

# **Susquehanna University**

Financial Statements

June 30, 2022 and 2021

# Susquehanna University

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## **Independent Auditors' Report**

To the Board of Trustees of  
Susquehanna University

### **Opinion**

We have audited the financial statements of Susquehanna 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.

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*

Chicago, Illinois  
November 1, 2022

# Susquehanna University

## Statements of Financial Position

June 30, 2022 and 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 7,466,462	\$ 7,222,357
Contributions receivable, net	4,081,346	5,566,025
Accounts receivable, net	2,027,112	6,856,451
Inventories and prepaid expenses	2,263,072	1,342,166
Student loans receivable, net	859,126	1,145,072
Investments	211,856,260	223,406,033
Funds held in trust by others	6,026,104	6,735,087
Other assets	4,236,302	4,497,342
Property, plant, and equipment, net	<u>112,699,072</u>	<u>118,548,498</u>
Total assets	<u>\$ 351,514,856</u>	<u>\$ 375,319,031</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and other accrued expenses	\$ 6,865,481	\$ 6,634,947
Student deposits and other liabilities	4,056,025	8,277,357
Annuities payable	1,922,098	2,100,302
Long-term debt	45,642,056	48,463,744
U.S. government advances refundable	862,856	1,156,186
Funds held in custody for others	1,216,387	1,098,432
Operating lease liabilities	<u>853,676</u>	<u>353,542</u>
Total liabilities	<u>61,418,579</u>	<u>68,084,510</u>
<b>Net Assets</b>		
Net assets without donor restrictions	126,197,996	135,201,932
Net assets with donor restrictions:		
Restricted by purpose or time	44,868,514	70,710,549
Restricted in perpetuity	<u>119,029,767</u>	<u>101,322,040</u>
Total net assets with donor restrictions	163,898,281	172,032,589
Total net assets	<u>290,096,277</u>	<u>307,234,521</u>
Total liabilities and net assets	<u>\$ 351,514,856</u>	<u>\$ 375,319,031</u>

See notes to financial statements

**Susquehanna University**

## Statements of Activities

Years Ended June 30, 2022 and 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Operating Revenues and Other Additions</b>				
Tuition and fees, net of scholarships and grants	\$ 37,361,820	\$ -	\$ 37,361,820	\$ 39,560,780
Government grants	1,864,573	-	1,864,573	10,780,051
Private gifts and grants	6,358,419	674,442	7,032,861	2,150,314
Endowment income	7,528,458	46,926	7,575,384	7,408,180
Investment income	134,365	-	134,365	163,431
Other sources	1,198,248	-	1,198,248	633,081
Auxiliary enterprises	27,157,259	-	27,157,259	18,930,811
Net assets released from restrictions	1,609,231	(1,609,231)	-	-
Total operating revenues and other additions	83,212,373	(887,863)	82,324,510	79,626,648
<b>Operating Expenses</b>				
Program expenses:				
Instruction	29,095,207	-	29,095,207	25,815,223
Research	791,344	-	791,344	709,868
Public service	212,930	-	212,930	188,462
Academic support	4,670,246	-	4,670,246	4,878,284
Student services	21,359,239	-	21,359,239	23,390,101
Auxiliary enterprises	15,355,855	-	15,355,855	13,902,288
Support expenses:				
Institutional support	13,439,918	-	13,439,918	12,321,119
Total operating expenses	84,924,739	-	84,924,739	81,205,345
Change in net assets from operating activities	(1,712,366)	(887,863)	(2,600,229)	(1,578,697)
<b>Nonoperating Activities</b>				
Investment return, net of spending policy	(7,161,845)	(23,653,259)	(30,815,104)	29,678,261
Change in split interest and other agreements	-	(1,049,810)	(1,049,810)	1,282,931
Gifts-endowment and other	(254,725)	17,361,294	17,106,569	5,356,663
Other nonoperating activities	-	220,330	220,330	71,828
Net assets released from restrictions	125,000	(125,000)	-	-
Total nonoperating activities	(7,291,570)	(7,246,445)	(14,538,015)	36,389,683
Change in net assets	(9,003,936)	(8,134,308)	(17,138,244)	34,810,986
<b>Net Assets, Beginning</b>	135,201,932	172,032,589	307,234,521	272,423,535
<b>Net Assets, Ending</b>	\$ 126,197,996	\$ 163,898,281	\$ 290,096,277	\$ 307,234,521

See notes to financial statements

# Susquehanna University

Statement of Activities  
Year Ended June 30, 2021

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Revenues and Other Additions</b>			
Tuition and fees, net of scholarships and grants	\$ 39,560,780	\$ -	\$ 39,560,780
Government grants	10,780,051	-	10,780,051
Private gifts and grants	1,351,368	798,946	2,150,314
Endowment income	7,361,455	46,725	7,408,180
Investment income	163,431	-	163,431
Other sources	633,081	-	633,081
Auxiliary enterprises	18,930,811	-	18,930,811
Net assets released from restrictions	1,045,012	(1,045,012)	-
Total operating revenues and other additions	<u>79,825,989</u>	<u>(199,341)</u>	<u>79,626,648</u>
<b>Operating Expenses</b>			
Program expenses			
Instruction	25,815,223	-	25,815,223
Research	709,868	-	709,868
Public service	188,462	-	188,462
Academic support	4,878,284	-	4,878,284
Student services	23,390,101	-	23,390,101
Auxiliary enterprises	13,902,288	-	13,902,288
Support expenses			
Institutional support	12,321,119	-	12,321,119
Total operating expenses	<u>81,205,345</u>	<u>-</u>	<u>81,205,345</u>
Change in net assets from operating activities	<u>(1,379,356)</u>	<u>(199,341)</u>	<u>(1,578,697)</u>
<b>Nonoperating Activities</b>			
Investment return, net of spending policy	6,035,094	23,643,167	29,678,261
Change in split interest and other agreements	-	1,282,931	1,282,931
Gifts-endowment and other	767,476	4,589,187	5,356,663
Other nonoperating activities	-	71,828	71,828
Net assets released from restrictions	264,402	(264,402)	-
Total nonoperating activities	<u>7,066,972</u>	<u>29,322,711</u>	<u>36,389,683</u>
Change in net assets	5,687,616	29,123,370	34,810,986
<b>Net Assets, Beginning</b>	<u>129,514,316</u>	<u>142,909,219</u>	<u>272,423,535</u>
<b>Net Assets, Ending</b>	<u>\$ 135,201,932</u>	<u>\$ 172,032,589</u>	<u>\$ 307,234,521</u>

See notes to financial statements

# Susquehanna University

## Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (17,138,244)	\$ 34,810,986
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization, net of accretion	9,359,078	10,063,748
Net realized and unrealized losses (gains) on investments	23,488,978	(35,207,499)
Contributions restricted for endowment and plant projects	(17,637,805)	(4,074,280)
Actuarial adjustment on annuities payable	(2,737)	174,884
Loss on dispositions of property, plant and equipment	150,956	6,368
(Increases) decreases in:		
Contributions receivable	1,595,208	(113,439)
Accounts receivable	4,829,339	(4,134,831)
Inventories and prepaid expenses	(920,905)	33,845
Funds held in trust by others	708,982	(1,003,458)
Other assets	261,039	(698,951)
Increases (decreases) in:		
Accounts payable and other accrued liabilities	312,084	1,400,782
Student deposits and other liabilities	(4,221,332)	1,538,232
Funds held in custody for others	117,955	308,392
Net cash flows from operating activities	<u>902,596</u>	<u>3,104,779</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property, plant and equipment	(3,461,211)	(2,825,621)
Purchase of investments	(264,802,765)	(477,317,907)
Proceeds from sales of investments	252,863,562	479,191,334
Disbursements of loans to students	-	(4,000)
Repayments of loans by students	285,946	348,057
Net cash flows from investing activities	<u>(15,114,468)</u>	<u>(608,137)</u>
<b>Cash Flows From Financing Activities</b>		
Principal repayments of indebtedness	(2,602,500)	(2,530,000)
Contributions received for endowment and plant projects	17,527,275	3,556,958
Proceeds from split interest agreements	37,879	31,553
Increase in U.S. government grants refundable, net	(293,330)	(279,362)
Payments to annuitants	(213,347)	(210,412)
Net cash flows from financing activities	14,455,977	568,737
Net change in cash and cash equivalents	244,105	3,065,379
<b>Cash and Cash Equivalents, Beginning</b>	<u>7,222,357</u>	<u>4,156,978</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 7,466,462</u>	<u>\$ 7,222,357</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest on long-term debt	<u>\$ 1,888,856</u>	<u>\$ 2,015,485</u>
Contribution of land received	<u>\$ -</u>	<u>\$ 625,000</u>
Property, plant and equipment acquired through accounts payable	<u>\$ 276,487</u>	<u>\$ 358,037</u>
Additions to ROU assets obtained from operating lease liabilities	<u>\$ 635,332</u>	<u>\$ 353,542</u>

See notes to financial statements



## 1. Nature of Operations and Significant Accounting Policies

Susquehanna University (the University) is a national liberal arts college located in Selinsgrove, Pennsylvania currently enrolling approximately 2,150 full-time students. Founded in 1858, the University grants Bachelor of Arts, Bachelor of Music, Bachelor of Science and Master of Education degrees. The University's mission is to educate undergraduate students for productive, creative and reflective lives of achievement, leadership and service in a diverse and interconnected world. The University accomplishes this mission by offering students strong liberal arts and sciences programs, enhanced by equally strong professional programs. The accounting policies of the University reflect practices common to universities and colleges and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

### Net Asset Classifications

For the purposes of financial reporting, the University classifies resources into two net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the University are classified in the accompanying financial statements in the categories that follow:

**Net Assets With Donor Restrictions** - Net assets subject to donor-imposed stipulations that will be met by action of the University and/or the passage of time. 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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

### Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in the net assets without donor restrictions class. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues with donor restrictions; the restrictions are considered to be released at the time such long-lived assets are placed in service.

### Revenue Recognition

Tuition and fee revenue is recognized in the fiscal year in which the academic services 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. Tuition and fee and auxiliary enterprise contracts are considered to have a duration of less than one year. Summer tuition and fees are recognized in the applicable fiscal year based on when the services are completed. A portion of Fall tuition and fees received in advance are recorded in deferred revenue and recognized in revenue in the following year.

# Susquehanna University

## Notes to Financial Statements

June 30, 2022 and 2021

Tuition, fees, room and board rates are approved by the Board of Trustees. The transaction price which is determined based on these approved rates net of institutional financial aid and discounts are recorded as tuition and fees and auxiliary enterprises revenue. Institutional financial aid and discounts provided by the University are reflected as a reduction of tuition and fee 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. Institutional financial aid and discounts provided to students were approximately \$77,473,000 and \$72,687,000 in 2022 and 2021, respectively.

Amounts are due for tuition, fees, room and board prior to the beginning of each semester. In accordance with the University's refund policies, undergraduate students may receive a full or partial refund up to nine weeks after the start of the semester; graduate students may receive a full or partial refund until the close of the first week of classes (drop/add period). 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.

Private grants and contracts are generally deemed to be exchange (reciprocal) transactions and fall under the scope of revenue recognition standards. 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 University's financial statements.

Government grants and contracts are deemed to be nonexchange (nonreciprocal) transactions and fall 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 to 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.

### Deferred Revenue and Deposits

Deferred revenue and deposits are included in student deposits and other liabilities on the statements of financial position and includes payments received prior to the start of the academic term.

The following table depicts activities for deferred revenue related to net student costs for the year ended June 30, 2022.

	<b>Balance at June 30, 2021</b>	<b>Revenue Recognized Included in June 30, 2021 Balance</b>	<b>Cash Received in Advance of Performance</b>	<b>Balance at June 30, 2022</b>
Comprehensive fee, net	\$ 27,500	\$ 27,500	\$ 24,500	\$ 24,500
Student credit balances	2,647,400	2,647,400	1,298,900	1,298,900
Freshman deposits	111,400	111,400	55,800	55,800

# Susquehanna University

## Notes to Financial Statements

June 30, 2022 and 2021

The following table depicts activities for deferred revenue related to net student costs for the year ended June 30, 2021.

	<u>Balance at June 30, 2020</u>	<u>Revenue Recognized Included in June 30, 2020 Balance</u>	<u>Cash Received in Advance of Performance</u>	<u>Balance at June 30, 2021</u>
Comprehensive fee, net	\$ 17,500	\$ 17,500	\$ 27,500	\$ 27,500
Student credit balances	4,170,800	4,170,800	2,647,400	2,647,400
Freshman deposits	169,400	169,400	111,400	111,400

### Nonoperating Activities

Nonoperating activities reflect transactions affecting the net assets associated with endowment and capital campaign contributions, gains or losses on investments, change in value of split interest agreements and other activities of a nonoperating nature.

### Cash Equivalents

The University considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

### Contributions Receivable

Unconditional promises to give are recognized in the period received. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of the fundraising activity.

### Student Accounts Receivable

Student accounts receivable are carried at the unpaid balance of the original amount billed to students less an estimate made for doubtful accounts which is based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts are written off when deemed uncollectible. Recoveries of student accounts previously written off are recorded when received. Accounts receivable are presented in the June 30, 2022 and 2021 statements of financial position net of allowances for doubtful accounts of approximately \$79,000 and \$169,000, respectively. A student account receivable is considered to be delinquent if any portion of the receivable balance is outstanding for more than 30 days after the billing date. Interest is charged on delinquent student account receivable and is recognized as it is charged.

### Other Assets

Other assets primarily include works of art received by the University, self-funded insurance plan trust account balance and cash surrender value of University owned life insurance policies. Works of art totaled approximately \$1,147,000 and \$1,145,000 for the years ended June 30, 2022 and 2021, respectively. These assets have been recorded at fair value at the time of the donation. Cash surrender value of donated life insurance was approximately \$556,000 and \$577,000 at June 30, 2022 and 2021, respectively. The University is both the owner and beneficiary of these policies.

#### **Self-Funded Insurance Plan**

The University participates in a self-funded insurance plan to cover employee medical claims. Under the terms of the underlying trust agreement, a trust account was established to administer the stop/loss premium and medical claim payments. Specific and aggregate stop/loss coverage on the health plan is provided to limit the ultimate exposure of the University. The value of the trust account, less an estimated liability which includes an estimate of incurred but not reported claims based on data compiled from historical and actuarial experience, is recorded in other assets in the statements of financial position. The balance of the trust account was approximately \$917,000 and \$1,060,000 at June 30, 2022 and 2021, respectively.

#### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost at date of acquisition or fair value at date of donation. Significant improvements and minor renewals are capitalized while routine maintenance and repairs are expensed as incurred. The University depreciates its assets on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 40 years. The University capitalizes equipment additions of \$3,000 or more.

#### **Investments**

Included in the investment balance is a charitable remainder unitrust (CRUT) of \$796,531 and \$930,176 as of June 30, 2022 and 2021, respectively from which annual distributions are made to a related party. Also included in the investment balance is a charitable remainder annuity trust (CRAT) of \$1,001,476 and \$1,216,656 as of June 30, 2022 and 2021, respectively from which annual distributions are made to a related party. See Note 3 for further information on the investment balance.

#### **Annuity Agreements and Funds Held in Trust by Others**

The University's annuity agreements with donors consist primarily of charitable remainder trusts and annuity agreements for which the University serves as trustee. Assets held in these trusts, recorded at fair value, are included in investments. These assets amounted to approximately \$1,891,000 and \$2,262,000 at June 30, 2022 and 2021, respectively. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The assumptions used in determining the liabilities include the annuitants' life expectancies and discount rates ranging from 1.0% to 6.2%. Adjustments to annuities payable are included in nonoperating activities on the statements of activities. Assets held at PNC for the University's charitable gift annuities amounted to approximately \$1,549,000 and \$1,982,000 at June 30, 2022 and 2021, respectively.

The University is also the beneficiary of certain perpetual trusts held and administered by others. 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. Distributions from the trusts are recorded as investment income and the carrying value of funds held in trust by others is adjusted for changes in the fair value of trusts. Distributions received from funds held in trust by others were approximately \$89,000 and \$81,000 for the years ended June 30, 2022 and 2021.

#### **Student Loans Receivable, Net and U.S. Government Advances Refundable**

These loans were made with funds advanced to the University by the federal government under the Perkins Student Loan Program (the Program). The Program expired on September 30, 2017 and after June 30, 2018 no new loans were permitted. In the event that the University no longer participates in the Program, the amounts are refundable to the federal government. The federal government's portion of these funds was approximately \$863,000 and \$1,156,000 at June 30, 2022 and 2021, respectively and is recorded as a liability in the statements of financial position. As of June 30, 2022, the University continues to service the Perkins Loan Program.

The prescribed practices for the Program do not provide for accrual of interest on student loans receivable. Accordingly, interest on loans is recorded as received and is reinvested to support additional loans; uncollectible loans are not recognized until the loans are canceled or written-off in conformity with the Programs requirements. The impact of recording interest income on a cash basis is not considered significant. In addition, the credit quality of the student is not evaluated until after the initial approval and calculation of the loans. Delinquent loans and the allowance for losses on loans receivable are reviewed by management, but are not material to the overall financial statements.

### Grants to Specified Students

Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the University. The amounts of such grants for the year ending June 30 were as follows:

	<u>2022</u>	<u>2021</u>
State grants	\$ 2,187,000	\$ 2,292,000
Federal grants	2,635,000	2,797,000

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

As a response to COVID-19, the 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 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 Grant Award Notification to complete the performance of their HEERF grant. Institutions may recognize the institutional portion of the grant proportionate to the amount expended on student emergency aid. The University received \$3,214,295 of funding under CRRSAA and recognized \$1,095,606 of the student emergency aid as government grants income and student services expense as of June 30, 2021. The institutional portion of the grant totaling \$2,118,689 was recognized as government grants income as of June 30, 2021. The institutional portion of the grant was used to offset auxiliary refunds the University issued to students as a result of the campus closure beginning in March 2020 as well as housing, meal and fee credits issued in fiscal 2021. As restrictions were met in the same period, the grants were reported as changes in the net assets without donor restrictions.

Under ARP, institution 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 applications about the opportunity to receive a financial aid adjustment due to a change in circumstance. The University has received \$5,701,276 of funding under ARP and recognized \$2,850,639 of the student emergency aid as government grants income and student services expenses as of June 30, 2021. This amount of funding is recorded as a receivable as of June 30, 2021 in accounts receivable, net and the student portion is recorded as a payable in student deposits and other liabilities. The institutional portion of the grant totaling \$2,850,637 was recognized as government grants income as of June 30, 2021 and is also recorded as a receivable in accounts receivable, net. There were no funds recorded as of June 30, 2022 and the receivable was received during the fiscal year. The institutional portion of the grant was used to offset auxiliary refunds the University issued to students and to defray expenses associated with coronavirus.

## Income Tax Status

The Internal Revenue Service has determined that the University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation.

The University follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the University for uncertain tax positions as of June 30, 2022 and 2021. The University's tax returns are subject to review and examination by federal and state authorities.

## Advertising Expenses

Advertising costs are expensed when incurred.

## Use of 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 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, including functional allocations, during the reporting period. Actual results could differ from those estimates.

## Accounting Standards

### Recent Accounting Pronouncements

During September 2020, the FASB issued 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)*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard is required to be applied retrospectively for fiscal years beginning after June 15, 2021. The standard was adopted during the year ended June 30, 2022. The adoption of the standard did not have a material effect on its change in net assets, financial position and cash flows.

# Susquehanna University

Notes to Financial Statements

June 30, 2022 and 2021

## 2. Restrictions and Limitations on Net Assets Balances

At June 30, the University's net assets were allocated as follows:

	<u>2022</u>	<u>2021</u>
Net assets:		
Without donor restrictions:		
Investment in property, plant and equipment	\$ 66,203,339	\$ 69,731,210
Board-designated endowment funds	33,099,569	38,666,031
Reserves and operating funds	26,895,088	26,804,691
	<u>126,197,996</u>	<u>135,201,932</u>
With donor restrictions:		
Net investment gains on donor endowments restricted for future periods, scholarship and educational	40,977,592	66,384,965
Contributions receivable restricted for future periods:		
Capital purposes	418,161	313,227
Other	1,491,686	3,433,225
Donor purpose restrictions, fixed assets	645,472	35,000
Other donor purpose and time restrictions	837,074	544,132
Endowment funds	115,005,484	96,439,799
Student loan funds	827,096	827,096
Donor contributions and annuities for endowments	3,695,716	4,055,145
	<u>163,898,281</u>	<u>172,032,589</u>
Total	<u>\$ 290,096,277</u>	<u>\$ 307,234,520</u>

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

### Fair Value Hierarchy

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which is based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes 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, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

# Susquehanna University

## Notes to Financial Statements

June 30, 2022 and 2021

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following tables present the financial instruments 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:

	<b>2022</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
<b>Assets reported at fair value:</b>				
Investments:				
Short-term investments	\$ 14,499,383	\$ -	\$ -	\$ 14,499,383
Equities:				
Domestic	17,464,003	-	-	17,464,003
Foreign	25,743,644	-	-	25,743,644
Domestic fixed income	684,862	29,632,854	-	30,317,716
Total investments by valuation hierarchy	<u>\$ 58,391,891</u>	<u>\$ 29,632,854</u>	<u>\$ -</u>	88,024,746
Alternative investments (measured at net asset value)				<u>123,831,541</u>
Total investments				<u>\$ 211,856,260</u>
Funds held in trust by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,026,104</u>	<u>\$ 6,026,104</u>
	<b>2021</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
<b>Assets reported at fair value:</b>				
Investments:				
Short-term investments	\$ 31,196,967	\$ -	\$ -	\$ 31,196,967
Equities:				
Domestic	36,486,121	-	-	36,486,121
Foreign	41,923,253	-	-	41,923,253
Domestic fixed income	609,420	29,496,007	-	30,105,427
Total investments by valuation hierarchy	<u>\$ 110,215,761</u>	<u>\$ 29,496,007</u>	<u>\$ -</u>	139,711,768
Alternative investments (measured at net asset value)				<u>83,694,265</u>
Total investments				<u>\$ 223,406,033</u>
Funds held in trust by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,735,087</u>	<u>\$ 6,735,087</u>



The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

## **Short-Term Investments**

The carrying values of short-term investments approximate fair value due to the short term nature of the securities.

## **Domestic Fixed Income**

Investments in fixed income securities are comprised of U.S. Treasury notes, mortgage backed securities, municipal bonds, commercial paper and corporate bonds and notes. U.S. Treasury notes are classified as Level 1 as they trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis. The remaining fixed income securities are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from other markets that are not active or are for the same or similar assets in active markets.

## **Equities and Commodities**

Investments in equity securities and commodities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

## **Funds Held In Trust by Others**

Funds Held in Trust by Others are measured at fair value using the University's percentage of the earnings of the underlying trust assets applied to the fair value of the underlying assets. 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 trustee, the University will never receive those assets to have the ability to direct the trustee to redeem them.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Purchases and sales of funds held in trust by others for the year ended June 30, 2022 were \$1,344,100 and \$986,000, respectively. Purchases and sales for funds held in trust by others for the year ended June 30, 2021 were \$3,492,600 and \$3,379,500, respectively.

**Alternative Investments**

This category includes investments in funds of funds and are valued at their respective net asset value per share (or its equivalent) as a practical expedient. These funds allocate their assets to hedge fund managers that specialize in a wide range of alternative investment strategies. The funds offer the University exposure to a broad range of hedge fund strategies including equity long/short, event-driven, relative value and tactical trading sectors. The University measures the fair value for this investments based on net asset value (NAV) as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the University's measurement date, NAV is adjusted to reflect any significant events that would materially affect the security's value. Certain attributes that impact the security's fair value may not be reflected in NAV, including, but not limited to, the investor's ability to redeem the investment at the measurement date and unfunded purchase commitments. If the University sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment. Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table on the previous pages are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following table lists the investments in alternative investments by major category as of June 30, 2022:

	<u>Fair Value as of June 30, 2022</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Assets:				
Hedge funds	\$ 36,560,601	\$ -	Illiquid, Monthly, Bi-Monthly, Quarterly, Annually	8-123 Days
Pooled vehicles	73,767,575	14,493,941	Illiquid, Quarterly, Annually	95-100 Days
Mutual funds	7,600,656	-	Daily	N/A
Real estate fund	-	1,604,301	Illiquid	
Private equity	5,902,682	465,000	Illiquid	N/A
Total	<u>\$ 123,831,514</u>	<u>\$ 16,563,242</u>		

# Susquehanna University

## Notes to Financial Statements

June 30, 2022 and 2021

The following table lists the investments in alternative investments by major category as of June 30, 2021:

	<u>Fair Value as of June 30, 2021</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Assets:				
Hedge funds	\$ 13,105,050	\$ -	Quarterly Illiquid, Monthly, Quarterly,	30-60 Days
Pooled vehicles	61,728,805	8,324,985	Annually	45-95 Days
Mutual funds	6,430,891	-	Daily	N/A
Private equity	2,429,519	465,000	Illiquid	N/A
Total	<u>\$ 83,694,265</u>	<u>\$ 8,789,985</u>		

### Real Estate Fund

This category includes investments in one real estate fund that invests primarily in U.S. commercial real estate. The fair values of the investments in this category have been estimated using the net asset value of the University's ownership interest in the funds. Withdrawals are paid from the real estate investments quarterly on a prorated basis among all those investors who are eligible for payment. Available cash for the payment of withdrawals equals the total amount of deposits made, plus the net proceeds from financings and re-financings which are not needed for operations or capital expenditures, principal repayments, acquisition of investments or other contingencies and after payout of operating cash flow.

### Pooled Vehicles

Pooled Vehicles are fund-of-fund strategies that are invested in underlying managers. Each pooled vehicle typically has 8 – 15 asset managers or investment opportunities. These underlying asset managers or investment opportunities could include hedge funds, private investments, daily-traded investments and futures. The pooled vehicles tend to have lower volatility given those portfolios will typically be more diversified than a directly invested portfolio. The underlying vehicles have varying redemption terms depending on the asset managers and investment vehicle.

### Mutual Funds

This category includes one US Equities fund in the portfolio. The fund is set up as a mutual fund, although it is subscription-based as opposed to daily market traded. This investment offers daily subscriptions as well as daily redemptions.

### Private Equity

This category includes investments in funds that invest in private companies. These funds make investments in private companies through equity, debt and/or real estate. The funds have a relatively long investment horizon, typically between 5-10 years.

### Hedge Funds

This category includes investments in hedge funds that have either a long/short or long-only strategy. The long/short strategy funds may employ leverage and short positions that are perceived to be overvalued. The long-only funds focus on buying positions that they believe to be undervalued. Hedge fund strategies will vary with both net and gross exposure. These funds have varying redemption terms but typically require 8-123 days' notice.

# Susquehanna University

Notes to Financial Statements

June 30, 2022 and 2021

## 4. Contributions Receivable

Contributions receivable include the following unconditional promises to give at June 30:

	<u>2022</u>	<u>2021</u>
Without donor restrictions	\$ 478,986	\$ 530,174
Donor restricted, operations	2,122,271	3,625,722
Donor restricted, plant projects	200,000	25,000
Donor restricted, endowment	1,733,466	1,746,748
	<hr/>	<hr/>
Gross unconditional promises to give	4,534,724	5,927,644
	<hr/>	<hr/>
Less unamortized discount	(168,934)	(172,065)
Allowance for uncollectible promises	(284,443)	(189,554)
	<hr/>	<hr/>
Total	<u>\$ 4,081,346</u>	<u>\$ 5,566,025</u>

Contributions receivable as of June 30, 2022 of \$1,084,461 are expected to be collected in less than one year and \$3,450,263 in one to five years. Contributions receivable have been discounted using rates ranging from 0.9% to 3.0%. Contributions receivable at June 30, 2022 and 2021 from related parties were \$1,876,792 and \$2,444,156, respectively.

## 5. Property, Plant and Equipment

Property, plant and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 6,020,263	\$ 6,020,263
Improvements other than buildings	21,467,779	21,461,466
Buildings and improvements	220,942,419	218,955,409
Equipment and furnishings	38,000,408	37,556,641
Vehicles	1,628,238	1,574,798
Library materials	4,699,683	4,636,618
Right-of-use assets	853,676	353,542
Construction in progress	874,912	759,150
	<hr/>	<hr/>
	294,487,378	291,317,887
Less accumulated depreciation	(181,788,306)	(172,769,389)
	<hr/>	<hr/>
	<u>\$ 112,699,072</u>	<u>\$ 118,548,498</u>

Depreciation expense totaled approximately \$9,578,000 and \$10,297,000 for the years ended June 30, 2022 and 2021, respectively.

Construction in progress includes improvements to the Garrett Sports Complex and Seibert Hall. All projects are planned to be completed prior to June 30, 2023. The University has outstanding commitments related to these projects of approximately \$179,000 as of June 30, 2022.

# Susquehanna University

Notes to Financial Statements

June 30, 2022 and 2021

## 6. Retirement Plans

For eligible employees, the University makes defined contributions to a national teachers' retirement plan which is administered by an independent organization. Total retirement plan expense amounted to approximately \$2,431,000 and \$2,309,000 for the years ended June 30, 2022 and 2021, respectively.

## 7. Line of Credit

The University has a \$10,000,000 secured revolving line of credit available with a bank. Interest on the outstanding principal will be paid monthly at an adjustable rate with an index floor of .25% at the Term Secured Overnight Financing Rate (SOFR) Reference Rate for an interest period of one (1) month, SOFR plus 2.27% collateralized by the unrestricted gross revenues of the University. At June 30, 2022 and 2021, no amount was outstanding under this line of credit. The line of credit has a maturity date of December 31, 2023. The interest rate was 3.55% as of June 30, 2022.

## 8. Long-Term Debt

Long-term debt at June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
PHEFA 2001 (including bond premium of \$1,233 and \$1,484, respectively)	\$ 2,901,233	\$ 3,101,484
SCHEA University Revenue Bonds 2015 (including bond premium of \$984,384 and \$1,136,255, respectively)	21,274,384	22,916,255
SCHEA University Revenue Bonds 2017 – Bond Payable (including bond premium of \$935,348 and \$1,048,638, respectively)	21,807,848	22,833,638
Bond Issuance Costs	<u>(341,409)</u>	<u>(387,633)</u>
Total	<u>\$ 45,642,056</u>	<u>\$ 48,463,744</u>

During the fiscal year ended June 30, 2001, the University borrowed \$6,000,000 by issuing tax exempt bonds through the Pennsylvania Higher Educational Facilities Authority (PHEFA). In May 2007, the bonds reverted to a variable rate with a weekly reset (0.91% at June 30, 2022). The bonds require future annual principal debt service payments ranging from approximately \$206,000 to \$402,000 with final maturity in 2031.

During the fiscal year ended June 30, 2016, the University borrowed \$27,305,000 through the issuance of tax exempt revenue bonds through Snyder County Higher Education Authority (SCHEA). The bonds require future annual principal debt service payments ranging from approximately \$1,016,000 to \$2,450,000 through January 2035 and bear interest ranging from 2.375% to 5.0%.

During the fiscal year ended June 30, 2017, the University borrowed \$25,115,000 through the issuance of tax exempt revenue bonds through SCHEA. The bonds require future annual principal debt service payments ranging from approximately \$923,000 to \$1,850,000 through January 2038 and bear interest ranging from 3.125% to 5.0%.

# Susquehanna University

## Notes to Financial Statements

June 30, 2022 and 2021

Covenants related to debt require the University to maintain expendable funds of at least 50% of long-term indebtedness, maximum annual debt service of no more than 15% of unrestricted revenue, unrestricted net assets at least equal to total long term indebtedness and income available for debt service, as defined, to at least 100% of the annual debt service requirement. As of June 30, 2022, the University was in compliance with its debt covenants.

The following sets forth principal maturities for long-term debt:

Year ending June 30:		
2023	\$	2,737,262
2024		2,853,481
2025		2,997,261
2026		3,126,107
2027		3,260,021
Thereafter		<u>29,088,368</u>
Total	\$	<u>44,062,500</u>

The University incurred interest costs of approximately \$1,913,000 and \$2,040,000 at June 30, 2022 and 2021, respectively. Bond issuance costs and bond premiums are amortized over the life of the related bond issue. Amortization expense for bond issuance costs was approximately \$46,000 and \$49,000 for the years ended June 30, 2022 and 2021, respectively. Amortization expense for bond premiums was approximately \$265,000 and \$282,000 for the years ended June 30, 2022 and 2021, respectively.

## 9. Commitments and Contingencies

### Litigation

The University is involved in various claims and litigation in the ordinary course of business. In the opinion of management, the outcome of such claims and litigation will not materially affect the University's financial position, results of its activities or liquidity.

### Asset Retirement Obligations

The University recognizes a liability for the fair value of conditional asset retirement obligations if their fair values can be reasonably estimated. This liability is initially recorded as an increase to the associated asset and depreciated over the remaining useful life of the asset.

Substantially all of the University's asset retirement obligations relate to estimated costs to remove asbestos from campus facilities. The University has recorded a liability, included with other liabilities on the statements of financial position, of approximately \$369,000 and \$339,000 as of June 30, 2022 and 2021, respectively. The University reviews its estimates annually and adjusts the recorded liability as needed.

## Purchase Commitments

The University contracted with Richards Energy in May 2017 to manage all of its utility supply contracts. The primary electrical account is managed as a block and index account which will typically float between 50% and 20% on the spot market, with multiple layered contracts of various lengths being bought at various points during the year based on market conditions. The current contract for the primary electrical account, is with Constellation NewEnergy through May of 2026. Most of the smaller commercial electric accounts are supplied by NextEra Energy Solutions through May of 2023 under the utility Standard Offer Program. Two electric accounts, which were ineligible to participate in the Standard Offer Program, were temporarily placed on PPL's default utility rates due to unfavorable (high-priced) energy market conditions and unattractive offers from third party suppliers. Currently, all of the natural gas accounts have been placed on a fixed contract with Direct Energy which go to August of 2024.

The University contracted with WGL Energy Systems, Inc. (WGL) to purchase 100% of the energy produced from a solar photovoltaic electric generating system at prices defined within the agreement. The system was built on the University's land, but is owned, operated and maintained by WGL. The term of the agreement is 25 years with an option for the University to purchase the system at fair market value at the conclusion of the contract.

## Grants

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

## 10. Leases

The University has several noncancelable operating leases for copiers, mail machines and vehicles that expire over the next five years. Rental expense for operating leases during 2022 and 2021 was approximately \$275,000 and \$264,000, respectively.

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 judgments in determining the discount rate if leases do not provide an implicit rate. The University uses their incremental borrowing rate based on information available at the commencement date in determining the present value of lease payments.

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. 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.

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.

# Susquehanna University

## Notes to Financial Statements

June 30, 2022 and 2021

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2022 are:

Years ending June 30:	
2023	\$ 276,679
2024	249,752
2025	209,461
2026	139,971
2027	49,126
	<hr/>
Total lease payments	924,989
Less present value discount	<hr/> (71,313) <hr/>
Operating lease liabilities as of June 30, 2022	<hr/> <u>\$ 853,676</u> <hr/>

Additional information for the University's leases at June 30, 2022, are summarized below:

Weighted average remaining lease term	2.59 years
Weighted average discount rate	3.21%

### 11. Concentration of Credit Risk

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash, investments and accounts receivable. The University places substantially all of its cash and liquid investments with a variety of financial institutions and limits the amount of credit exposure to any one financial institution; however, cash balances may periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. Student receivables and other receivables are due from a variety of sources concentrated primarily in the eastern United States. In addition, the University's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the University's programs and activities. The University also has a concentration of payments to two vendors, the food services and health plan vendors. These vendors accounted for approximately 30% and 32% of amounts paid to all vendors for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, amounts due to these vendors represented 7% and 4% of accounts payable, respectively.

### 12. Endowment

The University's endowment consists of approximately 535 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 accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.



#### **Interpretation of Relevant Law**

Commonwealth of Pennsylvania law permits the University to allocate to income each year a portion of endowment net realized gains. Pennsylvania legislation was enacted on July 23, 2021 which allows spending up to 10% of the value of the endowed assets. This applies to calendar years 2020, 2021 and 2022 or fiscal years that end during these years. These provisions are applicable only to entities that: (1) previously elected or now elect to be governed by the applicable statutory provisions and (2) adopt and follow a total return investment policy. See below for the University's spending policy for the years ended June 30, 2022 and 2021.

Since donor endowment net realized and unrealized gains may be spent by the University, such gains are recorded on the financial statements as net assets with donor restrictions until transferred to net assets without donor restrictions. The University only transfers to net assets without donor restrictions endowment income and gains required to annually fund its spending policy.

#### **Funds with Deficiencies**

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. At June 30, 2022, donor-restricted funds with original gift values of approximately \$22,590,000, fair values of approximately \$21,499,000 and deficiencies of approximately \$1,091,000 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions with donor restrictions and continued distribution for certain programs that was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets with donor restrictions. At June 30, 2021, there were no donor-restricted endowment funds with deficiencies reported in net assets with donor restrictions.

#### **Return Objectives and Risk Parameters**

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to 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 governing board, the endowment assets are invested in a manner that is intended to produce results that fund the spending from the endowment and match inflation so that the purchasing power of the endowment is maintained. This philosophy of maintaining the purchasing power of the endowment is in keeping with guidance issued by the Council of Advancement and Support of Education (CASE).

#### **Strategies Employed for Achieving Objectives**

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 equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

The University has a policy of appropriating for distribution each year a percentage of its endowment fund's average fair market value over the prior three years through the quarter ended September 30 preceding the fiscal year in which the distribution is planned. A rate of 4.5% was used for the years ended June 30, 2022 and 2021. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to maintain its purchasing power.

# Susquehanna University

## Notes to Financial Statements

June 30, 2022 and 2021

Endowment net asset composition by type of fund consists of the following as of June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 159,678,792	\$ 159,678,792
Board-designated endowment funds	33,099,569	-	33,099,569
Total endowment net assets	<u>\$ 33,099,569</u>	<u>\$ 159,678,792</u>	<u>\$ 192,778,361</u>

Endowment net asset composition by type of fund consists of the following as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 166,879,909	\$ 166,879,909
Board-designated endowment funds	38,666,031	-	38,666,031
Total endowment net assets	<u>\$ 38,666,031</u>	<u>\$ 166,879,909</u>	<u>\$ 205,545,940</u>

Changes in endowment net assets for the year ended June 30, 2022, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ 38,666,031	\$ 166,879,909	\$ 205,545,940
Investment return:			
Investment income	159,700	1,222,860	1,382,560
Net depreciation, realized and unrealized	(4,852,343)	(19,323,408)	(24,175,751)
Total investment return	(4,692,643)	(18,100,548)	(22,793,191)
Contributions	167,174	17,362,245	17,529,419
Appropriation of endowment assets for expenditure	(1,040,993)	(6,462,814)	(7,503,807)
Endowment Net Assets, June 30, 2022	<u>\$ 33,099,569</u>	<u>\$ 159,678,792</u>	<u>\$ 192,778,361</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 35,518,067	\$ 137,895,553	\$ 173,413,620
Investment return:			
Investment income	323,232	2,019,596	2,342,828
Net appreciation, realized and unrealized	3,867,156	28,088,429	31,955,585
Total investment return	4,190,388	30,108,025	34,298,413
Contributions	-	5,141,232	5,141,232
Appropriation of endowment assets for expenditure	(1,042,424)	(6,264,901)	(7,307,325)
Endowment Net Assets, June 30, 2021	<u>\$ 38,666,031</u>	<u>\$ 166,879,909</u>	<u>\$ 205,545,940</u>

# Susquehanna University

Notes to Financial Statements

June 30, 2022 and 2021

## 13. Fund Raising Expenses

The Advancement Office has primary responsibilities to raise endowment, capital and operating funds from the University's supporters. Fund raising expenses of approximately \$2,594,000 and \$2,354,000 were incurred for the years ended June 30, 2022 and 2021, respectively.

## 14. Functional Expenses

The financial statements report certain categories of expenses that attribute to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, information technology and facilities operation and maintenance. Depreciation, interest and facilities operation and maintenance are allocated based on square footage. Costs of other categories were allocated on estimates of time and effort.

Expenses by nature and function for June 30, 2022 are as follows:

	<u>Program</u>	<u>Support</u>	<u>Total</u>
Salaries and wages	\$ 26,467,779	\$ 6,167,979	\$ 32,635,758
Employee benefits	9,408,706	2,128,928	11,537,634
Services, supplies and other	18,842,871	4,016,452	22,859,323
Off campus studies	3,793,657	-	3,793,657
Depreciation and amortization	8,906,261	579,870	9,486,131
Interest	1,807,361	105,398	1,912,759
Facilities operation and maintenance	2,258,184	441,293	2,699,477
Total expenses	<u>\$ 71,484,819</u>	<u>\$ 13,439,918</u>	<u>\$ 84,924,739</u>

Expenses by nature and function for June 30, 2021 are as follows:

	<u>Program</u>	<u>Support</u>	<u>Total</u>
Salaries and wages	\$ 25,215,780	\$ 6,135,663	\$ 31,351,443
Employee benefits	9,388,576	1,872,999	11,261,575
Services, supplies and other	20,020,024	3,354,920	23,374,944
Off campus studies	718,385	-	718,385
Depreciation and amortization	9,590,890	454,215	10,045,105
Interest	1,928,060	112,436	2,040,496
Facilities operation and maintenance	2,022,511	390,886	2,413,397
Total expenses	<u>\$ 68,884,226</u>	<u>\$ 12,321,119</u>	<u>\$ 81,205,345</u>

# Susquehanna University

Notes to Financial Statements

June 30, 2022 and 2021

## 15. Liquidity

The University's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for tuition charges and collections on student accounts in relation to the start of academic semesters.

The following reflects the University's financial assets as of the statements of financial position date, reduced by amounts not available for general use within one year of the statements of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board of Trustees approves that action.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,466,462	\$ 7,222,357
Accounts receivable, net	2,027,112	4,005,811
Contributions receivable, net	257,094	1,016,272
Investments	26,419,738	22,533,219
Assets limited to use:		
Board designated	1,313,515	1,283,844
Donor restricted	6,676,621	6,185,850
Total	<u>\$ 44,160,542</u>	<u>\$ 42,247,353</u>

The University has certain board designated and donor restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above.

As part of the University'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 addition, the University has a board-designated endowment of \$33,099,569 and \$38,666,031 as of June 30, 2022 and 2021, respectively. Although the University 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 University 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. Related Parties

Previously, the University has entered into a number of transactions with an organization with which a member of the Board of Trustees has a relationship. The transactions include management fees of \$99,300 for a portion of the investment portfolio for the year ended June 30, 2021. In addition, contributions receivable from related parties are disclosed in Note 4.

# Susquehanna University

## Notes to Financial Statements

June 30, 2022 and 2021

### 17. Department of Education Financial Responsibility

The Department of Education (ED) revised the regulations for financial responsibility effective July 1, 2019. The regulations require the University to provide additional disclosures, including a financial responsibility supplemental schedule, to assist ED in measuring financial responsibility through the composite score of financial ratios. The financial responsibility supplemental schedule must contain all financial elements required to calculate the composite score ratios, with a cross-reference to the financial statement line or note that contains the element.

Net assets	
Annuities with donor restrictions	<u>\$ 1,518,560</u>

Note 5 provides information on the University's land, buildings and equipment, net, but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of land, buildings and equipment, net, at June 30, 2022 based on the July 1, 2019 implementation date.

Pre-implementation:	
Property, plant and equipment, net	<u>\$ 101,251,408</u>
Post-implementation:	
Property, plant and equipment, net, with outstanding debt for original purchase	<u>-</u>
Property, plant and equipment, net without outstanding debt for original purchase	9,719,076
Construction in progress	<u>874,912</u>
Total property, plant and equipment, net without outstanding debt for original purchase	<u>10,593,988</u>
Total property, plant and equipment, net, on June 30, 2022	<u>\$ 111,845,396</u>
Leases right-of-use assets post-implementation	<u>\$ 853,676</u>

Note 8 provides information on the University's long-term debt but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of long-term debt for long-term purposes, at June 30, 2022 based on the July 1, 2019 implementation date.

Pre-implementation:	
Long-term debt for long-term purposes	\$ 48,463,744
Less current year repayments	<u>(2,821,688)</u>
Total long-term debt on June 30, 2022	<u>\$ 45,642,056</u>

### 18. Subsequent Events

The University has evaluated subsequent events through November 1, 2022, which is the date that the financial statements were issued.