021, 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 my report thereon October 8, 2021.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered RUST COLLEGE, INC.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RUST COLLEGE, INC.'s internal control. Accordingly, I do not express an opinion on the effectiveness of RUST COLLEGE, INC.'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of RUST COLLEGE, INC.'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 RUST COLLEGE, INC.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of the 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the RUST COLLEGE, INC.'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 RUST COLLEGE INC.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, reading "Booker T. Camper, Jr.", with a stylized flourish at the end.

Booker T. Camper, Jr. CPA

Memphis, Tennessee

October 8, 2021

**Independent Report on Compliance for Each Major Federal Program;
Independent Report on Internal Control Over Compliance; and
Independent Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**



Whitehaven Levi Center
1067 E. Raines Road
Memphis, TN 38116-6336

Phone: 901.398.3210
Fax: 901.398.4114
bcamper@btcjrca.com
whitehavenlevi@bellsouth.net

Booker T. Camper Jr., CPA PLLC

Independent Report on Compliance for Each Major Federal Program; Independent Report on Internal Control Over Compliance; and Independent Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

RUST COLLEGE, INC.
Board of Directors

Report on Compliance for Each Major Federal Program

I have audited RUST COLLEGE, INC.'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 RUST COLLEGE, INC.'s major federal programs for the year ended June 30, 2021. RUST COLLEGE, INC.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of RUST COLLEGE, INC.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 RUST COLLEGE, INC.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of RUST COLLEGE, INC.'s compliance.

Opinion on Each Major Federal Program

In my opinion, RUST COLLEGE, INC. 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 June 30, 2021.

Report on Internal Control Over Compliance

Management of RUST COLLEGE, INC. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered RUST COLLEGE, INC.'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 RUST COLLEGE, INC.'s internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of RUST COLLEGE, INC.'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 compliances, such 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 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.

My 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 weakness or significant deficiencies may exist that have not been identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I did identify certain deficiencies in internal control over compliances, described in the accompanying schedule of findings and questioned costs as items, 2021-001, 2021-002, 2021-003 and 2021-004, that I consider to be significant deficiencies.

As described in Findings 2021-001, 2021-002, 2021-003 and 2021-004 in the accompanying schedule of findings and questioned costs: RUST COLLEGE, INC. did comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2021-001	84.268	Student Loan (Sub/Unsub)	Reporting/Cash Management
2021-002	84.063	PELL	Reporting/Cash Management
2021-003	84.033	FWS	Reporting/Cash Management
2021-004	84.007	SEOG	Reporting/Cash Management

RUST COLLEGE, INC.'s response to the internal control over compliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. RUST COLLEGE, INC.'s response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, I express an opinion of the response.

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

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

I have audited the financial statements of RUST COLLEGE, INC. as of and for the year June 30, 2021, and have issued my report thereon dated October 8, 2021, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance 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 my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink, reading "Booker T. Camper, Jr.", with a long horizontal flourish extending to the right.

Booker T. Camper, Jr., CPA

Memphis, Tennessee

October 8, 2021

Schedule of Findings and Questioned Costs

RUST COLLEGE, INC.
Schedule of Findings and Questioned Costs
Section I – Summary of Auditor’s Results

Financial Statements					
Type of auditor’s report issued:	unmodified				
Internal control over financial reporting:					
♦ Material weakness (es) identified?	Yes		No	X	
♦ Significant deficiency (ies)?	Yes		No	X	None Reported
Noncompliance material to Financial Statements noted?	Yes		No	X	
Federal Awards					
Internal control over major programs:					
♦ Material weaknesses identified?	Yes		No	X	
♦ Significant deficiency (ies) identified?	Yes	X	No		
Type of auditor’s report issued on compliance for major program:	unmodified				
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes		No	X	
Identification of major programs:					
U.S. Department of Education Student Financial Aid – Cluster, Title III Programs and HEERF Program Grants					
CFDA Numbers	Name of Federal Program or Cluster:				
84.007, 84.033, 84.063, 84.268, 84.031B, 84.042A, 84.425E, 84.425F and 84.425J	U. S. Department of Education: SFA, Title III & HEERF				
Dollar threshold use to distinguish between type A and type B programs	<u>\$750,000</u>				
Auditee qualified as low-risk auditee?	Yes	X	No		

RUST COLLEGE, INC.
Section II – Financial Statement Findings

None Reported

RUST COLLEGE, INC.
Section III – Federal Award Findings and Questioned Costs

Findings:

2021-001 84.268 Student Loan (Sub/Unsub) Reporting/Cash Management

Condition: The College disbursed to student's accounts \$ 2,339,878 which was less than the drawdowns from federal clearing of \$ 2,341,249, resulting in a net shortage of \$1,409 not drawdown for the year. \$ 1,409 is the questioned costs.

Criteria: Compliance Supplement, August 2020, Part5, 5-5-1 to 5-4-1.

Effect: The College's drawdowns were less that the amount credited to the student's account.

Cause: Failure to reconcile data and/or aid in student's accounts to the net drawdowns after refunds and adjustments on a monthly or quarterly basis and report the differences to the Business Office.

Recommendation: Financial Aid department must perform monthly or quarterly external reconciliations to the amount that is drawdown; This reconciliation of internal disbursements must match the drawdown per G5.

Views of the Responsible Officials: Management will mandate adherence to the U. S. Department of Education's guidelines for Student Financial Aid and make the necessary adjustments.

2021-002 84.063 PELL Reporting/Cash Management

Condition: The College disbursed to student's accounts \$ 2,818,771 which was less than the drawdowns from federal clearing of \$ 2,801,640, resulting in a net shortage of \$ 12,131 not drawdown for the year. \$ 12,131.00 is the questioned costs.

Criteria: Compliance Supplement, August 2020, Part5, 5-5-1 to 5-4-1.

Effect: The College's drawdowns were less that the amount credited to the student's account.

Cause: Failure to reconcile data and/or aid in student's accounts to the net drawdowns after refunds and adjustments on a monthly or quarterly basis and report the differences to the Business Office.

RUST COLLEGE, INC.
Section III – Federal Award Findings and Questioned Costs

Recommendation: Financial Aid department must perform monthly or quarterly external reconciliations to the amount that is drawdown; The reconciliation of internal disbursements must match the drawdown per G5.

Views of the Responsible Officials: Management will mandate adherence to the U. S. Department of Education's guidelines for Student Financial Aid and make the necessary adjustments.

2021-003 84.033 FWS

Reporting/Cash Management

Condition: The College disbursed to students \$ 83,815 which was less than the drawdowns from federal clearing of \$ 84,958, resulting in a net excess of \$ 1,143 drawdown for the year. \$ 1,143 is the questioned costs.

Criteria: Compliance Supplement, August 2020, Part 5, 5-5-1 to 5-4-1.

Effect : The College's drawdowns were less than the amount credited to the student's account.

Cause: Failure to reconcile data and/or aid in student's accounts to the net drawdowns after refunds and adjustments on a monthly or quarterly basis and report the differences to the Business Office.

Recommendation: Financial Aid department must perform monthly or quarterly external reconciliations to the amount that is drawdown; This reconciliation of internal disbursements must match the drawdown per G5.

Views of the Responsible Officials: Management will mandate adherence to the U. S. Department of Education's guidelines for Student Financial Aid and make the necessary adjustments.

RUST COLLEGE, INC.
Section III – Federal Award Findings and Questioned Costs

2021-004 84.007 SEOG

Reporting/Cash Management

Condition: The College disbursed to student's accounts \$ 552,253 which represents eligible expenditures for FY2021; however as of October 8, 2021, the College has only drawn down available funds of \$ 174,078. The College has a grant award letter of available funds of \$ 440,244 to cover the additional amount, but Financial Aid Department has not requested the funds to be transferred to the College as of October 8, 2021. Failure of Finance Aid Department to notify the Business Office of the disbursements for drawn down funds on a current basis is not in accordance with SFA rules and regulations.

Criteria: Compliance Supplement, August 2020, Part 5, 5-5-1 to 5-4-1.

Effect : The College's drawdowns were less than the amount credited to the student's account.

Cause: Failure to reconcile data and/or aid in student's accounts to the net drawn downs after refunds and adjustments on a monthly or quarterly basis and report the differences to the Business Office for any drawdowns.

Recommendation: Financial Aid department must perform monthly or quarterly external reconciliations to the amount that is drawdown; This reconciliation of internal disbursements must match the drawdown per G5.

Views of the Responsible Officials: Management will mandate adherence to the U. S. Department of Education's guidelines for Student Financial Aid and make the necessary adjustments.



**Summary Schedule of Prior Audit Findings & Correction Action Plan
YEAR ENDED JUNE 30, 2021**

The college did not have findings from prior reports.

Compliance Requirements: Reporting and Cash Management

2021-001

2021-002

2021-003

2021-004

Contact person responsible for Correction Action Plan:

Dr. Daarel Burnette, Vice President for Finance

Corrective Action Planned:

Management will establish and implement an updated management plan and review to improve the compliance requirement of Reporting and Cash Management for the Student Financial Aid programs.

Anticipated Complete Date:

June 30, 2022

