# Messiah University

Financial Statements

June 30, 2022 and 2021

# Messiah University

Table of Contents
June 30, 2022 and 2021


| | Page |
|---|---|
| **Independent Auditors' Report** | 1 |
| **Financial Statements** | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements | 7 |

# Independent Auditors' Report

To the Board of Trustees of
Messiah University

## Opinion

We have audited the financial statements of Messiah University (the University), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021, 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 (GAAP).

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Williamsport, Pennsylvania
October 19, 2022

## Messiah University

Statements of Financial Position
June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 12,987,375 | $ 11,856,922 |
| Notes and accounts receivable, net | 4,960,993 | 4,430,674 |
| Promises to give, net | 3,495,585 | 3,552,024 |
| Interest receivable | 129,033 | 137,591 |
| Inventories | 826,409 | 584,639 |
| Prepaid expenses and other assets | 876,385 | 655,102 |
| Investments, endowment | 127,166,126 | 140,197,914 |
| Investments, gift annuities and trusts | 6,097,157 | 7,840,911 |
| Investments, other | 9,474,169 | 7,432,640 |
| Loans receivable, students | 1,163,192 | 1,793,982 |
| Deposits with trustee under debt agreements, restricted | 13 | 6 |
| Beneficial interest in perpetual trusts | 3,817,081 | 4,696,722 |
| Right-of-use assets | 4,066,940 | 5,485,637 |
| Property and equipment, net | 140,175,133 | 148,479,879 |
| Total assets | $ 315,235,591 | $ 337,144,643 |
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Accounts payable and accrued expenses | $ 6,319,852 | $ 7,772,447 |
| Student deposits | 1,536,343 | 2,212,825 |
| Funds held in custody for others | 174,991 | 55,868 |
| Deferred revenue | 1,788,626 | 1,685,017 |
| Annuities payable | 3,367,878 | 4,096,179 |
| Funds held in trust for others | 178,237 | 212,625 |
| Lease liabilities | 4,066,940 | 5,485,637 |
| Long-term debt | 68,406,486 | 70,304,450 |
| U.S. government grants refundable | 1,130,785 | 1,493,041 |
| Other liabilities | 2,677,359 | 2,642,557 |
| Total liabilities | 89,647,497 | 95,960,646 |
| **Net Assets** | | |
| Without donor restrictions | 166,378,586 | 180,154,319 |
| With donor restrictions: | | |
| Restricted, time and purpose | 13,434,636 | 16,712,308 |
| Restricted, in perpetuity | 45,774,872 | 44,317,370 |
| Total net assets with donor restrictions | 59,209,508 | 61,029,678 |
| Total net assets | 225,588,094 | 241,183,997 |
| Total liabilities and net assets | $ 315,235,591 | $ 337,144,643 |

*See notes to financial statements*

## Messiah University

Statement of Activities
Year Ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions: Restricted, Time and Purpose | With Donor Restrictions: Restricted, in Perpetuity | With Donor Restrictions: Subtotal | Total |
|---|---|---|---|---|---|
| **Operating Revenues** | | | | | |
| Net tuition and fees | $ 58,448,206 | $ - | $ - | $ - | $ 58,448,206 |
| Government grants and appropriations | 7,359,927 | 9,381 | - | 9,381 | 7,369,308 |
| Gifts and grants | 1,556,449 | 968,243 | - | 968,243 | 2,524,692 |
| Capital gifts and grants | - | 581,386 | - | 581,386 | 581,386 |
| Endowment return designated for operations | 6,087,550 | 1,968,870 | - | 1,968,870 | 8,056,420 |
| Investment income (loss) | 187,022 | (60,671) | - | (60,671) | 126,351 |
| Other sources | 3,099,131 | (57,156) | - | (57,156) | 3,041,975 |
| Auxiliary enterprises | 19,374,457 | - | - | - | 19,374,457 |
| Net assets released from restrictions | 3,165,081 | (3,165,081) | - | (3,165,081) | - |
| Net assets released from restrictions, capital | 722,310 | (722,310) | - | (722,310) | - |
| Total operating revenues | 100,000,133 | (477,338) | - | (477,338) | 99,522,795 |
| **Operating Expenses** | | | | | |
| Educational program services: | | | | | |
| Instructional | 35,018,409 | - | - | - | 35,018,409 |
| Academic support | 8,563,948 | - | - | - | 8,563,948 |
| Student services | 22,966,017 | - | - | - | 22,966,017 |
| Public service | 2,220,436 | - | - | - | 2,220,436 |
| Auxiliary enterprises | 15,953,608 | - | - | - | 15,953,608 |
| Supporting services, institutional support | 16,038,659 | - | - | - | 16,038,659 |
| Total operating expenses | 100,761,077 | - | - | - | 100,761,077 |
| Changes in net assets from operating activities | (760,944) | (477,338) | - | (477,338) | (1,238,282) |
| **Nonoperating Revenues, Expenses and Other Changes** | | | | | |
| Endowment and life income gifts | (57,769) | 73,104 | 3,205,786 | 3,278,890 | 3,221,121 |
| Transfer of net assets | - | 114,027 | (114,027) | - | - |
| Endowment investment return, net of amount designated for operations | (12,799,636) | (2,917,172) | - | (2,917,172) | (15,716,808) |
| Change in value of beneficial interest in perpetual trusts | - | - | (879,641) | (879,641) | (879,641) |
| Investment return for trusts and gift annuities | (138,466) | (129,808) | (726,055) | (855,863) | (994,329) |
| Change in value of split-interest agreements | (18,918) | 59,515 | (28,561) | 30,954 | 12,036 |
| Total nonoperating revenues, expenses and other changes | (13,014,789) | (2,800,334) | 1,457,502 | (1,342,832) | (14,357,621) |
| Changes in net assets | (13,775,733) | (3,277,672) | 1,457,502 | (1,820,170) | (15,595,903) |
| **Net Assets, Beginning** | 180,154,319 | 16,712,308 | 44,317,370 | 61,029,678 | 241,183,997 |
| **Net Assets, Ending** | $ 166,378,586 | $ 13,434,636 | $ 45,774,872 | $ 59,209,508 | $ 225,588,094 |

*See notes to financial statements*

## Messiah University

Statement of Activities
Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions: Restricted, Time and Purpose | With Donor Restrictions: Restricted, in Perpetuity | With Donor Restrictions: Subtotal | Total |
|---|---|---|---|---|---|
| **Operating Revenues** | | | | | |
| Net tuition and fees | $ 58,022,303 | $ - | $ - | $ - | $ 58,022,303 |
| Government grants and appropriations | 4,033,959 | 18,424 | - | 18,424 | 4,052,383 |
| Gifts and grants | 948,300 | 1,700,768 | - | 1,700,768 | 2,649,068 |
| Capital gifts and grants | - | 329,132 | - | 329,132 | 329,132 |
| Endowment return designated for operations | 7,514,141 | 2,405,300 | - | 2,405,300 | 9,919,441 |
| Investment income | 413,790 | 144,994 | - | 144,994 | 558,784 |
| Other sources | 1,837,839 | 4,263 | - | 4,263 | 1,842,102 |
| Auxiliary enterprises | 17,921,091 | - | - | - | 17,921,091 |
| Net assets released from restrictions | 3,333,776 | (3,333,776) | - | (3,333,776) | - |
| Net assets released from restrictions, capital | 2,772,895 | (2,772,895) | - | (2,772,895) | - |
| Total operating revenues | 96,798,094 | (1,503,790) | - | (1,503,790) | 95,294,304 |
| **Operating Expenses** | | | | | |
| Educational program services: | | | | | |
| Instructional | 34,248,137 | - | - | - | 34,248,137 |
| Academic support | 8,521,563 | - | - | - | 8,521,563 |
| Student services | 21,132,410 | - | - | - | 21,132,410 |
| Public service | 1,519,699 | - | - | - | 1,519,699 |
| Auxiliary enterprises | 16,169,668 | - | - | - | 16,169,668 |
| Supporting services, institutional support | 17,002,571 | - | - | - | 17,002,571 |
| Total operating expenses | 98,594,048 | - | - | - | 98,594,048 |
| Changes in net assets from operating activities | (1,795,954) | (1,503,790) | - | (1,503,790) | (3,299,744) |
| **Nonoperating Revenues, Expenses and Other Changes** | | | | | |
| Endowment and life income gifts | 80,029 | (32,850) | 1,440,345 | 1,407,495 | 1,487,524 |
| Endowment investment return, net of amount designated for operations | 3,713,961 | 3,586,992 | - | 3,586,992 | 7,300,953 |
| Change in value of beneficial interest in perpetual trusts | - | - | 825,566 | 825,566 | 825,566 |
| Investment return for trusts and gift annuities | 198,568 | (79,690) | 1,183,461 | 1,103,771 | 1,302,339 |
| Change in value of split-interest agreements | (85,376) | (118,241) | (642,036) | (760,277) | (845,653) |
| Total nonoperating revenues, expenses and other changes | 3,907,182 | 3,356,211 | 2,807,336 | 6,163,547 | 10,070,729 |
| Changes in net assets | 2,111,228 | 1,852,421 | 2,807,336 | 4,659,757 | 6,770,985 |
| **Net Assets, Beginning** | 178,043,091 | 14,859,887 | 41,510,034 | 56,369,921 | 234,413,012 |
| **Net Assets, Ending** | $ 180,154,319 | $ 16,712,308 | $ 44,317,370 | $ 61,029,678 | $ 241,183,997 |

*See notes to financial statements*

## Messiah University

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Changes in net assets | $ (15,595,903) | $ 6,770,985 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 11,868,063 | 11,960,338 |
| Accretion | 34,802 | (561,144) |
| Amortization of bond discount and issuance costs, net | (87,964) | (88,212) |
| Net realized and unrealized losses (gains) on investments | 14,200,820 | (15,646,731) |
| (Gain) loss on sale of property and equipment | (17,649) | 247,586 |
| Loss on refunding of 2001 Revenue Bonds | - | 481,321 |
| Contributions for long-term purposes | (5,036,050) | (2,689,486) |
| (Increase) decrease in operating assets: | | |
| Notes and accounts receivable | (530,319) | (1,303,788) |
| Promises to give | 56,439 | 2,619,114 |
| Inventories | (241,770) | 10,566 |
| Other assets | (208,707) | (181,263) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | (1,577,478) | 325,924 |
| Funds held in custody for others | 119,123 | (4,917) |
| Student deposits | (676,482) | (455,110) |
| Deferred revenue | 103,609 | 343,211 |
| Funds held in trust for others | (34,388) | (176,619) |
| Net cash provided by operating activities | 2,376,146 | 1,651,775 |
| **Cash Flows From Investing Activities** | | |
| Purchases of investments | (79,689,923) | (105,667,350) |
| Proceeds from sale of investments | 79,102,755 | 109,076,398 |
| Purchase of property and equipment | (3,438,434) | (11,062,238) |
| Student loan principal payments received | 303,514 | 479,926 |
| Disbursements for loans to students | 327,278 | (170,463) |
| Proceeds from sale of property and equipment | 17,649 | - |
| Net cash used in investing activities | (3,377,161) | (7,343,727) |
| **Cash Flows From Financing Activities** | | |
| Contributions for long-term purposes | 5,032,032 | 2,704,914 |
| Principal payments on long-term debt | (1,810,000) | - |
| (Decrease) increase in annuities payable | (728,301) | 316,418 |
| Decrease in U.S. government grants refundable | (362,256) | (386,611) |
| Proceeds from issuance of long-term debt, net of discount and issue costs | - | 5,403,129 |
| Net cash provided by financing activities | 2,131,475 | 8,037,850 |
| Net increase in cash and cash equivalents and deposits with trustee under debt agreements | 1,130,460 | 2,345,898 |
| **Cash and Cash Equivalents and Deposits With Trustee Under Debt Agreements, Restricted, Beginning** | 11,856,928 | 9,511,030 |
| **Cash and Cash Equivalents and Deposits With Trustee Under Debt Agreements, Restricted, Ending** | $ 12,987,388 | $ 11,856,928 |
| **Supplementary Disclosure of Cash Flow Information** | | |
| Cash paid for interest (including capitalized interest of $0 and $104,785 in 2022 and 2021) | $ 2,278,638 | $ 2,278,830 |
| **Supplementary Disclosure of Noncash Investing Activities** | | |
| Property and equipment in accounts payable | $ 124,883 | $ 680,862 |

*See notes to financial statements*

## 1. Nature of Operations and Summary of Significant Accounting Policies

### Nature of Operations

Messiah University (the University) is a private Christian university of the liberal and applied arts and sciences. Founded in 1909 by the Brethren in Christ Church, the University is located in Mechanicsburg, Pennsylvania. The University is accredited by the Middle States Commission on Higher Education and has a student body of approximately 3,300 undergraduate and graduate students.

### Basis of Presentation

These financial statements present financial information showing the financial position, the activities and the cash flows of the University reflecting the presence or absence of donor-imposed restrictions. Accordingly, the amounts of net assets are classified according to the nature of such restrictions, as follows:

**Net Assets With Donor Restrictions, in Perpetuity** - Net assets which are subject to donor-imposed restrictions that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

**Net Assets With Donor Restrictions, Time and Purpose** - Net assets which are subject to donor-imposed restrictions that will be met when expenditures are made for the designated purposes or with the passage of time. The expiration of time or purpose restrictions on net assets is reported in the statements of activities as net assets released from restrictions. Contributions with time and purpose restrictions and endowment income whose restrictions are not met in the same period as received or earned are reported as increases in net assets with donor restrictions.

**Net Assets Without Donor Restrictions** - Net assets not subject to donor-imposed restrictions. The Board of Trustees has several standing Board policies that affect the presentation of Board designations on net assets. Proceeds from matured gift annuities without donor restrictions and trusts without donor restrictions are designated for long-term investment in the endowment (quasi-endowment).

### Government Grants and Student Aid

The government grants and student aid amounts reported do not include funds credited to students under various federal and state grant programs. These grants are similar to agency funds as the University acts only as custodian and disbursing agent.

### Title IV Requirements

The University participates in Student Financial Assistance Programs (Title IV) administered by the U.S. Department of Education (DOE) for the payment of student tuition. Substantial portions of the revenue and collection of ending accounts receivable as of June 30, 2022 and 2021 are dependent upon the University's continued participation in the Title IV programs.

Institutions participating in Title IV programs are also required by DOE to demonstrate financial responsibility. DOE determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in the regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.5 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of June 30, 2022 and 2021, and for the years then ended, the University's composite score exceeded 1.5.

The DOE revised the regulations for financial responsibility effective July 1, 2019. The regulations required the University to provide additional disclosures to assist the DOE in measuring financial responsibility through the composite score of financial ratios.

Pre-implementation property and equipment totaled $116,554,495 and $125,088,455 at June 30, 2022 and 2021, respectively. Post-implementation property and equipment with outstanding debt for original purchase totaled $6,434,823 and $5,973,962 at both June 30, 2022 and 2021, respectively. Post-implementation property and equipment without outstanding debt for original purchase totaled $17,185,815 and $17,417,462 at June 30, 2022 and 2021, respectively.

Pre-implementation long-term debt for long term purposes totaled $62,432,524 and $64,330,488 at June 30, 2022 and 2021, respectively. Post-implementation long-term debt for long term purposes totaled $5,973,962 at June 30, 2022 and 2021. There was no debt associated with operations at June 30, 2022 and 2021.

**Cash and Cash Equivalents**

Cash and cash equivalents represent highly liquid investments with an original maturity date not exceeding 90 days.

**Notes and Accounts Receivable**

Student accounts receivable are recorded net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the University's historical losses and periodic review of individual accounts. Student accounts receivable are written off when they are determined to be uncollectible based on management's assessment of individual accounts. Other items included are notes receivable from employees and faculty, grants receivable from federal and state agencies and receivables from unrelated individuals, companies and organizations.

**Student Loans**

The student loans receivable primarily represents loans to students funded by advances to the University by the federal government under the Perkins and Nursing Student Loan Programs (the Programs). Such funds may be re-loaned by the University after collection. The Perkins loan program expired on September 30, 2017; after June 30, 2018, no new loans are permitted. Institutions are permitted to liquidate all Perkins loans or continue to service all or some of its outstanding Perkins loans. The University is continuing to service its Perkins loans during this wind-down period. Per federal directive, the University has assessed its loan portfolio to identify loans which must be assigned to the federal government according to its criteria, and those loans will be assigned no later than June 30, 2023. Following the final wind-down of the Perkins loan program, the federal amounts provided are refundable to the federal government.

The federal government's portion of these funds at June 30, 2022 and 2021 was $1,130,785 and $1,493,041, respectively.

**Contributions**

Unconditional promises to give (pledges) are recorded as receivables and revenues and the University distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions for donor-restricted purposes (other than capital) are reported as revenues without donor restrictions when the restriction is satisfied within the same year that the contribution is received.

Contributions with donor-imposed restrictions (for purposes other than capital and those to be held in perpetuity) that are not met in the same year as received are reported as revenues with donor restrictions (time and purpose restrictions) and are reclassified to net assets without donor restrictions when an expenditure is incurred that satisfies the donor-imposed restriction.

Contributions restricted for the acquisition of plant and equipment (capital) are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when the asset acquisitions are placed in service.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their net present value. The discount is computed using a credit-adjusted interest rate. Conditional promises to give are not recorded until such time as the conditions are substantially met.

**Inventories**

Inventories are valued at the lower of cost or net realizable value on a first-in, first-out basis. Inventories consist of dining services, Messiah Press, postage and facilities supplies.

**Investments and Deposits With Trustee**

Investments are reported at fair value. Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported in the statements of activities. The cost of investments received as gifts is fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in fair value of investments, and all income from investments, are reported as changes in net assets without restrictions unless their use is restricted by explicit donor-imposed stipulations, or by law.

Deposits with trustee under debt agreements, restricted at June 30, 2022 and 2021 consist of cash and money market funds from unspent bond proceeds.

**Property and Equipment**

Physical plant and equipment are stated at cost when purchased, and gifts of plant assets are reflected at fair value when received. Land, buildings, equipment and furniture are stated at cost less accumulated depreciation which is computed on a straight-line basis over the respective estimated useful lives as follows:

| | |
|---|---|
| Building and improvements | 10 - 40 years |
| Leasehold improvements | 5 - 12 years |
| Equipment | 4 - 20 years |
| Furniture | 4 - 20 years |

As permitted by accounting principles generally accepted in the United States of America (GAAP), the University does not generally capitalize its museum and art collections. The University's intention is to preserve the archives and use them as a resource for students of the University.

**Impairment of Long-Lived Assets**

Management of the University reviews long-lived assets (including property and equipment and other assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management considers the undiscounted cash flow expected to be generated by the use of the asset and its eventual disposition to determine when, and if, an impairment has occurred. An impairment loss is recognized to the extent that the carrying value of assets exceeds their fair value. Write-downs due to impairment are charged to operations at the time a material impairment is identified. No such write-downs were required in 2022 and 2021.

### Leases

The University has entered into a variety of operating leases for student housing facilities, office/classroom space, copiers and other equipment. Effective July 1, 2020, the University adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842) (as amended). Under the provisions of Topic 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, in the statements of financial position. The obligations associated with these leases have been recognized as a liability in the statements of financial position based on future lease payments, discounted by the incremental borrowing rate. The University makes certain assumptions and judgements in determining the discount rate, as most leases do not provide an implicit rate. The University uses their incremental borrowing rate for collateralized borrowing based on information available at the commencement date in determining the present value of lease payments. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the leasing activities.

The University also elected the package of practical expedients, which permits the University to not reassess prior conclusions about lease identification, classification and initial direct costs. In addition, the University elected the short-term lease recognition exemption for all leases that qualify under Topic 842.

Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation if it is reasonably certain an option to extend or terminate will be exercised.

The University has certain leases that are for periods of 12 months or less. Leases with an initial term of 12 months or less are not recorded on the statements of financial position since the University has elected the practical expedient to exclude these leases from operating right of use asset and lease liabilities. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

### Annuity and Trust Funds

The University has entered into split-interest agreements with donors primarily consisting of charitable gift annuities and charitable trusts. Assets for which the University serves as trustee are included in assets held in trust. Contribution revenues are recognized at the date the annuities and trusts are established after recording liabilities for the present value of the estimated future annuity payments to be made to the donors and/or other beneficiaries. Such revenues are recorded as increases in net assets with donor restrictions unless the donor has given the University the right to use such assets without restriction. Changes in the value of the associated liabilities are recorded within "change in value of split-interest agreements" throughout the term of the agreements to reflect the current estimated present value of future cash outflows. Contributions arising from split interest agreements amounted to $13,335 and $309,078 for the years ended June 30, 2022 and 2021, respectively.

The University is also a beneficiary of certain perpetual trusts held and administered by others. Under the terms of the trust agreements, the University has the irrevocable right to receive a portion of the income earned on trust assets in perpetuity, but never receives the assets held in the trusts. The present values of the estimated future cash receipts from the trusts are recognized as assets and contribution revenues at the dates the trusts are established.

### Revenue Recognition

Tuition and fee revenue is recognized in the fiscal year in which the associated academic programs are delivered. Sales and services of auxiliary enterprises revenue, which consists of room and board and related services, is recognized when the related service is provided or performed. Tuition and fee and auxiliary enterprise contracts are considered to have a duration of less than one year.

Transaction prices for tuition, fees, room and board are determined based on applicable University pricing schedules. Institutional financial aid and discounts provided by the University are reflected as a reduction of tuition and fee revenue, with the exception of specifically identified auxiliary discounts such as room grants, which are reflected as a reduction in auxiliary revenue. The University awards grants-in-aid and scholarships to individuals who meet the University's academic standards. The amounts of such awards are based upon the financial needs and/or merit of each applicant. Scholarships and discounts applied to tuition and fee revenue amounted to $44,687,072 and $44,979,683 for the years ended June 30, 2022 and 2021, respectively.

Amounts are due for tuition, fees, room and board at the beginning of each semester. In accordance with the University's refund policies, undergraduate students may receive a full or partial refund as specified in the undergraduate refund chart. Graduate students may receive a full or partial refund as specified in the graduate refund policy. Student accounts receivable includes amounts to which the University is unconditionally entitled; the University considers such amounts as unconditional based on the payment due date.

Student-related deferred revenue for billed services not yet performed totaled approximately $905,000 at June 30, 2022, and consists primarily of amounts related to 2022 summer sessions. The University's student deposits at June 30, 2022 include amounts collected but not yet earned of approximately $1,550,000. These amounts will be recognized as revenue in fiscal 2023 as academic services are provided. Student-related deferred revenue for billed services not yet performed totaled approximately $1,300,000 at June 30, 2021, and consists primarily of amounts related to 2021 summer sessions. The University's student deposits at June 30, 2021 include amounts collected but not yet earned of approximately $2,212,000. These amounts were recognized in full as revenue in 2022.

Most private and government grants and appropriations received by the University are deemed to be nonexchange (nonreciprocal) transactions under the contribution accounting guidance. Under this guidance, revenue related to conditional grants and contracts is recorded when the conditions are met. Most grants and contracts are on a cost reimbursement basis and require the University incur eligible expenses prior to the release of funds. The University reports these grants and contracts as changes in net assets without donor restrictions when restrictions are met in the same period.

From time to time the University receives private grants and contracts that are exchange (reciprocal) transactions. The performance obligation for each grant or contract is deemed to be the research itself and revenue is recognized as the eligible grant activities are conducted. Transaction prices are based on budgets in the award agreement. Exchange contracts are not significant to the University's financial statements.

**Functional Allocation of Certain Expenses**

The statements of activities present expenses by functional classification. Depreciation of plant assets, interest on long-term debt and expenses incurred for the operation and maintenance of plant facilities are allocated to program and supporting activities based upon proportional occupancy of campus buildings. Costs of other categories were allocated on estimates of time and effort. A summary of functional and natural classification is available at Note 15.

**Fundraising Costs**

The University expenses fundraising costs when incurred. Fundraising costs were approximately $1,750,000 and $1,677,000 for the years ended June 30, 2022 and 2021, respectively, and are included in institutional support in the statements of activities.

### Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

### Subsequent Events

The University evaluated subsequent events for recognition or disclosure through October 19, 2022, the date the financial statements were issued.

### Accounting Standards Adopted in the Current Year

During 2022, the University adopted ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets. The adoption of ASU No. 2020-07 had no impact on financial statement presentation when applied retrospectively to all periods presented.

### Future Accounting Standards

During March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference London InterBank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. The University is currently assessing the effect that electing the optional expedients and exceptions included in ASU No. 2020-04 would have on its results of operations, financial position and cash flows.

## 2. Coronavirus Disease (COVID-19) and Emergency Relief Funding

In January 2020, an outbreak of a new strain of the coronavirus disease, COVID-19, was identified. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. Although the University was able to return to near normal operations during 2021, the Board of Trustees and the University's management continue to monitor the outbreak and the ongoing potential financial impact.

As a response to COVID-19, the federal government approved three relief packages between April 2020 and March 2021. Congress set aside approximately $76.6 billion between the Coronavirus Aid, Relief and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) to be allotted to the Educational Stabilization Fund through the Higher Education Emergency Relief Fund (HEERF).

Under CARES, the University received one grant comprised of two parts. Under the legislation, no less than 50% of the full grant was to be used for direct emergency aid to students. The remaining portion of the full grant was to be used by institutions to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Institutions were given one calendar year from the date of award in their HEERF Grant Award Notification to complete the performance of their HEERF grant. Institutions may recognize the institutional portion of the grant to the extent the grant was expended on student emergency aid. The University received $2,106,740 of funding under CARES on April 20, 2020. As of June 30, 2020, the University had expended all $1,053,370 of the student relief portion of HEERF funding allocated on April 20, 2020 and had expended $549,777 of the $1,053,370 institutional portion of the grant as direct emergency aid to students. During the year ending June 30, 2021, the University expended the remaining $503,593 of the institutional portion of the grant as direct emergency aid to students.

Under CRRSAA, institutions received one grant comprised of two parts. Institutions were required to spend an equal amount on student emergency aid as they spent under CARES. The remaining portion was to be used to defray expenses associated with coronavirus. Institutions were given one calendar year from the date of award in their HEERF II Grant Award Notification to complete the performance of their HEERF II grant. Institutions may recognize the institutional portion of the grant proportionate to the amount expended on student emergency aid. The University received $3,089,265 of funding under CRSSAA on January 19, 2021. The University had expended $14,858 and $1,038,512 of the student relief funds as direct emergency aid to students, during the years ended June 30, 2022 and 2021, respectively, and the University had drawn down $1,982,895 and $53,000 of HEERF II institutional relief funds during the years ended June 30, 2022 and 2021, respectively.

Under ARP, institutions received one grant comprised of two parts. Under the legislation, no less than 50% of the full grant is to be used for direct emergency aid to students. The remaining portion of the full grant is to be used to defray expenses associated with coronavirus, implement evidence-based practices to monitor and suppress coronavirus, and conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to a change in circumstance. The University was awarded $5,503,069. The University had expended $1,670,405 and $1,079,774 of the student funds as direct emergency aid to students during the years ended June 30, 2022 and 2021, respectively, and had expended $2,751,411 of the institutional funds during the year ended June 30, 2022. The expended student portion of funds were recognized as government grants and appropriations income and student aid expense. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions.

## 3. Cash and Cash Equivalents

The University maintains cash balances in high credit financial institutions in excess of the federally insured limit under the Federal Deposit Insurance Corporation (FDIC). The exposure of the University to uninsured balances as of June 30, 2022 and 2021 was approximately $12,575,000 and $11,201,000, respectively. Historically, the University has not experienced any losses and management believes it is not exposed to any significant credit risk.

## 4. Notes and Accounts Receivable, Net

Notes and accounts receivable consist of the following as of June 30:

| | 2022 | 2021 |
|---|---|---|
| Student balances | $ 2,085,329 | $ 2,218,980 |
| Student income share agreements | 1,895,279 | 1,108,647 |
| Employees and faculty | 207,424 | 157,923 |
| University-related organizations | 21,331 | 21,212 |
| Federal and state agencies | 1,252,172 | 2,039,354 |
| Other unrelated individuals, companies and organizations | 599,458 | 84,558 |
| Subtotal | 6,060,993 | 5,630,674 |
| Allowance for doubtful accounts | (1,100,000) | (1,200,000) |
| Notes and accounts receivable, net | $ 4,960,993 | $ 4,430,674 |

## 5. Promises to Give, Net

Included in promises to give are the following unconditional promises to give as of June 30:

| | 2022 | 2021 |
|---|---|---|
| Capital campaign | $ 2,678,990 | $ 2,947,198 |
| Endowed scholarships | 425,117 | 435,199 |
| Other promises to give | 483,043 | 325,534 |
| Unconditional promises to give, before unamortized discount | 3,587,150 | 3,707,931 |
| Unamortized discount | (91,565) | (155,907) |
| Present value of pledges receivable | $ 3,495,585 | $ 3,552,024 |
| Amounts due in: | | |
| Less than one year | $ 2,156,279 | $ 2,003,245 |
| One to five years | 1,430,871 | 1,704,686 |
| More than five years | - | - |
| Total | $ 3,587,150 | $ 3,707,931 |

Discount rates ranged from 0.29% to 3.01% for the years ended June 30, 2022 and 2021.

All promises to give are reviewed by management and evaluated for collectability when received. Promises to give that are deemed uncollectible are not recognized. As such, the University considers the entire amount to be collectible.

## 6. Investments, Fair Value Measurements and Other Financial Instruments

Investments consist of the following as of June 30:

| | 2022 | | | |
|---|---|---|---|---|
| | Endowment | Gift Annuities and Trusts | Other | Total |
| Money market accounts | $ 4,423,185 | $ 211,606 | $ 24,095 | $ 4,658,886 |
| Equity funds and common stocks | 35,167,995 | 3,149,287 | 416,983 | 38,734,265 |
| Fixed income | 64,624,987 | 2,736,264 | 9,032,755 | 76,394,006 |
| Private equity and venture capital | 9,022,691 | - | - | 9,022,691 |
| Accrued net income receivable | 789,866 | - | 336 | 790,202 |
| Local real estate development company, including real estate | 12,990,265 | - | - | 12,990,265 |
| Real asset based funds | 147,137 | - | - | 147,137 |
| Total investments | $ 127,166,126 | $ 6,097,157 | $ 9,474,169 | $ 142,737,452 |

| | 2021 | | | |
|---|---|---|---|---|
| | Endowment | Gift Annuities and Trusts | Other | Total |
| Money market accounts | $ 7,956,141 | $ 115,091 | $ 11,946 | $ 8,083,178 |
| Equity funds and common stocks | 43,336,327 | 5,926,038 | 489,877 | 49,752,242 |
| Fixed income | 62,836,144 | 1,799,782 | 6,922,554 | 71,558,480 |
| Private equity and venture capital | 10,093,378 | - | - | 10,093,378 |
| Accrued net income receivable | 717,012 | - | 8,263 | 725,275 |
| Local real estate development company, including real estate | 15,081,689 | - | - | 15,081,689 |
| Real asset based funds | 177,223 | - | - | 177,223 |
| Total investments | $ 140,197,914 | $ 7,840,911 | $ 7,432,640 | $ 155,471,465 |

### Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The following tables present the assets measured at fair value as of June 30, 2022 and 2021 by caption on the statements of financial position by the valuation hierarchy defined above:

| | 2022 | | | |
|---|---|---|---|---|
| | **Total Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| **Reported at Fair Value** | | | | |
| Money market accounts | $ 4,658,886 | $ 4,658,886 | $ - | $ - |
| Equity funds and common stocks: | | | | |
| Domestic | 34,044,442 | 34,044,442 | - | - |
| International | 3,487,020 | 3,487,020 | - | - |
| Emerging markets | 700,209 | 700,209 | - | - |
| Other | 502,594 | 502,594 | - | - |
| Total equity funds and common stocks | 38,734,265 | 38,734,265 | - | - |
| Fixed income: | | | | |
| Intermediate term bond mutual funds | 60,750,155 | 60,750,155 | - | - |
| Global fixed income | 2,550,903 | 2,550,903 | - | - |
| Inflation-protected bond mutual funds | 225,422 | 225,422 | - | - |
| Fixed, high yield | 558,645 | 558,645 | - | - |
| Bond fund (including convertibles and other) | 12,308,881 | 548,203 | 11,760,678 | - |
| Total fixed income | 76,394,006 | 64,633,328 | 11,760,678 | - |
| Accrued net income receivable | 790,202 | 740,202 | 50,000 | - |
| Subtotal | 120,577,359 | 108,766,681 | 11,810,678 | - |
| Alternative investments measured at net asset value: | | | | |
| Private equity and venture capital | 9,022,691 | - | - | - |
| Real asset, based funds | 147,137 | - | - | - |
| Total investments and assets held in trust (a) | 129,747,187 | 108,766,681 | 11,810,678 | - |
| Beneficial interest in perpetual trusts | 3,817,081 | - | - | 3,817,081 |
| | $ 133,564,268 | $ 108,766,681 | $ 11,810,678 | $ 3,817,081 |

| | 2021 | | | |
|---|---|---|---|---|
| | Total Fair Value | Level 1 | Level 2 | Level 3 |
| **Reported at Fair Value** | | | | |
| Money market accounts | $ 8,083,178 | $ 8,083,178 | $ - | $ - |
| Equity funds and common stocks: | | | | |
| Domestic | 43,884,599 | 43,884,599 | - | - |
| International | 4,656,184 | 4,656,184 | - | - |
| Emerging markets | 630,561 | 630,561 | - | - |
| Other | 580,898 | 580,898 | - | - |
| Total equity funds and common stocks | 49,752,242 | 49,752,242 | - | - |
| Fixed income: | | | | |
| Intermediate term bond mutual funds | 66,257,425 | 66,257,425 | - | - |
| Global fixed income | 2,955,992 | 2,955,992 | - | - |
| Inflation-protected bond mutual funds | 78,298 | 78,298 | - | - |
| Fixed, high yield | 355,289 | 355,289 | - | - |
| Bond fund (including convertibles and other) | 1,911,476 | - | 1,911,476 | - |
| Total fixed income | 71,558,480 | 69,647,004 | 1,911,476 | - |
| Accrued net income receivable | 725,275 | 675,275 | 50,000 | - |
| Subtotal | 130,119,175 | 128,157,699 | 1,961,476 | - |
| Alternative investments measured at net asset value: | | | | |
| Private equity and venture capital | 10,093,378 | - | - | - |
| Real asset, based funds | 177,223 | - | - | - |
| Total investments and assets held in trust (a) | 140,389,776 | 128,157,699 | 1,961,476 | - |
| Beneficial interest in perpetual trusts | 4,696,722 | - | - | 4,696,722 |
| | $ 145,086,498 | $ 128,157,699 | $ 1,961,476 | $ 4,696,722 |

(a) Investments also include member interests in a local real estate development company, totaling $12,990,265 and $15,081,689 at June 30, 2022 and 2021, respectively, (including real estate). The University is the sole member of this corporation, which has an independent board. Activity for the current year included capital contributions by the University to the real estate development company of approximately $450,000 and $1,000,000 during the years ended June 30, 2022 and 2021, respectively. The University reports its investment in the real estate development company using the equity method. In fiscal 2019, the real estate development company obtained taxable bonds to fund its construction projects, with a guarantee from the University to make principal and interest payments, if necessary, through the final maturity of the bonds. The outstanding principal bond balance is $57,490,000 as of June 30, 2022. The University has not made any principal payments to date.

**Valuation Methodologies**

Level 1 - Fair value of money market accounts, equity funds, common stock and fixed income securities was based on quoted market prices for the identical security.

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 - Prices or valuation techniques that are unobservable in the market and require significant management judgment or estimation to measure fair value.

*Beneficial interest in perpetual trusts* - The University's beneficial interest in perpetual trusts held by others is based on the fair value of the trusts' holdings as reported by the trustees as an estimate of the cash flows to be received from the trusts. This is considered a Level 3 measurement because even though the measurement is based on the underlying fair value of the trust assets as reported by the trustees, the University will never receive those assets, or have any ability to direct the trustee to redeem them. The University's proportionate share of the net asset values of funds held in trust by others as of June 30, 2022 and 2021 were $3,817,081 and $4,696,722, respectively.

*Hedge funds, private equity and venture capital, and real asset-based funds* - Fair value of these alternative investments was based upon estimated net asset values provided by investment managers. The University measures the fair value of an investment that does not have a readily determinable fair value based on the net asset value of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different than the net asset value. These values are determined using the audited financial statements of the investment and evaluating any cash flows or outflows post-audit. Management reviews and evaluates the values and agrees with the methods and assumptions used.

There were no changes in the valuation methodologies during the years ended June 30, 2022 and 2021.

The fair values of several of the investment instruments above have been estimated using the net asset value of the University's ownership interest in partner's capital. Those are:

*Private equity and venture capital:* This category includes funds that invest primarily in technology, emerging growth and real estate companies. These investments can never be redeemed at the option of the investor. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the various funds will be liquidated over the next 11 years. As of June 30, 2022, the University has committed $14,080,000 to these funds, of which approximately $1,100,000 remains unfunded.

*Real asset-based funds:* This category includes funds that invest primarily in commercial real estate properties and partnerships in the United States. Distributions from each fund will be received as the underlying investments of the funds are liquidated. As of June 30, 2022, the University has committed $1,000,000 to the funds, of which $180,000 remains unfunded.

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30:

| | 2022 | | | |
|---|---|---|---|---|
| | | With Donor Restrictions | | |
| | Without Donor Restrictions | Restricted, Time and Purpose | Restricted, in Perpetuity | Total |
| Dividends and interest, net of expense | $ 3,250,424 | $ 1,439,678 | $ 102,711 | $ 4,792,813 |
| Net realized and unrealized losses | (9,913,954) | (2,578,459) | (1,708,407) | (14,200,820) |
| Total return on investments | $ (6,663,530) | $ (1,138,781) | $ (1,605,696) | $ (9,408,007) |
| Operating investment income: | | | | |
| Endowment return designated for operations | $ 6,087,550 | $ 1,968,870 | $ - | $ 8,056,420 |
| Investment income (loss) | 187,022 | (60,671) | - | 126,351 |
| Nonoperating investment income: | | | | |
| Endowment investment return, net of amount designated for operations | (12,799,636) | (2,917,172) | - | (15,716,808) |
| Change in value of beneficial interest in perpetual trusts | - | - | (879,641) | (879,641) |
| Investment return for trusts and gift annuities | (138,466) | (129,808) | (726,055) | (994,329) |
| Total return on investments | $ (6,663,530) | $ (1,138,781) | $ (1,605,696) | $ (9,408,007) |

| | 2021 | | | |
|---|---|---|---|---|
| | | With Donor Restrictions | | |
| | Without Donor Restrictions | Restricted, Time and Purpose | Restricted, in Perpetuity | Total |
| Dividends and interest, net of expense | $ 2,959,116 | $ 1,226,601 | $ 74,635 | $ 4,260,352 |
| Net realized and unrealized gains | 8,881,344 | 4,830,995 | 1,934,392 | 15,646,731 |
| Total return on investments | $ 11,840,460 | $ 6,057,596 | $ 2,009,027 | $ 19,907,083 |
| Operating investment income: | | | | |
| Endowment return designated for operations | $ 7,514,141 | $ 2,405,300 | $ - | $ 9,919,441 |
| Investment income | 413,790 | 144,994 | - | 558,784 |
| Nonoperating investment income: | | | | |
| Endowment investment return, net of amount designated for operations | 3,713,961 | 3,586,992 | - | 7,300,953 |
| Change in value of beneficial interest in perpetual trusts | - | - | 825,566 | 825,566 |
| Investment return for trusts and gift annuities | 198,568 | (79,690) | 1,183,461 | 1,302,339 |
| Total return on investments | $ 11,840,460 | $ 6,057,596 | $ 2,009,027 | $ 19,907,083 |

## 7. Property and Equipment, Net

Property and equipment consist of the following as of June 30:

| | 2022 | | | |
|---|---|---|---|---|
| | Useful Lives | Acquired Value | Less Accumulated Depreciation | Net Book Value |
| Land | | $ 2,773,740 | $ - | $ 2,773,740 |
| Improvements | 20 years | 19,841,932 | 15,386,697 | 4,455,235 |
| Buildings | 10 - 40 years | 269,487,743 | 146,753,204 | 122,734,539 |
| Leasehold improvements | 5 - 12 years | 2,832,715 | 1,216,542 | 1,616,173 |
| Equipment | 4 - 20 years | 84,962,233 | 76,908,482 | 8,053,751 |
| Construction in progress | | 541,695 | - | 541,695 |
| | | $ 380,440,058 | $ 240,264,925 | $ 140,175,133 |

| | 2021 | | | |
|---|---|---|---|---|
| | Useful Lives | Acquired Value | Less Accumulated Depreciation | Net Book Value |
| Land | | $ 2,773,740 | $ - | $ 2,773,740 |
| Improvements | 20 years | 19,679,371 | 14,807,072 | 4,872,299 |
| Buildings | 10 - 40 years | 268,060,794 | 138,257,204 | 129,803,590 |
| Leasehold improvements | 5 - 12 years | 2,832,715 | 979,761 | 1,852,954 |
| Equipment | 4 - 20 years | 83,311,769 | 74,407,873 | 8,903,896 |
| Construction in progress | | 273,400 | - | 273,400 |
| | | $ 376,931,789 | $ 228,451,910 | $ 148,479,879 |

Depreciation expense totaled $11,868,063 and $11,960,338 for the years ended June 30, 2022 and 2021, respectively.

## 8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at June 30:

| | 2022 | 2021 |
|---|---|---|
| Accounts payable | $ 2,094,414 | $ 1,544,929 |
| Construction payable | 124,883 | 680,862 |
| Accrued salaries and benefits | 3,471,744 | 4,933,057 |
| Other | 628,811 | 613,599 |
| Total | $ 6,319,852 | $ 7,772,447 |

## 9. Lines of Credit

The University has an unsecured line of credit with a national bank that renews annually in the amount of $5,000,000, as of June 30, 2022, and another with a regional bank in the amount of $15,000,000, which the University closed on June 7, 2022. The University entered into a new $15,000,000 line of credit with a regional bank on July 12, 2022.

Lines of credit as of June 30, 2021 were $5,000,000 and $15,000,000. There were no amounts outstanding under either line of credit as of June 30, 2022 or 2021. Both lines of credit bear interest at 1.65% above one-month LIBOR with an interest period duration of one day (1.63% at June 30, 2022).

## 10. Long-Term Debt

Long-term debt consists of the following as of June 30:

| | 2022 | 2021 |
|---|---|---|
| 2012 Messiah University Revenue Bonds | $ 1,250,000 | $ 3,060,000 |
| 2014 Messiah University Revenue Bonds | 4,500,000 | 4,500,000 |
| 2015 Messiah University Revenue Bonds | 11,385,000 | 11,385,000 |
| 2016 Messiah University Revenue Bonds | 16,655,000 | 16,655,000 |
| 2018 Messiah University Revenue Bonds | 5,500,000 | 5,500,000 |
| 2020 SS2 Messiah University Revenue Bonds | 7,415,000 | 7,415,000 |
| 2020 SS3 Messiah University Revenue Bonds | 22,845,000 | 22,845,000 |
| Total | 69,550,000 | 71,360,000 |
| Unamortized discount and issuance costs on bonds payable, net | (1,143,514) | (1,055,550) |
| | $ 68,406,486 | $ 70,304,450 |

### 2012 Messiah University Revenue Bonds

The 2012 Revenue Bonds have interest rates ranging from 4.0% to 5.0% with principal maturing in various amounts from November 1, 2018 through November 1, 2022. The outstanding bonds have an interest rate of 5.0%. The bonds are secured by a lien on the University's revenues without donor restrictions and the loan agreement between the University and the issuer of the bonds contains a rate covenant.

A portion of the 2012 Revenue Bonds were refunded as part of the issuance of the 2020 SS2 Messiah University Revenue Bonds.

Bond premiums and issuance costs relating to the 2012 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net premium amounted to $45,051 and $180,202 as of June 30, 2022 and 2021, respectively.

### 2014 Messiah University Multi-Mode Revenue Bonds

The 2014 Multi-Mode Revenue Bonds were initially issued with a coupon rate of 3.0% for a three-year period at an original issue premium. On April 26, 2022, the bonds were remarketed at a two-year term mode with an interest rate of 3.15% through April 30, 2024. The University, at its option, may continue under this arrangement in the term mode for successive two-year periods, or, convert to a different rate mode. Principal will mature in various amounts from May 1, 2033 through May 1, 2044. The bonds are secured by a lien on the University's revenues without donor restrictions and the loan agreement between the University and the issuer of the bonds contains a rate covenant.

Bond premiums and issuance costs relating to the 2014 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net premium amounted to $98,097 and $102,590 as of June 30, 2022 and 2021, respectively.

**2015 Messiah University Revenue Bonds**

The 2015 Revenue Bonds have interest rates ranging from 3.375% to 4.0% with principal maturing in various amounts from November 1, 2029 through November 1, 2046. The bonds are secured by a lien on the University's revenues without donor restrictions and the loan agreement between the University and the issuer of the bonds contains a rate covenant.

Bond discount and issuance costs relating to the 2015 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net discount amounted to $315,674 and $329,399 as of June 30, 2022 and 2021, respectively.

**2016 Messiah University Revenue Bonds**

The 2016 Revenue Bonds have interest rates ranging from 3.0% to 3.25% with principal maturing in various amounts from November 1, 2032, through November 1, 2046. The bonds are secured by a lien on the University's revenues without donor restrictions and the loan agreement between the University and the issuer of the bonds contains a rate covenant.

Bond discount and issuance costs relating to the 2016 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net discount amounted to $513,895 and $536,570 as of June 30, 2022 and 2021, respectively.

**2018 Messiah University Revenue Bonds**

The 2018 Revenue Bonds have interest rates ranging from 5.00% to 5.25% with principal maturing in 2048. The bonds are subject to a mandatory sinking fund redemption prior to maturity beginning in 2033. The bonds are secured by a lien on the University's revenues without donor restrictions and the loan agreement between the University and the issuer of the bonds contains a rate covenant.

Bond premiums and issuance costs relating to the 2018 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net premium amounted to $380,480 and $395,113 as of June 30, 2022 and 2021, respectively.

**2020 Messiah University Revenue Bonds**

The University issued its $7,415,000 Revenue Bonds (AICUP Financing Program - Messiah University Project), Series 2020 SS2, and its $22,845,000 Federally Taxable Revenue Refunding Bonds (AICUP Financing Program - Messiah University Project) Series 2020 SS3, through the Cumberland County Municipal Authority. The Series 2020 SS2 Revenue Bonds have an interest rate of 3.25%, with the principal maturing in 2050. The Series 2020 SS3 Revenue Bonds have interest rates ranging from 1.575% to 3.00%, with principal maturing in various amounts from November 1, 2022 through November 1, 2034. The bonds are secured by a lien on the University's revenues without donor restrictions and the loan agreement between the University and the issuer of the bonds contains a rate covenant.

Bond discounts and issuance costs relating to the 2020 Revenue Bonds are being amortized over the term of the bonds on a straight-line basis. The unamortized net discount amounted to $837,573 and $867,486 as of June 30, 2022 and 2021, respectively.

The approximate aggregate amount of principal maturities of debt outstanding as of June 30, 2022 for the five subsequent fiscal years follows:

| | |
|---|---|
| 2023 | $ 2,015,000 |
| 2024 | 2,070,000 |
| 2025 | 2,105,000 |
| 2026 | 2,150,000 |
| 2027 | 2,195,000 |
| Thereafter | 59,015,000 |
| Total | $ 69,550,000 |

Interest expense on long-term debt was $2,272,080 in 2022 and $2,174,045 in 2021, net of capitalized interest of $0 and $104,785, respectively.

## 11. Retirement Plan

The University provides retirement benefits to eligible employees through a defined contribution plan. The University made retirement contributions of $2,332,839 and $2,402,592 for the years ended June 30, 2022 and 2021, respectively.

## 12. Liquidity and Availability of Resources

The following reflects the University's financial assets as of the statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the statements of financial position date have not been subtracted as unavailable. In addition, the University invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the University has committed lines of credit, which it could have drawn upon at $20,000,000 through June 7, 2022, at $5,000,000 through June 30, 2022 and $20,000,000 at June 30, 2021. The University entered into a new $15,000,000 line of credit on July 12, 2022.

| | 2022 | 2021 |
|---|---|---|
| Total assets | $ 315,235,591 | $ 337,144,643 |
| Less nonfinancial assets | (145,944,867) | (155,205,257) |
| Financial assets, year-end | $ 169,290,724 | $ 181,939,386 |

Nonfinancial assets include inventories, prepaid expenses and other assets, property and equipment, and right-of-use assets.

Financial assets available to meet general expenditures over the next 12 months:

| | 2022 | 2021 |
|---|---|---|
| Cash and equivalents | $ 12,987,375 | $ 11,856,922 |
| Notes and accounts receivable, net | 4,960,993 | 4,430,674 |
| Promises to give, net without restriction and due in one year or less | 15,170 | 161,000 |
| Investments other (without donor or Board restrictions) | 9,474,169 | 7,432,640 |
| | 27,437,707 | 23,881,236 |
| Less restricted or designated resources | 14,242,078 | 9,676,982 |
| Total financial assets available to meet general expenditures over the next 12 months | 13,195,629 | 14,204,254 |
| Bank lines of credit | 5,000,000 | 20,000,000 |
| Total financial assets and liquidity resources | $ 18,195,629 | $ 34,204,254 |

The University's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The University is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period the University must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

In addition, the University invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the University has committed lines of credit which it could draw upon. Additionally, the University has a quasi-endowment of $80.9 and $92.9 million at June 30, 2022 and 2021, respectively. Although the University does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary. However, both the quasi-endowment and donor-restricted endowments contain investments with provisions that would reduce the total investments that could be made available (see Note 13 for disclosures about the endowment). The University has an unsecured line of credit with a national bank in the amount of $5 million as of June 30, 2022 and 2021. The University had unsecured lines of credit with a regional bank in the amount of $15 million as of June 30, 2021 until June 7, 2022, when the University closed that line. The University entered into a new $15 million unsecured line of credit with a regional bank on July 12, 2022.

## 13. Endowment and Net Assets Released From Restrictions

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

The Board of Trustees of the University has developed a policy requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation of Pennsylvania law, the University classifies as net assets with donor restrictions, restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions, restricted in perpetuity is classified as either net assets with donor restrictions, restricted by time or purpose or without donor restrictions based on the existence of donor restrictions or by law. Board-designated investment funds are balances functioning as an endowment that are established by the University from either donor or institutional monies and are usually to be retained and invested rather than expended. Since Board-designated investment funds are established by the University rather than an external source, the principal may be expended, as directed by the Board of Trustees.

The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the University and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the University

(7) The investment policies of the University

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the sum of the endowment's spending rate, anticipated inflation, all fees and administrative costs, and any portfolio growth factor that the Committee on Finance recommends to the Board of Trustees, while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of approximately 7.5% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

Commonwealth of Pennsylvania law permits the University to allocate to income each year a portion of its endowment. Pennsylvania legislation was enacted which limited the amount that may be spent to a minimum of 2.0%, and a maximum of 7.0% of a three-year moving average of the fair value of the donor restricted endowed assets. Since endowment net realized and unrealized gains may eventually be expended by the University, donor endowment net realized and unrealized gains are recorded in the financial statements as net assets with restrictions until transferred to net assets without donor restrictions. For the years ended June 30, 2022 and 2021, the University's spending policy was 5.0% of the 12-quarter average fair market value of the donor endowed assets calculated as of the prior June 30. Based upon this formula, total distributed income on donor-restricted funds for the years ended June 30, 2022 and 2021 amounted to $1,968,870 and $2,405,300, respectively.

Changes in endowment net assets for the years ended June 30, 2022 and 2021:

| | 2022 | | | |
|---|---|---|---|---|
| | | With Donor Restrictions | | |
| | Without Donor Restrictions | Restricted, Time and Purpose | Restricted, in Perpetuity | Total |
| Endowment net assets, July 1, 2021 | $ 92,945,467 | $ 9,647,085 | $ 37,047,655 | $ 139,640,207 |
| Investment return: | | | | |
| Dividends and interest, net of expense | 2,643,242 | 1,413,052 | - | 4,056,294 |
| Net realized and unrealized losses | (9,355,328) | (2,361,354) | - | (11,716,682) |
| Total investment return | (6,712,086) | (948,302) | - | (7,660,388) |
| Contributions | - | - | 3,207,786 | 3,207,786 |
| Other changes: | | | | |
| Transfers | 771,757 | (307,117) | - | 464,640 |
| Endowment spending | (6,087,550) | (1,968,870) | - | (8,056,420) |
| Total other changes | (5,315,793) | (2,275,987) | - | (7,591,780) |
| Endowment net assets, June 30, 2022 | $ 80,917,588 | $ 6,422,796 | $ 40,255,441 | $ 127,595,825 |

| | 2021 | | | |
|---|---|---|---|---|
| | | With Donor Restrictions | | |
| | Without Donor Restrictions | Restricted, Time and Purpose | Restricted, in Perpetuity | Total |
| Endowment net assets, July 1, 2020 | $ 88,106,157 | $ 6,340,252 | $ 35,865,510 | $ 130,311,919 |
| Investment return: | | | | |
| Dividends and interest, net of expense | 2,424,959 | 1,210,025 | - | 3,634,984 |
| Net realized and unrealized gains | 8,803,144 | 4,777,457 | - | 13,580,601 |
| Total investment return | 11,228,103 | 5,987,482 | - | 17,215,585 |
| Contributions | - | - | 1,178,445 | 1,178,445 |
| Other changes: | | | | |
| Transfers | 1,125,348 | (275,349) | 3,700 | 853,699 |
| Endowment spending | (7,514,141) | (2,405,300) | - | (9,919,441) |
| Total other changes | (6,388,793) | (2,680,649) | 3,700 | (9,065,742) |
| Endowment net assets, June 30, 2021 | $ 92,945,467 | $ 9,647,085 | $ 37,047,655 | $ 139,640,207 |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration (i.e., underwater endowments). At June 30, 2022, underwater funds reported in net assets with donor restrictions were $550,439. There were no underwater funds at June 30, 2021, so no table is displayed for 2021.

| | 2022 | | | | |
|---|---|---|---|---|---|
| | | With Donor Restrictions | | | |
| | Without Donor Restrictions | Original Gift | Accumulated Gains (Losses) | Total | Total Funds June 30, 2022 |
| Board-designated funds | $ 80,917,588 | $ - | $ - | $ - | $ 80,917,588 |
| Donor-restricted funds: | | | | | |
| Underwater funds | - | 15,307,627 | (550,439) | 14,757,188 | 14,757,188 |
| Other funds | - | 24,947,814 | 6,973,235 | 31,921,049 | 31,921,049 |
| Total endowment funds | $ 80,917,588 | $ 40,255,441 | $ 6,422,796 | $ 46,678,237 | $ 127,595,825 |

## 14. Net Assets

Net assets without donor restrictions included the following as of June 30:

| | 2022 | 2021 |
|---|---|---|
| Unrestricted promises to give | $ 15,170 | $ 165,119 |
| Annuity funds | 488,110 | 640,584 |
| Loan funds | 837,086 | 837,086 |
| Funds designated for long-term investment in endowment | 80,917,588 | 92,945,467 |
| Net investment in property and equipment | 30,280,645 | 36,386,881 |
| Designated and other funds available for operations | 53,839,987 | 49,179,182 |
| | $ 166,378,586 | $ 180,154,319 |

Net assets with donor restrictions, time and purpose included the following as of June 30:

| | 2022 | 2021 |
|---|---|---|
| Unspent balances of restricted gifts: | | |
| The Boyer Center | $ 27,927 | $ 37,272 |
| School Enrichment | 66,760 | 58,107 |
| Collaboratory (endowment designation) | 126,488 | 135,099 |
| Gender studies (endowment designation) | 75,844 | 85,375 |
| Scholarships and other student assistance | 327,198 | 310,000 |
| Collaboratory (foundation-funded and other sources) | 408,313 | 435,379 |
| Athletic teams | 545,384 | 403,562 |
| Investment Club activities | 441,414 | 510,086 |
| Early Clergy Leadership and Youth Theology | 153,117 | 167,057 |
| Other | 1,695,398 | 1,678,952 |
| Net annuities | 316,215 | 275,379 |
| Capital projects | 2,827,782 | 2,968,955 |
| Market appreciation of donor endowment | 6,422,796 | 9,647,085 |
| | $ 13,434,636 | $ 16,712,308 |

Net assets with donor restrictions to be held in perpetuity are restricted as follows as of June 30:

| | 2022 | 2021 |
|---|---|---|
| Investments to be held in perpetuity, the income from which is expendable to support: | | |
| Scholarships and awards | $ 31,833,455 | $ 29,416,525 |
| Faculty chairs | 933,687 | 933,687 |
| Instruction | 52,720 | 52,500 |
| Faculty development | 522,518 | 512,518 |
| Campus ministries | 235,599 | 220,372 |
| General operations and other purposes | 6,258,452 | 5,489,025 |
| Total principal of donor endowment | 39,836,431 | 36,624,627 |
| Net annuities held in perpetuity | 1,702,349 | 2,572,993 |
| Beneficial interest in perpetual trusts | 3,817,081 | 4,696,722 |
| Pledges and bequests (endowment designation) | 419,011 | 423,028 |
| | $ 45,774,872 | $ 44,317,370 |

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

The income received from net annuities held in perpetuity and perpetual trusts are primarily restricted for scholarships and instruction.

## 15. Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the University. These expenses include depreciation and amortization, interest, information technology support and facilities operations and maintenance. Depreciation and operations and maintenance are allocated based on usage of square footage and interest is allocated based on usage of bond proceeds. Costs of other categories were allocated on estimates of time and effort.

| | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Educational Programs Services | | | | | | | |
| | Instructional | Academic Support | Student Services | Public Service | Auxiliary Enterprises | Supporting Services, Institutional Support | Physical Plant | Total |
| Compensation and benefits | $ 25,018,404 | $ 4,613,787 | $ 10,002,801 | $ 1,324,569 | $ 3,033,142 | $ 10,418,347 | $ 4,546,635 | $ 58,957,685 |
| Services and supplies | 2,961,416 | 2,745,668 | 6,138,722 | 575,342 | 455,835 | 3,420,788 | 1,971,701 | 18,269,472 |
| Depreciation and amortization | 1,124,211 | 639,379 | 2,775,576 | 17,588 | 246,517 | 509,742 | 6,523,965 | 11,836,978 |
| Purchases for resale | 175,949 | 898 | 4,569 | 4,156 | 3,477,572 | 297,208 | - | 3,960,352 |
| Utilities | 30 | 788 | 657 | 273 | - | 197,170 | 2,593,914 | 2,792,832 |
| Insurance, maintenance and supplies | 165,210 | (499,087) | 570,205 | 38,817 | 1,055,247 | (49,797) | 1,391,083 | 2,671,678 |
| Interest | 362,049 | 41,063 | 703,447 | - | 223,500 | 656,567 | 285,454 | 2,272,080 |
| Other physical plant | 5,211,140 | 1,021,452 | 2,770,040 | 259,691 | 7,461,795 | 588,634 | (17,312,752) | - |
| | $ 35,018,409 | $ 8,563,948 | $ 22,966,017 | $ 2,220,436 | $ 15,953,608 | $ 16,038,659 | $ - | $ 100,761,077 |

| | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Educational Programs Services | | | | | | | |
| | Instructional | Academic Support | Student Services | Public Service | Auxiliary Enterprises | Supporting Services, Institutional Support | Physical Plant | Total |
| Compensation and benefits | $ 26,295,119 | $ 4,686,101 | $ 9,194,999 | $ 995,956 | $ 2,777,452 | $ 11,733,019 | $ 4,532,072 | $ 60,214,718 |
| Services and supplies | 730,183 | 2,599,076 | 5,356,338 | 208,032 | 1,389,017 | 3,473,194 | 2,617,425 | 16,373,265 |
| Depreciation and amortization | 1,038,317 | 723,759 | 2,460,007 | 21,263 | 281,482 | 504,873 | 6,930,637 | 11,960,338 |
| Purchases for resale | 195,453 | 109 | 9,987 | 571 | 2,753,133 | 246,529 | - | 3,205,782 |
| Utilities | - | 787 | 1,997 | 152 | - | 159,732 | 2,573,046 | 2,735,714 |
| Insurance, maintenance and supplies | 132,228 | (589,958) | 559,091 | 24,361 | 1,005,338 | (219,884) | 1,019,010 | 1,930,186 |
| Interest | 451,586 | 42,188 | 676,768 | - | 223,500 | 494,548 | 285,455 | 2,174,045 |
| Other physical plant | 5,405,251 | 1,059,501 | 2,873,223 | 269,364 | 7,739,746 | 610,560 | (17,957,645) | - |
| | $ 34,248,137 | $ 8,521,563 | $ 21,132,410 | $ 1,519,699 | $ 16,169,668 | $ 17,002,571 | $ - | $ 98,594,048 |

## 16. Leases

The University has entered into the following lease arrangements:

Operating leases: the University leases student housing facilities, office/classroom space, copiers and other equipment. The leases generally have initial lease terms of 2 - 5 years, with one lease having an initial term of 118 months.

Short-term leases: The University has certain leases that are for periods of 12 months or less. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

Leases include arrangements with a related party for additional student housing for the 2021/22 and 2020/21 academic years due to social distancing related to the COVID-19 pandemic. Amounts paid under this lease were approximately $796,000 and $750,000 for the years ended June 30, 2022 and 2021, respectively.

Subsequent to the lease commencement date, the University reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term, or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.

Future minimum lease payments under operating leases at June 30, 2022 are as follows:

| Years ending June 30: | |
|---|---|
| 2023 | $ 947,086 |
| 2024 | 664,395 |
| 2025 | 664,972 |
| 2026 | 678,050 |
| 2027 | 691,898 |
| Thereafter | 645,876 |
| Total | $ 4,292,277 |

Total lease costs are comprised of the following in 2022:

| | | |
|---|---|---|
| Lease cost: | | |
| Operating lease cost | $ | 1,839,020 |
| Short-term lease cost | | 66,951 |
| Total lease cost | $ | 1,905,971 |
| Other information: | | |
| Weighted-average remaining lease term: | | |
| Operating leases | | 5.4 years |
| Weighted-average discount rate: | | |
| Operating leases | | 3.28% |

Total lease costs are comprised of the following in 2021:

| | | |
|---|---|---|
| Lease cost: | | |
| Operating lease cost | $ | 1,769,901 |
| Short-term lease cost | | 812,086 |
| Total lease cost | $ | 2,581,987 |
| Other information: | | |
| Weighted-average remaining lease term: | | |
| Operating leases | | 5.3 years |
| Weighted-average discount rate: | | |
| Operating leases | | 1.90% |

## 17. Contingencies

The University is involved in various claims and litigation arising out of the normal conduct of its operations. In the opinion of management, the outcome of such claims and litigation will not have a material effect on the University's financial statements.

Amounts received and expended by the University under various federal and state programs (principally related to student financial aid) are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position or result of activities of the University.

The University executed a Guaranty Agreement dated October 1, 2018, pursuant to which the University guaranteed the payment of debt service with respect to $57,490,000 of Cumberland County Industrial Development Authority (Commonwealth of Pennsylvania) Taxable Revenue Bonds (Rider Musser Development, LLC Project), Series 2018 (the 2018 Taxable Revenue Bonds). The guarantee only secures the debt service obligations with respect to the 2018 Taxable Revenue Bonds and does not secure Rider Musser Development, LLC's obligations with respect to any additional bonds or indebtedness. The guarantee is an unsecured general obligation of the University.

## 18. Income Taxes

The University qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

The University accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold at June 30, 2022 and 2021.

The University's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

## 19. Related-Party Transactions

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or through interlocking board memberships, with entities doing business with the University. Related-party transactions amounted to approximately $2,180,000 and $2,700,000 at June 30, 2022 and 2021, respectively. The University has a written conflict of interest policy that requires such associations be disclosed in writing on an annual basis and updated as appropriate during the year for officers and trustees. When such associations exist, measures are taken to mitigate any actual or perceived conflict.

The financial statements include unsecured pledges receivable from related parties of approximately $2,260,000 and $2,545,000 at June 30, 2022 and 2021, respectively. All related-party activity is conducted in accordance with the University's normal policies and procedures.