Ursinus College

Financial Statements

June 30, 2020 and 2019

Independent Auditors' Report

To the Board of Trustees of
Ursinus College

We have audited the accompanying financial statements of Ursinus College (the College), which comprise the statements of financial position as of June 30, 2020 and 2019 and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ursinus College as of June 30, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
October 22, 2020

Ursinus College

Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 3,104,826	$ 6,963,077
Accounts receivable, net	444,090	394,110
Prepaid expenses	694,149	810,728
Pledges receivable, net	3,014,606	3,934,885
Student loans receivable, net	997,212	1,411,371
Deposits with bond trustee	1,372,338	1,401,418
Investments and funds held in trust by others	145,287,237	157,590,352
Land, buildings and equipment, net	144,325,183	140,000,202
Collections	9,082,443	9,078,443
Other assets	770,923	745,839
Total assets	$ 309,093,007	$ 322,330,425
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 2,733,963	$ 2,741,785
Accrued payroll	1,685,709	1,816,173
Deferred revenues	1,806,213	406,265
Refundable deposits	851,613	800,288
Postretirement obligations	459,931	508,096
Annuities payable	5,205,428	5,425,543
Conditional asset retirement obligations	1,984,655	1,942,776
Long-term debt, net	60,976,598	61,895,721
U.S. government grants refundable	1,287,107	1,521,488
Total liabilities	76,991,217	77,058,135
Net Assets		
Without donor restrictions	103,219,867	106,818,608
With donor restrictions	128,881,923	138,453,682
Total net assets	232,101,790	245,272,290
Total liabilities and net assets	$ 309,093,007	$ 322,330,425

See notes to financial statements

Ursinus College

Statements of Activities
Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total (Summarized)
Operating Revenue				
Tuition and fees (net of student aid of $48,909,119 in 2020 and $45,384,144 in 2019)	$ 27,657,778	$ -	$ 27,657,778	$ 27,295,354
Room and board	14,849,909	-	14,849,909	16,711,184
Contributions	2,197,020	1,555,922	3,752,942	3,566,088
Government grants and contracts	1,911,785	6,980	1,918,765	1,381,939
Endowment funds used for operations	9,162,757	1,539,340	10,702,097	8,022,071
Other investment income, net	896,178	2,938	899,116	1,193,507
Other auxiliary enterprises	21,449	-	21,449	32,995
Other income	1,880,151	-	1,880,151	2,328,462
Net realized and unrealized gains	40,375	-	40,375	147,199
Net assets released from restrictions	6,326,603	(6,326,603)	-	-
Total operating revenue	64,944,005	(3,221,423)	61,722,582	60,678,799
Operating Expenses				
Program services:				
Instruction	21,472,871	-	21,472,871	21,328,119
Research	220,174	-	220,174	330,921
Public service	957,963	-	957,963	978,623
Student services	11,099,347	-	11,099,347	10,734,401
Auxiliary enterprises	11,221,429	-	11,221,429	11,578,689
Total program services	44,971,784	-	44,971,784	44,950,753
Supporting services:				
Academic support	6,897,234	-	6,897,234	7,096,895
Management and general	16,411,512	-	16,411,512	15,426,311
Total supporting services	23,308,746	-	23,308,746	22,523,206
Total operating expenses	68,280,530	-	68,280,530	67,473,959
Change in net assets from operations	(3,336,525)	(3,221,423)	(6,557,948)	(6,795,160)
Nonoperating Activities				
Contributions	811,892	359,813	1,171,705	3,741,506
Other investment income, net	53,491	263,175	316,666	242,670
Net realized and unrealized gains	185,034	1,335,400	1,520,434	2,648,660
Endowment funds provided to operations	(9,476,644)	-	(9,476,644)	(5,229,022)
Actuarial loss on annuities payable	-	(124,540)	(124,540)	(144,824)
Other expenses	(20,173)	-	(20,173)	(389,868)
Net assets released from restrictions	8,184,184	(8,184,184)	-	-
Change in net assets from nonoperating activities	(262,216)	(6,350,336)	(6,612,552)	869,122
Change in net assets	(3,598,741)	(9,571,759)	(13,170,500)	(5,926,038)
Net Assets, Beginning	106,818,608	138,453,682	245,272,290	251,198,328
Net Assets, Ending	$ 103,219,867	$ 128,881,923	$ 232,101,790	$ 245,272,290

See notes to financial statements

Ursinus College

Statements of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Operating Revenue			
Tuition and fees (net of student aid of $45,384,144)	$ 27,295,354	$ -	$ 27,295,354
Room and board	16,711,184	-	16,711,184
Contributions	2,447,031	1,119,057	3,566,088
Government grants and contracts	1,374,959	6,980	1,381,939
Endowment funds used for operations	5,151,250	2,870,821	8,022,071
Other investment income, net	1,190,586	2,921	1,193,507
Other auxiliary enterprises	32,995	-	32,995
Other income	2,328,462	-	2,328,462
Net realized and unrealized gains	147,199	-	147,199
Net assets released from restrictions	9,756,855	(9,756,855)	-
Total operating revenue	66,435,875	(5,757,076)	60,678,799
Operating Expenses			
Program services:			
Instruction	21,328,119	-	21,328,119
Research	330,921	-	330,921
Public service	978,623	-	978,623
Student services	10,734,401	-	10,734,401
Auxiliary enterprises	11,578,689	-	11,578,689
Total program services	44,950,753	-	44,950,753
Supporting services:			
Academic support	7,096,895	-	7,096,895
Management and general	15,426,311	-	15,426,311
Total supporting services	22,523,206	-	22,523,206
Total operating expenses	67,473,959	-	67,473,959
Change in net assets from operations	(1,038,084)	(5,757,076)	(6,795,160)
Nonoperating Activities			
Contributions	5,855	3,735,651	3,741,506
Other investment income, net	35,618	207,052	242,670
Net realized and unrealized gains	413,914	2,234,746	2,648,660
Endowment funds provided to operations	(5,229,022)	-	(5,229,022)
Actuarial loss on annuities payable	-	(144,824)	(144,824)
Other expenses	(384,203)	(5,665)	(389,868)
Net assets released from restrictions	4,441,793	(4,441,793)	-
Change in net assets from nonoperating activities	(716,045)	1,585,167	869,122
Change in net assets	(1,754,129)	(4,171,909)	(5,926,038)
Net Assets, Beginning	108,572,737	142,625,591	251,198,328
Net Assets, Ending	$ 106,818,608	$ 138,453,682	$ 245,272,290

See notes to financial statements

Ursinus College

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	$ (13,170,500)	$ (5,926,038)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,783,135	5,135,694
Accretion of asset retirement obligations	41,879	39,710
Net realized and unrealized gains on investments	(1,560,809)	(2,795,859)
Bond premium amortization	(263,670)	(84,356)
Amortization of bond issuance costs	85,355	59,480
Actuarial loss on annuities payable	124,540	144,824
Gift in-kind contributions of property and collections	(80,920)	(259,542)
Contributions restricted for long-term investment and annuity contracts	(359,813)	(3,735,651)
Changes in assets and liabilities:		
Accounts receivable	(49,980)	258,493
Prepaid expenses	116,579	493,291
Pledges receivable	1,078,629	609,742
Other assets	(25,084)	145,333
Accounts payable and accrued expenses	(211,864)	(3,129,643)
Accrued payroll	(130,464)	130,341
Deferred revenues	1,399,948	(1,807)
Refundable deposits	51,325	46,058
Postretirement obligations	(48,165)	(65,234)
U.S. government grants refundable	(234,381)	(1,398)
Net cash used in operating activities	(7,454,260)	(8,936,562)
Cash Flows From Investing Activities		
Purchases of property, equipment	(9,823,154)	(11,418,562)
Purchases of collections	(4,000)	(259,542)
Purchases of investments	(366,171,781)	(65,549,395)
Proceeds from sales of investments	380,070,872	80,885,778
Payments on loans receivable	414,159	213,968
Net cash provided by investing activities	4,486,096	3,872,247
Cash Flows From Financing Activities		
Contributions received restricted for long-term investment	201,463	3,326,421
Contributions received restricted for investments in annuity contracts	51,627	25,362
Proceeds from issuance of long-term debt	832,472	2,325,386
Payments on long-term debt	(1,573,280)	(1,475,000)
Acquisition of bond issuance costs	-	(196,456)
Payments to annuitants	(431,449)	(433,922)
Net cash (used in) provided by financing activities	(919,167)	3,571,791
Net decrease in cash and cash equivalents and restricted cash	(3,887,331)	(1,492,524)
Cash and Cash Equivalents and Restricted Cash, Beginning	8,364,495	9,857,019
Cash and Cash Equivalents and Restricted Cash, Ending	$ 4,477,164	$ 8,364,495
Supplemental Disclosures		
Cash paid for interest	$ 2,284,051	$ 2,696,259
Construction related payables	$ 597,116	$ 393,074
Refunding of long-term debt	$ -	$ 9,900,000
Reconciliation of Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents	$ 3,104,826	$ 6,963,077
Deposits with bond trustee	1,372,338	1,401,418
Total cash and cash equivalents and restricted cash	$ 4,477,164	$ 8,364,495

See notes to financial statements

1. Summary of Significant Accounting Policies

Nature of Operations

Ursinus College (the College) located in Collegeville, Pennsylvania, is an independent, four-year liberal arts college founded in 1869. The mission of the College is to enable students to become independent, responsible, and thoughtful individuals through a program of liberal education. At the start of the 2019-2020 academic year, the College enrolled 1,462 full-time-equivalent day students from 32 states and 9 countries, of which approximately 93 percent live in the College's residence halls.

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, including accounting standards as they relate to financial statements of not-for-profit organizations. The Financial Accounting Standards Board (FASB) guidance requires the reporting of total assets, liabilities and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents and restricted cash in a statement of cash flows.

Net Assets

Net assets and revenues, gains, expenses and losses are classified as without donor restrictions or with donor restrictions based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of trustees.

Net Assets With Donor Restrictions - Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Additionally, funds received as gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

Cash Equivalents and Restricted Cash

Cash equivalents and restricted cash represent demand deposits and other investments held by the College with original maturity dates not exceeding 90 days.

Revenue Recognition

Tuition and fee revenue is recognized in the fiscal year in which the academic programs are delivered. Revenue for the majority of auxiliary enterprises, including room, board and other related services, is recognized when the related service is provided. The remainder of auxiliary enterprises revenue is derived from the rental of College meeting rooms, classrooms, residence halls and athletic fields and facilities for classes, conferences, meetings and camp activities, for which revenue is recognized when the service is provided. Tuition, fee and auxiliary enterprise contracts are considered to have a duration of less than one year. Fall and Spring tuition and fees are recognized within the same fiscal year. Summer tuition and fees are recognized in the applicable fiscal year based on the number of weeks in the program period.

Tuition, fees, room and board rates are approved by the board of trustees. Institutional financial aid and discounts provided by the College are reflected as a reduction of tuition and fee revenue. The College may also award grants and scholarships to individuals who meet certain academic and financial aid eligibility criteria.

Amounts due for tuition, fees, room and board are due prior to the beginning of each semester. In accordance with the College's refund policy, students who adjust their course load or withdraw completely within the first six weeks of the academic term may receive a full or partial refund. Historically, refunds have been approximately 1.4 percent of the total amount billed and reduce the amount of revenue recognized. Student accounts receivable includes amounts to which the College is unconditionally entitled. The College considers such amounts unconditional as of the payment due date.

The College recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right to return – are not recognized until the conditions on which they depend have been met.

Unconditional promises to be received after one year are discounted at a discount rate, which approximates risk adjusted market rates. Amortization of the discount is recorded annually as contribution revenue. Contributions made and collected in the same reporting period are recorded when received in the appropriate net asset category (without donor restrictions or with donor restrictions). Gifts of noncash assets are recorded at their fair value.

Private grants and contracts are generally deemed to be 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. Private grants and contracts are generally one year or less in duration. Exchange contracts are not significant to the College's financial statements.

Government grants and contracts are deemed to be nonexchange (nonreciprocal) transactions. 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 College to incur eligible expenses prior to the release of funds. The College reports these grants and contracts as changes in net assets without donor restrictions when restrictions are met in the same period. Restricted private gifts are recorded as changes in net assets with donor restrictions. When a donor restriction expires, net assets are reclassified as net assets without donor restrictions.

Deferred Revenues

Deferred revenues relate to tuition and matriculation deposits and other payments for the upcoming fall semester that are received prior to fiscal year-end. The following table depicts activities for deferred revenue related to tuition.

Balance at June 30, 2019	Refunds Issued	Revenue Recognized In 2020 Included June 30, 2019 Balance	Cash Received in Advance of Performance	Balance at June 30, 2020
$ 357,932	$ 2,800	$ 355,132	$ 1,757,880	$ 1,757,880

The balance of deferred revenue at June 30, 2020, less any refunds issued will be recognized as revenue in the next fiscal year, as services are rendered.

Student Loans Receivable

These loans are made with funds advanced to the College by the federal government under the Perkins Student Loan Program (the Program). As of June 30, 2020 and 2019, student loans receivable are stated net of an allowance for doubtful loans. Uncollectible Federal Perkins Loans are not written off until approved for write-off or accepted for assignment by the U.S. Department of Education.

The Program expired on September 30, 2017 and after June 30, 2018, no new loans were permitted. The College is not required to assign the outstanding Perkins Loans to the Department of Education or liquidate their Perkins Loan Revolving Funds due to the wind-down of the Program, however; the College may choose to liquidate at any time in the future. As of June 30, 2020, the College continues to service the Perkins Loan Program.

Allowances for Doubtful Accounts

The allowances for doubtful accounts for student accounts receivable and pledges receivable are provided based upon management's judgment, including such factors as prior collection history and type of receivable. The College writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the provision for doubtful accounts.

Investments

Investments comprise all classes of investments held and invested by the College's professional portfolio managers. Investments with readily determinable market values are reported in the financial statements at fair value based on quoted market prices. The estimated fair value of alternative investments such as hedge funds and private equity interests are based on net asset value as provided by the external investment managers as a practical expedient for fair value.

Gains or losses on investments other than endowment funds are recognized as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains or losses on endowment investments, not otherwise restricted, are recognized as increases or decreases in net assets without donor restrictions in accordance with Commonwealth of Pennsylvania law (Note 13).

Deposits With Bond Trustees

Deposits with bond trustees consist of short-term investments and are restricted for debt service reserves.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost at the date of purchase or fair value at date of donation in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets: 50 years for buildings and certain improvements, 20 years for building improvements and 5 years for furniture and equipment. Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized. All assets with a purchased cost, or fair value if acquired by gift, in excess of $5,000 are capitalized.

Contributions and Related Expenses

Pledges to be received after one year are recorded at fair value using a discount rate commensurate with the collection period of the gift investment. Amortization of the discount is recorded as additional contribution revenue.

Costs incurred for fund-raising activities are expensed as incurred. Total fund-raising costs, included in management and general expenses, were $3,521,838 and $3,633,106 for the years ended June 30, 2020 and 2019, respectively.

Collections

In 1989, the College opened the Philip and Muriel Berman Museum of Art. The collection contained therein is valued at the fair market value at the date of acquisition or date of gift. Fair market value for gifts of art is determined by independent appraisals.

Gains or losses on the deaccession of collection items are classified on the statements of activities as without donor restrictions or with donor restrictions support depending on donor restrictions, if any, placed on the item at the time of accession. There were no deaccessions of the collections recorded in the year ended June 30, 2020. The College added $4,000 and $259,542 to the collections for the years ended June 30, 2020 and 2019, respectively.

Annuities Payable

Annuities payable represent the net present value of expected future payments to beneficiaries designated under annuity gift agreements, charitable remainder annuity trusts and charitable remainder unitrusts. Adjustments related to changes in estimates of future payments to beneficiaries and actuarial assumptions are recorded as actuarial gains or losses. Included in annuities payable on the statements of financial position for the years ended June 30, 2020 and 2019 is $2,235,810 and $2,342,138 respectively, as reserves for future payments of annuities payable.

Conditional Asset Retirement Obligations

A conditional asset retirement obligation is a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The College recognizes a liability for the fair value of the conditional asset retirement obligations if their fair value can be reasonably estimated.

Nonoperating Activities

The College considers endowment gifts, capital contributions and grants and related expenditures, net realized and unrealized gains and losses on investments, actuarial gains and losses on annuities payable, revenue and expenses related to loan funds and trusts, net assets released from restrictions and unusual nonrecurring transactions to be nonoperating activities.

Tax-Exempt Status

Under the provisions of Internal Revenue Code Section 501(c)(3) and the applicable income tax regulations of Pennsylvania, the College is exempt from taxes on income other than unrelated business income.

The College recognizes or derecognizes a tax position based on a more likely than not threshold. This applies to positions taken or expected to be taken in a tax return. The College does not believe its financial statements include any material uncertain tax positions.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts for student accounts, loans and pledges receivable; alternative investment values; useful lives of buildings and equipment; conditional asset retirement obligations; functional expense allocation and annuities payable. Actual results could differ from those estimates.

Concentration of Credit Risk

Cash, cash equivalents and investments are exposed to various risks, such as interest rate, market volatility and credit. To minimize such risks, the College has a diversified investment portfolio managed by several independent investment managers in a variety of asset classes. The College regularly evaluates its investments including performance thereof. The College maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federal insured limits. The College's cash accounts are placed with high credit quality financial institutions. Due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying financial statements can vary substantially from year to year. It is reasonably possible that changes in investments will occur in the near term and such changes could materially affect amounts reported in the accompanying financial statements.

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 College measures its investments and certain split-interest agreements at fair value.

Accounting Standard Adopted in the Current Year

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash*. ASU No. 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the amounts shown in the statements of cash flows. The College retroactively adopted the guidance in ASU No. 2016-18, with transition provisions, for fiscal 2020.

As a result of the adoption of ASU No. 2016-18, the statement of cash flows for the year ended June 30, 2019 was restated as follows:

	After Adoption of ASU No. 2016-18	As Originally Presented	Difference
Change in deposits with bond trustee	$ -	$ 5,820,940	$ (5,820,940)
Net cash provided by financing activities	3,571,791	9,392,731	(5,820,940)
(Decrease) increase in cash and cash equivalents and restricted cash	(1,492,524)	4,328,416	(5,820,940)
Cash and cash equivalents and restricted cash, beginning	9,857,019	2,634,661	7,222,358
Cash and cash equivalents and restricted cash, ending	8,364,495	6,963,077	1,401,418

Accounting Standards Not Yet Adopted

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statements of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for the College in fiscal 2021. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The College is assessing the impact this standard will have on its financial statements.

In March 2019, FASB issued ASU No. 2019-03, *Not-for-Profit-Entities (Topic 958): Updating the Definition of Collections*. ASU No. 2019-03 modifies the definition of the term 'collections' and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned. ASU No. 2019-03 now allows Not-for- Profit Entities that have collections to use funds from deaccessioned collection pieces to support the direct care of existing collections in addition to the current requirement that proceeds from sales of collection items be used to acquire other items for collection. ASU No. 2019-03 is effective for the College in fiscal 2021 and is to be applied on a prospective basis. The College is assessing the impact this standard will have on its financial statements.

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. Currently, no vaccine has been made available to the public. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. On March 16, 2020, following guidance from Pennsylvania Governor Tom Wolf, students, faculty, and staff were transitioned to remote operations. For the fiscal year ended June 30, 2020, the COVID-19 outbreak has had an adverse impact on the College’s operations. While this disruption is anticipated to be temporary, with full operations and services resuming in the near future, the exact timing of a return to normal is uncertain. Furthermore, the extent of the impact of COVID-19 on the College’s operational and financial performance will depend on the developments of COVID-19, including the duration and spread of the outbreak, development of a vaccine, impact on students, employees and vendors, all of which are uncertain and cannot be reasonably predicted at the current time. The board of trustees and the College’s management are monitoring the outbreak and potential financial impact, which are currently uncertain.

As a result of closing the majority of on campus operations in response to the Governor’s order, through June 30, 2020 the College issued refunds or adjustments to students for housing and dining of $2,568,572. Adjustments issued reduce the amount of auxiliary enterprise revenue recognized in the statement of activities for the year ended June 30, 2020. The College implemented a number of internal measures to address the negative financial impact of COVID-19. The measures included a freeze on nonessential operating expenses, hiring, and capital projects that were not safety or enrollment related, and an energy curtailment program.

As a response to COVID-19, the Coronavirus Aid, Relief and Economics Security (CARES) Act was enacted and provided budgetary relief to higher education institutions. Congress set aside approximately $14.25 billion of the $30.75 billion allotted to the Education Stabilization Fund through the Higher Education Emergency Relief Fund (HEERF). Each institution received one grant comprised of two parts. Under the legislation, no less than 50 percent 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.

The College was awarded a total of $1,149,294 in HEERF funding, on April 24, 2020 and May 26, 2020, with each in the amount of $574,647. The College intends to disburse these funds entirely as student relief. As of June 30, 2020, $574,647 of the student relief portion had been expended and recognized as government grants and contracts revenue and student aid expense. Institutions may recognize the institutional portion of the grant to the extent the grant was expended on student relief as of June 30, 2020. The College recognized $151,978 of revenue and amounts expended for student relief from the Institutional portion of the grant, as of June 30, 2020. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions.

3. Accounts Receivable

Accounts receivable are as follows at June 30:

	2020	2019
Student	$ 31,311	$ 33,348
Employees	12,554	19,236
Research and development grants	138,542	143,207
Other	289,220	217,798
Total accounts receivable	471,627	413,589
Allowance for uncollectible receivables	(27,537)	(19,479)
Total	$ 444,090	$ 394,110

4. Pledges Receivable

The College records unconditional promises to give as pledges receivable. Pledges that were due beyond one year when initiated were discounted at discount rates that range from 0.16 percent to 2.55 percent at June 30:

	2020	2019
Less than one year	$ 1,305,036	$ 1,219,165
One to five years	1,671,038	2,577,154
More than five years	398,496	473,324
Total pledges, net of discount	3,374,570	4,269,643
Allowance for uncollectible pledges	(359,964)	(334,758)
Total	$ 3,014,606	$ 3,934,885

At June 30, 2020 and 2019, the unamortized discounts were $53,852 and $239,227, respectively.

5. Gift From the Abele Family Foundation, Inc.

On January 10, 2020, the College received a conditional gift from the Abele Family Foundation, Inc. (the Foundation). The purpose of the gift was to provide funding for the continuation and expansion of the Abele Scholars Program (the Scholars Program); continuation, enhancement and expansion of the Bear2Bear Fund (the B2B Fund); and naming provisions for the Commons.

The Foundation has agreed to provide assistance with funding the Scholars Program. The funds received would assist with scholarships, academic expenses, enrichment payments, pay-off of a portion of student loans, director and assistant director salaries and Scholar's program activities.

The gift includes conditions related to eligibility of applicants, minimum GPA requirements, and enrollment status.

The total amount of this gift is projected to be $11,109,260 and will be recognized as the related conditions are met. Conditions are expected to be met as follows:

Years ending June 30:	
2021	$ 657,900
2022	740,200
2023	873,400
2024	971,500
2025	971,500
Thereafter*	6,473,700
Total	$ 10,688,200

*Includes GAP and Indirect funding of $470,400 and $1,344,000, respectively. Contributions of $421,060 were recognized in the year ended June 30, 2020.

6. Student Loans Receivable

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources.

Student loans consisted of the following at June 30:

	2020	2019
Federal government programs	$ 1,212,838	$ 1,645,415
Institutional programs	-	1,979
	1,212,838	1,647,394
Less allowance for doubtful accounts:		
Beginning of year	(236,023)	(258,047)
Decreases	20,397	22,024
Ending	(215,626)	(236,023)
Student loans receivable, net	$ 997,212	$ 1,411,371

The College participates in various federal revolving loan programs. The availability of funds for loans under these programs is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of $1,287,107 and $1,521,488 at June 30, 2020 and 2019, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan.

The following amounts were past due under student loan programs at June 30:

2020				
Less Than 240 Days Past Due	240 Days - 2 Years Past Due	2 - 5 Years Past Due	Over 5 Years Past Due	Total Past Due
$ -	$ 86,179	$ 125,948	$ 174,810	$ 386,937

2019				
Less Than 240 Days Past Due	240 Days - 2 Years Past Due	2 - 5 Years Past Due	Over 5 Years Past Due	Total Past Due
$ -	$ 104,507	$ 108,315	$ 207,199	$ 420,021

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Perkins Loan Program are guaranteed by the government and, therefore, no reserves are placed on any past-due balances under the program.

7. Investments and Fair Value Measurements

There are three levels of inputs that may be used to measure fair value:

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

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose primary values are observable.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets 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 requires significant management judgment or estimation.

A financial asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following valuation techniques were used to measure fair value of assets in the table below on a recurring basis:

Cash and money market funds - Cash and money market funds are valued based on stated values. These funds are valued at Level 1.

U.S. government obligations - U.S. government securities are generally valued at the closing price reported in the active market in which the individual security is traded and are Level 1.

Mutual funds - Mutual funds, including equity, fixed income and international mutual funds, are valued at the closing price of the traded fund at the statements of financial position date. To the extent these mutual funds are actively traded, they are categorized in Level 1 of the fair value hierarchy. The College also has securities invested in Commonfund multi-strategy funds, which are categorized as Level 2 of the fair value hierarchy, as they are valued at the respective net asset values of the underlying investments on a monthly basis.

Commodities - Commodities funds, are traded on a national securities exchange. These funds are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, they are categorized in Level 1 of the fair value hierarchy. The College also has securities invested in Commonfund multi-strategy funds, which are categorized as Level 2 of the fair value hierarchy, as they are valued at the respective net asset values of the underlying investments on a monthly basis.

Real estate fund - This fund invests in publicly traded securities of real estate companies. These investments are considered Level 1 as the underlying equities are publicly traded. The College also has securities invested in Commonfund multi-strategy funds, which are categorized as Level 2 of the fair value hierarchy, as they are valued at the respective net asset values of the underlying investments on a monthly basis.

Directly held real estate – The College holds real property recorded at cost. This investment is categorized in Level 3 of the fair value hierarchy.

Other - These include an absolute return fund, life insurance policies that support donor charitable gift annuities held by the College and other investments held by the College.

Funds held in trust by others - The College's beneficial interest in trusts held by others is recorded at fair value based on the fair value of the trust's holdings as reported by the trustee or the NAV of the trust or entity.

Alternative investments - The College has a policy which permits investments that do not have a readily determinable fair value, and as such, has elected to use the net asset value per share (the NAV) as calculated on the reporting entity's measurement date as the fair value of the investment. The College measures the fair value of an investment that does not have a readily determinable fair value, based on the NAV 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 NAV. If the practical expedient NAV is not as of the College's measurement date, then the NAV is adjusted to reflect any significant events that would materially affect the value of the security and the NAV as of the valuation date. In using the NAV as practical expedient, certain attributes of the investment, that may impact the fair value of the investment, are not considered in measuring fair value. Attributes of those investments include the investment strategies of the investees and may also include, but are not limited to, restrictions on the investor's ability to redeem its investments at the measurement date of NAV as well as any unfunded commitments. Investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the investments, at fair value presented in the statements of financial position.

For assets measured at fair value on a recurring basis, the fair value by level within the fair value hierarchy used are as follows at June 30, 2020:

	Fair Value Investment at June 30, 2020			Fair Value
	Level 1	**Level 2**	**Level 3**	**2020**
Investments:				
Cash and money market funds	$ 11,045,069	$ -	$ -	$ 11,045,069
U.S. government obligations	618,182	-	-	618,182
Fixed-income mutual funds	4,086,335	14,680,861	-	18,767,196
Fixed-income int'l mutual funds	108,104	-	-	108,104
Equity mutual funds	6,325,585	76,908,164	-	83,233,749
International equity mutual funds	2,150,416	-	-	2,150,416
Commodities fund	16,189	6,776,211	-	6,792,400
Real estate fund	103,442	5,871,994	-	5,975,436
Directly held real estate	-	-	566,469	566,469
Other investments	66,926	818,162	-	885,088
Funds held in trust by others (1)	-	-	10,945,324	10,945,324
Total investments in the fair value hierarchy	24,520,248	105,055,392	11,511,793	141,087,433
Private equity fund investments measured at NAV				3,393,307
Other investments measured at NAV				806,497
Investments measured at NAV				4,199,804
Total investments and funds held in trust by others	24,520,248	105,055,392	11,511,793	145,287,237
Deposits with bond trustee:				
U.S. government obligations	1,372,338	-	-	1,372,338
Total assets	$ 25,892,586	$ 105,055,392	$ 11,511,793	$ 146,659,575

(1) Included in funds held in trust by others (FHITBO) is a 50 percent share of a managed trust fund (equities and REITs), an irrevocable, charitable trust (mutual funds) and a total return trust (mutual funds and partnerships).

For assets measured at fair value on a recurring basis, the fair value by level within the fair value hierarchy used are as follows at June 30, 2019:

	Fair Value Investment at June 30, 2019			Fair Value
	Level 1	**Level 2**	**Level 3**	**2019**
Investments:				
Cash and money market funds	$ 14,374,984	$ -	$ -	$ 14,374,984
U.S. government obligations	3,948,933	-	-	3,948,933
Fixed-income mutual funds	31,048,156	-	-	31,048,156
Fixed-income int'l mutual funds	105,495	-	-	105,495
Equity mutual funds	48,891,041	-	-	48,891,041
International equity mutual funds	35,105,533	-	-	35,105,533
Commodities fund	32,484	-	-	32,484
Real estate fund	1,798,485	-	-	1,798,485
Other investments	92,413	659,087	-	751,500
Funds held in trust by others (1)	-	-	11,392,402	11,392,402
Total investments in the fair value hierarchy	135,397,524	659,087	11,392,402	147,449,013
Hedge fund investments measured at NAV				6,331,473
Private equity fund investments measured at NAV				2,388,652
Other investments measured at NAV				1,421,214
Investments measured at NAV				10,141,339
Total investments and funds held in trust by others	135,397,524	659,087	11,392,402	157,590,352
Deposits with bond trustee:				
U.S. government obligations	1,401,418	-	-	1,401,418
Total assets	$ 136,798,942	$ 659,087	$ 11,392,402	$ 158,991,770

(1) Included in funds held in trust by others (FHITBO) is a 50 percent share of a managed trust fund (equities and REITs), an irrevocable, charitable trust (mutual funds) and a total return trust (mutual funds and partnerships).

All investments in the alternative investment category are valued at estimated fair value using NAV per share as a practical expedient. A description of these investments, their liquidity and redemption features are as follows.

The objective of the private equity funds are to realize a long-term total return by investing in a diversified group of pooled investment vehicles. The funds may invest in any of the following strategies: venture, buyout, fund of funds and secondaries.

The special opportunities funds are permitted to make any and all types of investment that may present an attractive investment opportunity at that time.

The private equity distressed debt funds invest directly and indirectly in the securities of entities which are experiencing financial difficulties.

The hedge fund objective is to maximize risk-adjusted returns and achieve low correlation to the equity markets by investing in a diversified group of pooled investment vehicles.

Fair value measurements of investments in certain entities that calculate NAV per share (or its equivalent) as of June 30, 2020 and 2019 are as follows:

	Fair Value at NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	$ 3,393,307	$ 9,087,598	Illiquid	
Special opportunities funds	588,951	1,012,935	Illiquid	
Private equity distressed debt funds	217,546	629,526	Illiquid	
Balance at June 30, 2020	$ 4,199,804	$ 10,730,059		
Hedge fund	$ 6,331,473	$ -	Quarterly	60 days
Private equity funds	2,388,652	210,000	Illiquid	
Special opportunities funds	1,030,611	2,213,338	Illiquid	
Private equity, distressed debt funds	390,603	779,917	Illiquid	
Balance at June 30, 2019	$ 10,141,339	$ 3,203,255		

The schedule below summarizes the investments and funds held in trust activity for investments which have been classified as Level 3 assets for the years ended June 30:

	2020	2019
Beginning balance	$ 11,392,402	$ 11,489,489
Additions	566,469	-
Realized and unrealized gains	70,143	421,019
Distributions	(517,221)	(518,106)
Ending balance	$ 11,511,793	$ 11,392,402

Return on the College's cash and investments for the years ended June 30:

	2020	2019
Interest and dividends	$ 2,940,676	$ 4,691,371
Investment fees	(499,441)	(458,382)
Realized gains	18,134,503	2,460,980
Unrealized (losses) gains	(16,573,694)	331,115
Total	$ 4,002,044	$ 7,025,084

The total investment return for the College is shown in the statements of activities is as follows for the years ended June 30:

	2020	2019
Operating activities:		
Endowment funds used for operations	$ 10,702,097	$ 8,022,071
Other investment income	899,116	1,193,507
Net realized and unrealized gains	40,375	147,199
Nonoperating activities:		
Endowment funds provided to operations	(9,476,644)	(5,229,022)
Other investment income	316,666	242,670
Net realized and unrealized gains	1,520,434	2,648,659
	$ 4,002,044	$ 7,025,084

8. Land, Buildings and Equipment

The components of land, buildings and equipment are as follows at June 30:

	2020	2019
Nondepreciable assets, primarily land	$ 792,618	$ 792,618
Buildings and improvements	210,243,015	208,190,724
Furniture and equipment	12,822,240	12,057,916
Construction in progress	12,278,613	5,076,042
	236,136,486	226,117,300
Less accumulated depreciation	(91,811,303)	(86,117,098)
Total	$ 144,325,183	$ 140,000,202

The College has outstanding commitments on construction contracts of approximately $26,000 and $4,847,000 as of June 30, 2020 and 2019, respectively, and will be funded from proceeds of capital gifts and the College's cash resources.

Depreciation expense was $5,783,135 and $5,135,694 for the years ended June 30, 2020 and 2019, respectively.

9. Long Term Debt

Total long term debt consisted of the following at June 30:

	2020	2019
PHEFA College Revenue Bonds - Series of 2012	$ 13,200,000	$ 13,935,000
PHEFA College Revenue Bonds - Series of 2013	9,565,000	10,120,000
PHEFA College Revenue Bonds - Series of 2015	10,945,000	11,175,000
MCHEHA College Revenue Bonds - Series of 2016	13,100,000	13,100,000
MCHEHA College Revenue Bonds - Series of 2019	11,820,000	11,820,000
Sustainable Energy Fund Loan	1,243,442	464,250
	59,873,442	60,614,250
Plus unamortized bond premium	2,110,856	2,374,526
Less bond issuance costs	(1,007,700)	(1,093,055)
	$ 60,976,598	$ 61,895,721

The College's principal obligations for all long-term debt are due as follows:

Years ending June 30:	
2021	$ 1,694,805
2022	1,764,279
2023	1,833,935
2024	1,908,780
2025	2,636,643
Thereafter	50,035,000
Total	$ 59,873,442

PHEFA College Revenue Bonds, Series of 2012 (Ursinus College)

In May 2012, the College issued $18,865,000 of revenue bonds as an advanced refunding of a portion of the College's Pennsylvania Higher Educational Facilities Authority (PHEFA) Series 2003 revenue bonds. These serial bonds began repayment on January 1, 2013, with payments ranging from $765,000 to $1,1245,000, and the final payment due January 1, 2033. Interest rates of these fixed rate revenue bonds range from 2.00 percent to 5.00 percent during the term of the bonds. In accordance with the bond issue, the College must follow the same financial covenants as stipulated with the College's 2003 Series bonds, which they are in compliance with for the years ended June 30, 2020 and 2019.

PHEFA College Revenue Bonds, Series of 2013 (Ursinus College)

In April 2013, the College issued $12,880,000 of revenue bonds as a current refunding of the remaining portion of the College's PHEFA Series 2003 revenue bonds. These serial bonds began repayment on January 1, 2014, with payments ranging from $575,000 to $940,000 and the final payment due January 1, 2033. Interest rates of these fixed rate revenue bonds range from 3.00 percent to 5.00 percent during the term of the bonds. In accordance with the bond issue, the College must follow the same financial covenants as stipulated with the College's 2003 Series bonds, which they are in compliance with for the years ended June 30, 2020 and 2019.

PHEFA College Revenue Bonds, Series of 2015 (Ursinus College)

In April 2015, the College issued $12,160,000 of revenue bonds as a current refunding of the remaining portion of the College's PHEFA Series 2006 revenue bonds. These serial bonds began repayment on January 1, 2016, with payments ranging from $245,000 to $2,660,000 and the final payment due January 1, 2036. Interest rates of these fixed rate revenue bonds range from 2.00 percent to 4.00 percent during the term of the bonds. In accordance with the bond issue, the College must follow the same financial covenants as stipulated with the College's 2006 Series bonds, which they are in compliance with for the years ended June 30, 2020 and 2019.

MCHEHA Revenue Bonds, Series of 2016 (Ursinus College)

In November 2016, the College issued $23,000,000 of Montgomery County Higher Education and Health Authority (MCHEHA) revenue bonds as a means of financing the construction of two major buildings on campus. In April 2019, the College issued $11,820,000 of Montgomery County Higher Education and Health Authority (MCHEHA) revenue bonds as a current refunding of the callable portion of the College's PHEFA Series 2016 revenue bonds, which reduced the principal to $13,100,000. These serial bonds will begin principal repayment on November 1, 2036, with payments ranging from $1,605,000 to $2,165,000 and the final payment due November 1, 2042. Interest rates of these fixed rate revenue bonds range from 5.00 percent to 5.50 percent during the term of the bonds. In accordance with the bond issue, the College must follow the same financial covenants as stipulated with the College's existing PHEFA Series 2015 bonds, which they are in compliance with for the years ended June 30, 2020 and 2019.

MCHEHA Revenue Bonds, Series of 2019 (Ursinus College)

In April 2019, the College issued $11,820,000 MCHEHA revenue bonds as a current refunding of the callable portion of the College's PHEFA Series 2016 revenue bonds. These serial bonds will begin principal repayment on November 1, 2043, with payments ranging from $2,780,000 to $3,135,000 and the final payment due November 1, 2046. The interest rate of these fixed rate revenue bonds is 4.00 percent during the term of the bonds. In accordance with the bond issue, the College must follow the same financial covenants as stipulated with the College's existing PHEFA Series 2015 bonds, which they are in compliance with for the year ended June 30, 2020.

Sustainable Energy Fund Loan (Ursinus College)

In March 2018, the College entered into a loan agreement in the amount of $1,296,722 with the Sustainable Energy Fund, a Pennsylvania not-for-profit corporation, to update and retrofit fluorescent and CFL bulbs with LED lamps in various locations on the College's campus. Loan advances are recorded as funds are drawn over the initial five year loan term. Outstanding loan advances accrue interest at 4.00 percent over the initial loan term. All loan advances were taken by June 30, 2020. Monthly interest and principal repayment commenced in January 2020 for a period of 59 months, with an option of a balloon payment or renewal term of installment payments for 60 additional months.

Line of Credit (Ursinus College Working Capital)

In March 2020, the College entered into a working capital line of credit in the amount of $5,000,000 with JP Morgan Chase Bank. Outstanding line advances accrue interest at 1.07 percent over the initial one year term. The average daily unused portion of the line accrues interest at 0.10 percent. Under the terms of the Agreement, the College is required to maintain a deposit account in the amount of $1,000,000. There is no outstanding balance, nor has the College drawn on the line, as of June 30, 2020.

Interest

Interest expense in 2020 and 2019 was $2,475,367 and $1,744,796, respectively. Additionally, the College has capitalized interest on borrowings during the construction period of two major capital projects. Capitalized interest is added to the cost of the underlying assets being constructed, and is amortized over the useful lives of the assets. For the years ended June 30, 2020 and 2019, the College capitalized interest costs of $76,536 and $609,800, respectively.

Collateral

The bond agreements contain certain restrictive covenants, which, among other restrictions require the pledge of certain revenues as collateral for repayment and the maintenance of a minimum level of aggregate expendable funds and a maximum level of debt service. In addition, the College is required to maintain deposits with an outside trustee for the purpose of meeting scheduled debt service requirements of the respective outstanding bonds until they become due. All outstanding bond issues are collateralized by a general interest in the College's revenue.

10. Net Assets

Net assets without donor restrictions are available for the following purposes as of June 30:

	2020	2019
Undesignated	$ 2,676,530	$ 11,400,822
Board-designated endowment	15,822,414	15,911,887
Property and equipment, less debt	84,720,923	79,505,899
Total net assets without donor restriction	$ 103,219,867	$ 106,818,608

Net assets with donor restrictions consisted of the following at June 30:

	2020	2019
Time restricted for future periods:		
Pledges	$ 3,328,269	$ 3,328,269
Annuity and life income funds	4,391,194	4,366,854
Purpose restricted:		
Unexpended gifts for instruction, scholarships and capital expenditures	6,766,449	10,322,666
Endowment, accumulated realized and unrealized investment gains unexpended for instruction, scholarships and capital expenditures (Note 13)	19,550,451	26,217,516
Restricted in perpetuity:		
Annuity and life income funds	2,280,367	2,355,652
Student loans	2,029,254	1,897,772
Endowment principal:		
General endowment	39,312,046	39,151,781
Scholarship and prizes	33,756,144	33,406,972
Endowed chairs	16,312,409	16,295,900
Pledges	660,300	615,260
Endowment, accumulated realized and unrealized investment gains	495,040	495,040
	$ 128,881,923	$ 138,453,682

11. Net Assets Released From Restrictions and Endowment Spending Rule

The composition of net assets released from restrictions on the statements of activities were as follows as of June 30:

	2020	2019
Net assets released from restrictions:		
Donor restrictions met	$ 5,034,143	$ 8,969,626
Endowment gains under spending rule (see Note 13)	9,476,644	5,229,022
Total	$ 14,510,787	$ 14,198,648

The total used from endowment is composed of endowment investment interest and dividends, less fees and accumulated gains to the extent necessary to meet the approved spending rate. The composition of the total used is as follows as of June 30:

	2020	2019
Endowment funds (including funds functioning) used for operations:		
Endowment interest and dividends	$ 1,225,453	$ 2,793,049
Accumulated realized and unrealized investment gains	9,476,644	5,229,022
Total	$ 10,702,097	$ 8,022,071

12. Postretirement Benefit Plans

Emeriti Program

In July 2005, the College revised its postretirement healthcare program for other than existing retirees receiving benefits under the plan. The College joined Emeriti Retirement Health Solution, a consortium of colleges and universities organized to address retiree healthcare needs. The College deposits a set amount for each employee who is 40 years of age or older into a Voluntary Employee Benefits Associations account in the employee's name. Employees will have access to these funds to use for their postretirement healthcare needs. Because the College is prefunding retiree healthcare costs in a defined contribution account, it will have no future obligation for these costs when active employees retire. Current retirees' healthcare benefits will continue to be funded through the plan in place prior to June 30, 2005. Total College contributions to the Emeriti plan were $144,327 and $108,175 for the years ended June 30, 2020 and 2019, respectively.

Postretirement Benefits Other Than Pensions

The cost of postretirement benefits other than pensions included interest costs totaling $13,312 and $19,375 for the years ended June 30, 2020 and 2019, respectively.

The following schedules show the status of the postretirement medical and life insurance benefits plan for existing retirees, the components of the cost of postretirement benefits other than pensions and assumptions at June 30, 2020 and 2019:

Reconciliation of the funded status is as follows:

	2020	2019
Accumulated postretirement benefit obligation (APBO):		
Retirees	$ 459,931	$ 508,096
Active employees fully eligible	-	-
Active employees not yet fully eligible	-	-
Total	459,931	508,096
Fair value of plan assets	-	-
APBO in excess of plan assets	459,931	508,096
Unrecognized net gain	-	-
Total	$ 459,931	$ 508,096

The assumed healthcare cost trend rate for fiscal year 2020 is 5.5 percent, grading down to an ultimate level of 4.0 percent. Increasing the healthcare trend rate by 1 percent each year would increase the accumulated postretirement benefit obligation by $23,038 as of June 30, 2020, and the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost for the year by $701. Decreasing the healthcare trend rate by 1 percent each year would decrease the accumulated postretirement benefit obligation by $21,188 as of June 30, 2020, and the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost for the year by $643.

The discount rate used in determining the accumulated postretirement benefit obligation was 2.8 percent and 3.7 percent at June 30, 2020 and 2019, respectively.

The benefits paid under this plan were $60,199 and $60,843 for the years ended June 30, 2020 and 2019, respectively.

The College's expected future benefit payments for future service are as follows:

Years ending June 30:	
2021	$ 55,914
2022	52,162
2023	48,354
2024	44,536
2025	40,745
2026-2030	149,539

Defined Contribution Plan

The College also has a defined contribution retirement plan for eligible faculty, administration and staff employees. The plan is fully funded, and participant interests are fully vested. Employees are required to contribute at least 4 percent of their annual base salary. The College's contributions, based on 7 percent of salaries, were $1,811,414 in 2020 and $1,769,232 in 2019.

13. Endowments

The College's endowment consists of 1,025 individual funds including annuity funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. 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.

Interpretation of Relevant Law

The College has interpreted relevant state law as 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, the College classifies as donor restricted net assets the original value of gifts donated to the donor restricted endowment and accumulations to the endowment in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and including investment return on those amounts.

Pennsylvania law permits the board of trustees to make an election to annually appropriate for expenditure a selected percentage between 2 percent and 7 percent of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three or more preceding years, provided the board has determined that such percentage is consistent with the long-term preservation of the real value of such assets.

On July 23, 2020 Pennsylvania law enabled nonprofit organizations to spend its endowed funds at a rate no greater than 10 percent per year for fiscal years ended or ending in 2020, 2021 and 2022, based on a three-year rolling average market value of the underlying funds.

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period, 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 achieve a long-term total return on the endowment assets that exceeds spending rate of the endowment and inflation, so as to preserve for perpetuity the real, inflation adjusted, purchasing power of the assets. The College expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from that amount.

Spending Policy

In accordance with state law, net realized and unrealized gains on restricted investments are included as net assets with donor restrictions, even absent donor restrictions on the use of gains. Commonwealth of Pennsylvania law permits the College to adopt a spending policy for endowment earnings, subject to certain limitations. The College follows the total return concept of endowment investment and spending. Under this concept, a prudent amount of appreciation earned on the investments may be spent in the event that the interest and dividends earned are insufficient to meet that period's spending rate. The College's spending rate is annually approved by the board of trustees. For the years ended June 30, 2020 and 2019, the rate was 5.75 percent plus an additional spending of approximately $1,500,000, for a total of 7 percent, respectively, of the 20 quarter moving average market value of the pooled endowment.

On September 23, 2020 the board of trustees approved an increased spending rate of up to 10 percent for the year ended June 30, 2020, as enabled by Pennsylvania law, to create capital vital to the College’s mission.

Funds With Deficiencies

From time to time, certain donor-restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law. At June 30, 2020, 91 donor-restricted funds with original gift values of $17,829,518, fair values of $17,217,871 and deficiencies of $611,647 were reported in net assets with donor restrictions. At June 30, 2019, 42 donor-restricted funds with original gift values of $4,215,989, fair values of $4,091,035 and deficiencies of $124,954 were reported in net assets with donor restrictions. Management has interpreted state law to permit prudent spending from underwater endowments.

Changes in endowment net assets are as follows for the year ended June 30:

	2020		
	Board Designated	With Donor Restrictions	Total
Endowment net assets, beginning	$ 15,911,887	$ 121,971,589	$ 137,883,476
Investment return, net	372,937	2,830,775	3,203,712
Gift of new annuity	-	51,627	51,627
Contributions	847,476	822,324	1,669,800
Actuarial loss on annuity liabilities	-	(124,540)	(124,540)
Operating appropriation of endowment assets for expenditure	(113,327)	(1,112,126)	(1,225,453)
Nonoperating appropriation of endowment assets for expenditure	(1,292,460)	(8,184,184)	(9,476,644)
Additional appropriation of endowment assets authorized not yet distributed	351,021	2,200,000	2,551,021
Net assets released from restrictions	-	(427,214)	(427,214)
Other changes	95,901	(101,315)	(5,414)
Endowment net assets, ending	$ 16,173,435	$ 117,926,936	$ 134,100,371

Changes in endowment net assets are as follows for the year ended June 30:

	2019		
	Board Designated	With Donor Restrictions	Total
Endowment net assets, beginning	$ 16,205,488	$ 122,575,642	$ 138,781,130
Reclassification of underwater endowments	124,954	(124,954)	-
Investment return, net	711,879	5,127,668	5,839,547
Contributions	100,450	1,792,257	1,892,707
Actuarial loss on annuity liabilities	-	(135,583)	(135,583)
Operating appropriation of endowment assets for expenditure	(375,722)	(2,417,327)	(2,793,049)
Nonoperating appropriation of endowment assets for expenditure	(787,229)	(4,441,793)	(5,229,022)
Net assets released from restrictions	-	(371,464)	(371,464)
Other changes	(67,933)	(32,857)	(100,790)
Endowment net assets, ending	$ 15,911,887	$ 121,971,589	$ 137,883,476

14. Expenses by Both Nature and Function

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. These expenses include depreciation and amortization, interest, employee benefits and facilities operation and maintenance. Depreciation is allocated based on square footage. Operations, maintenance and interest is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort. Expenses by both nature and function as of June 30 are as follows:

	Program Services					Supporting Services		
	Instruction	Research	Public Service	Student Services	Auxiliary Enterprises	Academic Support	Management and General	2020 Total
Salaries	$ 13,893,604	$ 204,972	$ 265,909	$ 4,965,403	$ 2,600,864	$ 2,422,131	$ 7,201,926	$ 31,554,809
Employee benefits	3,552,760	9,945	86,946	1,586,871	429,814	708,684	2,277,409	8,652,429
Depreciation and amortization	1,718,730	-	135,973	730,680	2,189,974	326,092	681,686	5,783,135
Interest	1,484,131	-	18,080	497,759	257,590	194,769	23,038	2,475,367
Occupancy, utilities and maintenance	4,012,118	-	-	24,959	-	917	263,108	4,301,102
Services, supplies and other	2,406,849	5,257	217,898	2,222,136	2,217,085	2,748,251	5,696,212	15,513,688
	27,068,192	220,174	724,806	10,027,808	7,695,327	6,400,844	16,143,379	68,280,530
Allocation	(5,595,321)	-	233,157	1,071,539	3,526,102	496,390	268,133	-
	$ 21,472,871	$ 220,174	$ 957,963	$ 11,099,347	$ 11,221,429	$ 6,897,234	$ 16,411,512	$ 68,280,530

	Program Services					Supporting Services		
	Instruction	Research	Public Service	Student Services	Auxiliary Enterprises	Academic Support	Management and General	2019 Total
Salaries	$ 14,145,067	$ 199,176	$ 384,266	$ 4,614,345	$ 2,839,822	$ 2,423,268	$ 7,092,340	$ 31,698,284
Employee benefits	3,371,626	8,675	98,563	1,373,156	394,334	630,884	2,007,974	7,885,212
Depreciation and amortization	1,509,010	-	120,567	630,976	2,045,847	299,855	551,883	5,158,138
Interest	1,177,449	-	-	446,235	-	117,274	3,838	1,744,796
Occupancy, utilities and maintenance	3,910,472	-	-	22,863	3,359	715	154,227	4,091,636
Services, supplies and other	2,849,733	123,070	146,194	2,604,235	2,676,713	3,116,332	5,379,616	16,895,893
	26,963,357	330,921	749,590	9,691,810	7,960,075	6,588,328	15,189,878	67,473,959
Allocation	(5,635,238)	-	229,033	1,042,591	3,618,614	508,567	246,433	-
	$ 21,328,119	$ 330,921	$ 978,623	$ 10,734,401	$ 11,578,689	$ 7,096,895	$ 15,436,311	$ 67,473,959

15. Liquidity and Availability of Resources

The College's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	2020	2019
Cash and cash equivalents without donor restriction	$ 2,104,827	$ 6,963,077
Accounts receivable	444,090	394,110
Additional appropriation of endowment assets authorized not yet received	2,551,021	-
Short-term investments	2,397,035	6,625,582
Financial assets available to meet cash needs for general expenditures within one year	$ 7,496,973	$ 13,982,769

The College's endowment funds consist of donor-restricted endowments and a board-designated endowment. Income from donor-restricted endowments, not restricted for specific purposes, is available for general expenditure. Annually the College can appropriate up to 7 percent of the endowment, based on a 20 quarter rolling average, at the end of the fiscal year. On July 23, 2020 Pennsylvania law enabled nonprofit organizations to spend its endowed funds at a rate no greater than 10 percent per year for fiscal years ended or ending in 2020, 2021 and 2022, based on a three-year rolling average market value of the underlying funds. The College plans to appropriate $8,487,065 (7 percent) from the endowment within the next 12 months. The board of trustees will consider an additional appropriation for 2021, if necessary.

As part of the College's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In the event of an unanticipated liquidity-need, the College could draw upon $5,000,000 from an available line of credit. In addition, the College has a board-designated endowment of $16,077,534 and $15,911,887 at June 30, 2020 and 2019 respectively. Although the College does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the College board-designated endowment could be made available if necessary. However, both the board-designated endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available.

16. Commitments and Contingencies

The College is party to certain claims and litigation arising in the ordinary course of business. In the opinion of management, the resolution of such claims and litigation will not materially affect the College's financial position.

17. Concentrations of Credit Risk and Title IV Requirements

During the years ended June 30, 2020 and 2019, the College maintained cash balances at high credit quality financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation. Depository balances at year end exceed the insured limits.

Amounts received and expended by the College under various federal and state programs are subject to audit by governmental entities. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the College.

The College participates in Government Student Financial Assistance Programs (Title IV) administered by the U.S. Department of Education (ED) for the payment of student tuition. Portions of the revenue and collection of accounts receivable as of June 30, 2020 and 2019 are dependent upon the College's continued participation in the Title IV programs.

Institutions participating in Title IV programs are also required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in 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, 2020 and 2019, and for the years then ended, the College's composite score exceeded 1.5.

18. Subsequent Events

In connection with the preparation of the financial statements, the College evaluated subsequent events after the statements of financial position date of June 30, 2020 through October 22, 2020, which is the date the financial statements were issued. The College is not aware of any subsequent events that would require recognition or disclosure in the financial statements.