

Susquehanna University

Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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

Wilkes-Barre, Pennsylvania
October 23, 2023

Susquehanna University

Statements of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 4,875,513	\$ 7,466,462
Accounts receivable, net	807,797	2,027,112
Inventories and prepaid expenses	2,517,180	2,263,072
Contributions receivable, net	3,443,258	4,081,346
Student loans receivable, net	597,839	859,126
Investments	222,224,406	211,856,260
Funds held in trust by others	6,193,107	6,026,104
Other assets	3,429,847	4,236,302
Property, plant and equipment, net	105,757,819	111,845,396
Right-of-use assets	731,433	853,676
	<u>350,578,199</u>	<u>351,514,856</u>
Total assets	<u>\$ 350,578,199</u>	<u>\$ 351,514,856</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and other accrued expenses	\$ 5,963,045	\$ 6,865,481
Student deposits and other liabilities	3,675,541	4,056,025
Annuities payable	1,723,542	1,922,098
Long-term debt	42,674,670	45,642,056
U.S. government advances refundable	618,896	862,856
Funds held in custody for others	1,126,250	1,216,387
Operating lease liabilities	731,433	853,676
	<u>56,513,377</u>	<u>61,418,579</u>
Total liabilities	<u>56,513,377</u>	<u>61,418,579</u>
Net Assets		
Net assets without donor restrictions	<u>121,110,485</u>	<u>126,197,996</u>
Net assets with donor restrictions:		
Restricted by purpose or time	51,228,686	44,868,514
Restricted in perpetuity	121,725,651	119,029,767
	<u>172,954,337</u>	<u>163,898,281</u>
Total net assets with donor restrictions	<u>172,954,337</u>	<u>163,898,281</u>
Total net assets	<u>294,064,822</u>	<u>290,096,277</u>
Total liabilities and net assets	<u>\$ 350,578,199</u>	<u>\$ 351,514,856</u>

See notes to financial statements

Susquehanna University

Statement of Activities

Year Ended June 30, 2023 (With Comparative Totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenues and Other Additions				
Tuition and fees, net of scholarships and grants	\$ 35,963,016	\$ -	\$ 35,963,016	\$ 37,361,820
Government grants	1,803,669	-	1,803,669	1,864,573
Private gifts and grants	1,670,121	694,575	2,364,696	7,032,861
Endowment income	8,067,624	47,952	8,115,576	7,575,384
Investment income	1,026,614	-	1,026,614	134,365
Other sources	1,604,195	-	1,604,195	1,198,248
Auxiliary enterprises	28,838,547	-	28,838,547	27,157,259
Net assets released from restrictions	601,452	(601,452)	-	-
Total operating revenues and other additions	79,575,238	141,075	79,716,313	82,324,510
Operating Expenses				
Program expenses:				
Instruction	29,280,011	-	29,280,011	29,095,207
Research	988,609	-	988,609	791,344
Public service	227,780	-	227,780	212,930
Academic support	5,305,861	-	5,305,861	4,670,246
Student services	22,979,423	-	22,979,423	21,359,239
Auxiliary enterprises	16,281,406	-	16,281,406	15,355,855
Support expenses:				
Institutional support	12,973,171	-	12,973,171	13,288,961
Total operating expenses	88,036,261	-	88,036,261	84,773,782
Change in net assets from operating activities	(8,461,023)	141,075	(8,319,948)	(2,449,272)
Nonoperating Activities				
Investment return, net of spending policy	1,622,737	7,026,313	8,649,050	(30,815,104)
Change in split interest and other agreements	-	332,648	332,648	(1,049,810)
Gifts-endowment and other	45,548	2,276,918	2,322,466	17,106,569
Other nonoperating activities	922,172	62,157	984,329	69,373
Net assets released from restrictions	783,055	(783,055)	-	-
Total nonoperating activities	3,373,512	8,914,981	12,288,493	(14,688,972)
Change in net assets	(5,087,511)	9,056,056	3,968,545	(17,138,244)
Net Assets, Beginning	126,197,996	163,898,281	290,096,277	307,234,521
Net Assets, Ending	\$ 121,110,485	\$ 172,954,337	\$ 294,064,822	\$ 290,096,277

See notes to financial statements

Susquehanna University

Statement of Activities

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues and Other Additions			
Tuition and fees, net of scholarships and grants	\$ 37,361,820	\$ -	\$ 37,361,820
Government grants	1,864,573	-	1,864,573
Private gifts and grants	6,358,419	674,442	7,032,861
Endowment income	7,528,458	46,926	7,575,384
Investment income	134,365	-	134,365
Other sources	1,198,248	-	1,198,248
Auxiliary enterprises	27,157,259	-	27,157,259
Net assets released from restrictions	1,609,231	(1,609,231)	-
Total operating revenues and other additions	<u>83,212,373</u>	<u>(887,863)</u>	<u>82,324,510</u>
Operating Expenses			
Program expenses:			
Instruction	29,095,207	-	29,095,207
Research	791,344	-	791,344
Public service	212,930	-	212,930
Academic support	4,670,246	-	4,670,246
Student services	21,359,239	-	21,359,239
Auxiliary enterprises	15,355,855	-	15,355,855
Support expenses:			
Institutional support	13,288,961	-	13,288,961
Total operating expenses	<u>84,773,782</u>	<u>-</u>	<u>84,773,782</u>
Change in net assets from operating activities	<u>(1,561,409)</u>	<u>(887,863)</u>	<u>(2,449,272)</u>
Nonoperating Activities			
Investment return, net of spending policy	(7,161,845)	(23,653,259)	(30,815,104)
Change in split interest and other agreements	-	(1,049,810)	(1,049,810)
Gifts-endowment and other	(254,725)	17,361,294	17,106,569
Other nonoperating activities	(150,957)	220,330	69,373
Net assets released from restrictions	125,000	(125,000)	-
Total nonoperating activities	<u>(7,442,527)</u>	<u>(7,246,445)</u>	<u>(14,688,972)</u>
Change in net assets	<u>(9,003,936)</u>	<u>(8,134,308)</u>	<u>(17,138,244)</u>
Net Assets, Beginning	<u>135,201,932</u>	<u>172,032,589</u>	<u>307,234,521</u>
Net Assets, Ending	<u>\$ 126,197,996</u>	<u>\$ 163,898,281</u>	<u>\$ 290,096,277</u>

See notes to financial statements

Susquehanna University

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 3,968,545	\$ (17,138,244)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization, net of accretion	9,293,628	9,359,078
Net realized and unrealized (gains) losses on investments	(17,639,887)	23,488,978
Change in funds held in trust by others	(167,003)	708,982
Contributions restricted for endowment and plant projects	(2,204,738)	(17,637,805)
Actuarial adjustment on annuities payable	14,597	(2,737)
Loss on dispositions of property, plant and equipment	265,829	150,956
Bad debts	90,963	219,487
(Increases) decreases in:		
Contributions receivable	(551,001)	1,595,208
Accounts receivable	1,128,352	4,609,852
Inventories and prepaid expenses	(254,109)	(920,905)
Other assets	806,456	261,039
Increases (decreases) in:		
Accounts payable and other accrued liabilities	(772,797)	312,084
Student deposits and other liabilities	(380,484)	(4,221,332)
Funds held in custody for others	(90,137)	117,955
Net cash flows from operating activities	<u>(6,491,786)</u>	<u>902,596</u>
Cash Flows From Investing Activities		
Purchases of property, plant and equipment	(3,808,906)	(3,461,211)
Purchase of investments	(137,100,537)	(264,802,765)
Proceeds from sales of investments	144,372,279	252,863,562
Repayments of loans by students	261,287	285,946
Net cash flows from investing activities	<u>3,724,123</u>	<u>(15,114,468)</u>
Cash Flows From Financing Activities		
Principal repayments of long-term debt	(2,760,000)	(2,602,500)
Contributions received for endowment and plant projects	3,393,827	17,527,275
Proceeds from split-interest agreements	2,484	37,879
Decrease in U.S. government grants refundable, net	(243,960)	(293,330)
Payments to annuitants	(215,637)	(213,347)
Net cash flows from financing activities	<u>176,714</u>	<u>14,455,977</u>
Net change in cash and cash equivalents	(2,590,949)	244,105
Cash and Cash Equivalents, Beginning	<u>7,466,462</u>	<u>7,222,357</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,875,513</u>	<u>\$ 7,466,462</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest on long-term debt	<u>\$ 1,856,415</u>	<u>\$ 1,888,856</u>
Property, plant and equipment acquired through accounts payable	<u>\$ 146,848</u>	<u>\$ 276,487</u>
Additions to right-of-use assets obtained from operating lease liabilities	<u>\$ 167,283</u>	<u>\$ 635,332</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 (GAAP). 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, 2023 and 2022

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 \$81,811,000 and \$77,473,000 in 2023 and 2022, 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 four 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, 2023.

	Balance at June 30, 2022	Revenue Recognized Included in June 30, 2023 Balance	Cash Received in Advance of Performance	Balance at June 30, 2023
Comprehensive fee, net	\$ 24,500	\$ 24,500	\$ 3,500	\$ 3,500
Student credit balances	1,298,900	1,298,900	1,219,000	1,219,000
Freshman deposits	55,800	55,800	4,800	4,800

Susquehanna University

Notes to Financial Statements
June 30, 2023 and 2022

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

	<u>Balance at June 30, 2021</u>	<u>Revenue Recognized Included in June 30, 2022 Balance</u>	<u>Cash Received in Advance of Performance</u>	<u>Balance at June 30, 2022</u>
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

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 of \$868,000 and \$2,106,000 are presented in the June 30, 2023 and 2022 statements of financial position net of allowances for doubtful accounts of approximately \$60,000 and \$79,000, 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 \$1,157,000 and \$1,147,000 for the years ended June 30, 2023 and 2022, respectively. These assets have been recorded at fair value at the time of the donation. Cash surrender value of donated life insurance was approximately \$546,000 and \$556,000 at June 30, 2023 and 2022, 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 \$113,000 and \$917,000 at June 30, 2023 and 2022, 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.

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

Student loans receivable are carried at estimated net realizable value. Student loans receivable reflected on the statements of financial position includes approximately \$527,000 and \$825,000 of Perkins loans and approximately \$139,000 and \$174,000 of University-provided loans, less an allowance for doubtful accounts of approximately \$68,000 and \$140,000 at June 30, 2023 and 2022, respectively. Loans receivable are carried at the original amount less an estimate made for doubtful collections based on a review of all outstanding amounts on a periodic basis.

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 \$619,000 and \$863,000 at June 30, 2023 and 2022, respectively and is recorded as a liability in the statements of financial position. As of June 30, 2023, the University continues to service the 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 Program's 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.

Funds Held in Custody for Others

Funds held in custody for others represents agency funds that are managed by the Student Government Association (SGA). They are responsible for distributing the student activity fee, which is billed to every full-time student attending the University. Student clubs apply for funding and must submit budgets to SGA. The Division of Student Life assists SGA with managing these funds.

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 approximate amounts of such grants for the years ending June 30 were as follows:

	<u>2023</u>	<u>2022</u>
State grants	\$ 2,459,000	\$ 2,187,000
Federal grants	2,665,000	2,635,000

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, 2023 and 2022. 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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

Reclassifications

Reclassifications have been reflected in the current period presentation for prior year balances. Such reclassifications are for comparative purposes only and do not restate the prior year financial statements.

Future Accounting Standards

During June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 (as amended) is effective for the University in fiscal 2024. Management is evaluating the effects the guidance will have on its financial position or changes in net assets.

Susquehanna University

Notes to Financial Statements

June 30, 2023 and 2022

2. Restrictions and Limitations on Net Assets Balances

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

	<u>2023</u>	<u>2022</u>
Net assets:		
Without donor restrictions:		
Investment in property, plant and equipment	\$ 63,083,149	\$ 66,203,339
Board-designated endowment funds	34,679,542	33,099,569
Reserves and operating funds	23,347,794	26,895,088
	<u>121,110,485</u>	<u>126,197,996</u>
With donor restrictions:		
Net investment gains on donor endowments restricted for future periods, scholarship and educational	47,977,309	40,977,592
Contributions receivable restricted for future periods:		
Capital purposes	77,574	418,161
Other	1,410,595	1,491,686
Donor purpose restrictions, fixed assets	340,000	645,472
Other donor purpose and time restrictions	596,112	837,074
Endowment funds	118,570,220	115,005,484
Student loan funds	827,096	827,096
Donor contributions and annuities for endowments	3,155,431	3,695,716
	<u>172,954,337</u>	<u>163,898,281</u>
Total	<u>\$ 294,064,822</u>	<u>\$ 290,096,277</u>

3. Contributions Receivable

Unconditional promises to give are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 1,571,988	\$ 1,084,460
Receivable in one through five years	2,259,611	3,450,263
Total unconditional promises to give	3,831,599	4,534,723
Allowance for doubtful contributions	(209,163)	(284,443)
Discounts to net present value at 0.3% - 4.2%	(179,178)	(168,934)
Net unconditional promises to give	<u>\$ 3,443,258</u>	<u>\$ 4,081,346</u>

Restrictions applicable to contributions receivable, net at June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Without donor restrictions	\$ 181,405	\$ 478,986
Donor restricted, operations	2,608,236	2,122,271
Donor restricted, plant projects	100,000	200,000
Donor restricted, endowment	<u>941,958</u>	<u>1,733,466</u>
Gross unconditional promises to give	3,831,599	4,534,723
Less unamortized discount	(179,178)	(168,934)
Allowance for uncollectible promises	<u>(209,163)</u>	<u>(284,443)</u>
Total	<u>\$ 3,443,258</u>	<u>\$ 4,081,346</u>

4. 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.

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.

Susquehanna University

Notes to Financial Statements
June 30, 2023 and 2022

The following tables present the financial instruments measured at fair value as of June 30, 2023 and 2022 by caption on the statements of financial position by the valuation hierarchy defined above:

	2023			
	Level 1	Level 2	Level 3	Total Fair Value
Assets reported at fair value:				
Investments:				
Short-term investments	\$ 15,687,480	\$ -	\$ -	\$ 15,687,480
Equities:				
Domestic	20,370,463	-	-	20,370,463
Foreign	19,054,182	-	-	19,054,182
Domestic fixed income	541,119	38,563,474	-	39,104,593
Total investments by valuation hierarchy	<u>\$ 55,653,244</u>	<u>\$ 38,563,474</u>	<u>\$ -</u>	94,216,718
Alternative investments (measured at net asset value)				<u>128,007,688</u>
Total investments				<u>\$ 222,224,406</u>
Funds held in trust by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,193,107</u>	<u>\$ 6,193,107</u>
	2022			
	Level 1	Level 2	Level 3	Total Fair Value
Assets reported at fair value:				
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>\$ 58,391,892</u>	<u>\$ 29,632,854</u>	<u>\$ -</u>	88,024,746
Alternative investments (measured at net asset value)				<u>123,831,514</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>

Susquehanna University

Notes to Financial Statements

June 30, 2023 and 2022

The following table lists the investments in alternative investments by major category as of June 30, 2023:

	Fair Value as of June 30, 2023	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge funds	\$ 43,620,535	\$ -	Illiquid, Monthly, Bi-Monthly, Quarterly, Annually	8-123 Days
Pooled vehicles	69,501,927	16,158,389	Illiquid, Quarterly, Annually	95-100 Days
Mutual funds	9,496,320	-	Daily	N/A
Real estate fund	275,920	3,245,115	Illiquid	N/A
Private equity	5,112,986	465,000	Illiquid, Quarterly	90 Days
Total	\$ 128,007,688	\$ 19,868,504		

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

	Fair Value as of June 30, 2022	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
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	N/A
Private equity	5,902,682	465,000	Illiquid	N/A
Total	\$ 123,831,514	\$ 16,563,242		

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 and are classified as Level 1.

Equities - Investments in equity securities 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.

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.

Alternative investments - The University measures the fair value for these investments based on net assets 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 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 amounts presented in the statements of financial position.

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. Purchases and sales of funds held in trust by others for the year ended June 30, 2023 were \$1,698,000 and \$1,771,000, respectively. Purchases and sales for funds held in trust by others for the year ended June 30, 2022 were \$1,344,100 and \$986,000, respectively.

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.

5. 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 \$2,001,000 and \$1,891,000 at June 30, 2023 and 2022, 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 for the University's charitable gift annuities amounted to approximately \$1,503,000 and \$1,549,000 at June 30, 2023 and 2022, 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. Assets held in these trusts amounted to approximately \$6,193,000 and \$6,026,000 at June 30, 2023 and 2022, respectively. 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 \$112,000 and \$89,000 for the years ended June 30, 2023 and 2022, respectively.

Susquehanna University

Notes to Financial Statements
June 30, 2023 and 2022

6. Property, Plant and Equipment

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

	<u>2023</u>	<u>2022</u>
Land	\$ 5,992,491	\$ 6,020,263
Improvements other than buildings	21,147,708	21,467,779
Buildings and improvements	222,861,270	220,942,419
Equipment and furnishings	39,119,837	38,000,408
Vehicles	1,509,884	1,628,238
Library materials	4,765,288	4,699,683
Construction in progress	144,092	874,912
	295,540,570	293,633,702
Less accumulated depreciation	<u>(189,782,751)</u>	<u>(181,788,306)</u>
	<u>\$ 105,757,819</u>	<u>\$ 111,845,396</u>

Depreciation expense totaled approximately \$9,501,000 and \$9,578,000 for the years ended June 30, 2023 and 2022, respectively.

Construction in progress includes improvements to student housing. All projects are planned to be completed prior to June 30, 2024. The University has no outstanding commitments related to the project as of June 30, 2023.

7. Line of Credit

The University has a \$10,000,000 secured 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, 2023 and 2022, no amount was outstanding under this line of credit. The line of credit has a maturity date of December 31, 2026. The interest rate was 7.42% as of June 30, 2023.

8. Long-Term Debt

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

	<u>2023</u>	<u>2022</u>
PHEFA 2001	\$ 2,600,000	\$ 2,900,000
SCHEA University Revenue Bonds 2015	18,785,000	20,290,000
SCHEA University Revenue Bonds 2017	19,917,500	20,872,500
	41,302,500	44,062,500
Plus unamortized bond premium	1,669,803	1,920,965
Less deferred financing costs	<u>(297,633)</u>	<u>(341,409)</u>
Total revenue bonds, net	<u>\$ 42,674,670</u>	<u>\$ 45,642,056</u>

Susquehanna University

Notes to Financial Statements

June 30, 2023 and 2022

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 (3.96% at June 30, 2023). 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%.

As of June 30, 2023, the University was in compliance with its debt covenants.

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

Years ending June 30:	
2024	\$ 2,875,000
2025	3,017,500
2026	3,145,000
2027	3,277,500
2028	3,117,500
Thereafter	<u>25,870,000</u>
Total	<u>\$ 41,302,500</u>

The University incurred interest costs of approximately \$1,879,000 and \$1,913,000 at June 30, 2023 and 2022, 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 \$44,000 and \$46,000 for the years ended June 30, 2023 and 2022, respectively. Amortization expense for bond premiums was approximately \$251,000 and \$265,000 for the years ended June 30, 2023 and 2022, 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 \$390,000 and \$369,000 as of June 30, 2023 and 2022, 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 2026. The University's smaller commercial and residential electric accounts, save for two, are also supplied by Constellation NewEnergy through May 2026, but on a fixed price contract. Two electric accounts were contracted separately with WGL Energy Services through May 2026.

Currently, the natural gas accounts are contracted with Direct Energy to August 2027. All accounts are currently on a fixed price contract. Effective August 2024 forward, the 3 largest accounts will be managed as block and index 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 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.

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, 2023 and 2022

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2023 are:

Years ending June 30:		
2024	\$	283,784
2025		248,535
2026		183,810
2027		91,114
2028		34,562
		<hr/>
Total lease payments		841,805
Less present value discount		<hr/> (110,372)
Operating lease liabilities as of June 30, 2023	\$	<hr/> <u>731,433</u>

Lease related expenses for the year ended June 30, 2023 were as follows:

<u>Lease Cost</u>	<u>Classification</u>	<u>Year Ended June 30, 2023</u>
Operating lease cost	Rental expense	\$ 288,000

The following tables include supplemental lease information as of and for the year ended June 30, 2023 :

<u>Lease Term and Discount Rate</u>	<u>June 30, 2023</u>
Weighted-average remaining lease term (years):	
Operating leases	2.77
Weighted-average discount rate:	
Operating leases	3.96%

Lease related expenses for the year ended June 30, 2022 were as follows:

<u>Lease Cost</u>	<u>Classification</u>	<u>Year Ended June 30, 2023</u>
Operating lease cost	Rental expense	\$ 275,000

The following tables include supplemental lease information as of and for the year ended June 30, 2022:

<u>Lease Term and Discount Rate</u>	<u>June 30, 2022</u>
Weighted-average remaining lease term (years):	
Operating leases	2.59
Weighted-average discount rate:	
Operating leases	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 34% and 30% of amounts paid to all vendors for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, amounts due to these vendors represented 7% of accounts payable.

12. Endowment

The University's endowment consists of approximately 550 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. 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. See below for the University's spending policy for the years ended June 30, 2023 and 2022.

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, 2023, donor-restricted funds with original gift values of approximately \$7,728,000, fair values of approximately \$7,174,000 and deficiencies of approximately \$554,000 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, 2022, donor-restricted endowment funds with original gifts 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.

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.

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, 2023 and 2022. 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.

Endowment net asset composition by type of fund consists of the following as of June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 169,702,959	\$ 169,702,959
Board-designated endowment funds	34,679,542	-	34,679,542
Total endowment net assets	<u>\$ 34,679,542</u>	<u>\$ 169,702,959</u>	<u>\$ 204,382,501</u>

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>

Susquehanna University

Notes to Financial Statements
June 30, 2023 and 2022

Changes in endowment net assets for the year ended June 30, 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2022	\$ 33,099,569	\$ 159,678,792	\$ 192,778,361
Investment return:			
Investment income	-	109,248	109,248
Net appreciation, realized and unrealized	2,599,636	14,043,134	16,642,770
Total investment return	2,599,636	14,152,382	16,752,018
Contributions	45,548	2,551,088	2,596,636
Other	-	290,970	290,970
Appropriation of endowment assets for expenditure	(1,065,211)	(6,970,273)	(8,035,484)
Endowment net assets, June 30, 2023	<u>\$ 34,679,542</u>	<u>\$ 169,702,959</u>	<u>\$ 204,382,501</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>

13. Distance Education and Online Classes

The University conducts online classes only during their winter and summer sessions. Gross tuition earned from the online classes were approximately \$658,000 and \$656,000 for the years ended June 30, 2023 and 2022, respectively.

14. 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 \$2,468,000 and \$2,431,000 for the years ended June 30, 2023 and 2022, respectively.

15. 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 \$2,786,000 and \$2,594,000 were incurred for the years ended June 30, 2023 and 2022, respectively.

Susquehanna University

Notes to Financial Statements

June 30, 2023 and 2022

16. Related-Parties

Contributions made by non-compensated members of the Board of Trustees and officers of the University totaled approximately \$1,007,000 and \$400,000 for the years ended June 30, 2023 and 2022, respectively. Outstanding contributions receivable from members of the Board of Trustees or officers of the University totaled approximately \$1,982,000 and \$1,787,000 at June 30, 2023 and 2022, respectively. There are no other unsecured or secured related-party receivables at June 30, 2023 and 2022.

Included in the investment balance is a charitable remainder unitrust of approximately \$865,000 and \$797,000 as of June 30, 2023 and 2022, respectively, from which annual distributions are made to a related party. Also included in the investment balance is a charitable remainder annuity trust of \$1,040,000 and \$1,001,000 as of June 30, 2023 and 2022, respectively, from which annual distributions are made to a related party. See Note 3 for further information on the investment balance.

17. 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, 2023 are as follows:

	<u>Program</u>	<u>Support</u>	<u>Total</u>
Salaries and wages	\$ 28,470,913	\$ 6,049,142	\$ 34,520,055
Employee benefits	10,065,137	2,885,586	12,950,723
Services, supplies and other	20,190,656	3,118,488	23,309,144
Off campus studies	3,092,402	-	3,092,402
Depreciation	8,938,524	562,490	9,501,014
Amortization	-	(230,124)	(230,124)
Interest	1,775,608	103,546	1,879,154
Facilities operation and maintenance	2,529,850	484,043	3,013,893
Total expenses	<u>\$ 75,063,090</u>	<u>\$ 12,973,171</u>	<u>\$ 88,036,261</u>

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	18,842,872	4,016,452	22,859,324
Off campus studies	3,793,657	-	3,793,657
Depreciation	8,906,261	672,005	9,578,266
Amortization	-	(243,092)	(243,092)
Interest	1,807,362	105,398	1,912,760
Facilities operation and maintenance	2,258,184	441,291	2,699,475
Total expenses	<u>\$ 71,484,821</u>	<u>\$ 13,288,961</u>	<u>\$ 84,773,782</u>

Susquehanna University

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18. 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 \$ 1,779,526

Note 6 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, 2023 based on the July 1, 2019 implementation date.

	<u>Pre- Implementation</u>	<u>Post- Implementation - With Debt</u>	<u>Post- Implementation - Without Debt</u>	<u>Total</u>
Property and equipment, net	\$ 101,251,408	\$ -	\$ 4,362,319	\$ 105,613,727
Right-of-use asset	-	-	731,433	731,433
Subtotal	<u>\$ 101,251,408</u>	<u>\$ -</u>	<u>\$ 5,093,752</u>	106,345,160
Construction in progress				<u>144,092</u>
Total				<u>\$ 106,489,252</u>
Property and equipment, net				\$ 105,613,727
Construction in progress				<u>144,092</u>
Total property and equipment, net				<u>\$ 105,757,819</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, 2023 based on the July 1, 2019 implementation date.

	<u>Pre- Implementation</u>	<u>Post- Implementation - With Debt</u>	<u>Post- Implementation - Without Debt</u>	<u>Total</u>
Long-term debt for long-term purposes	\$ 42,674,670	\$ -	\$ -	\$ 42,674,670
Lease liability	-	-	731,433	731,433
Subtotal	42,674,670	-	731,433	43,406,103
Long-term debt offset by escrow funds restricted for capital projects or repayment of debt	-	-	-	-
Total	<u>\$ 42,674,670</u>	<u>\$ -</u>	<u>\$ 731,433</u>	<u>\$ 43,406,103</u>

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19. 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,875,513	\$ 7,466,462
Accounts receivable, net	807,797	2,027,112
Contributions receivable, net	1,081,661	257,094
Investments	22,897,257	26,419,738
Appropriations for next year:		
Board designated	1,263,071	1,313,515
Donor restricted	6,890,745	6,676,621
	<u>6,890,745</u>	<u>6,676,621</u>
Total	<u>\$ 37,816,044</u>	<u>\$ 44,160,542</u>

The University has certain board designated and donor restricted asset appropriations for next year 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 \$34,679,542 and \$33,099,569 as of June 30, 2023 and 2022, 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.

20. Subsequent Events

The University has evaluated subsequent events through October 23, 2023, which is the date that the financial statements were issued.