DeSales University

Consolidated Financial Statements

June 30, 2020 and 2019

Independent Auditors' Report

To the Board of Trustees of
DeSales University and Subsidiaries

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Baker Tilly US, LLP

Allentown, Pennsylvania
October 26, 2020

DeSales University and Subsidiaries

Consolidated Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 16,094,583	$ 9,627,019
Short-term investments (Note 2)	111,363	111,114
Accounts receivable, less allowance of $1,445,000 in 2020 and $1,400,000 in 2019	3,132,607	1,772,630
Contributions receivable (Note 3)	1,141,772	958,473
Notes receivable and other assets (Notes 1 and 4)	797,447	643,291
Prepaid expenses and other current assets	745,926	878,202
Investment income receivable	77,576	83,504
Total current assets	22,101,274	14,074,233
Long-Term Investments (Note 2)	93,581,780	91,840,777
Contributions Receivable (Note 3)	612,316	948,873
Notes Receivable and Other Assets (Notes 1 and 4)	2,222,979	2,235,916
Land, Buildings and Equipment (Note 5)	133,437,889	132,744,864
Total assets	$ 251,956,238	$ 241,844,663
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,723,960	$ 4,404,551
Accrued expenses	3,216,221	2,936,758
Deferred revenues (Note 1)	6,865,859	4,248,698
Line of credit (Note 6)	3,000,000	3,000,000
Current portion of long-term debt (Note 6)	4,221,648	4,326,178
Total current liabilities	19,027,688	18,916,185
Accrued Expenses, Noncurrent	576,432	118,357
Long-Term Debt (Note 7)	52,986,849	47,218,342
Refundable Deposits	374,200	380,600
Refundable Government Loan Funds	1,352,916	1,435,549
Liabilities Under Split-Interest Agreements (Note 5)	53,557	56,352
Total liabilities	74,371,642	68,125,385
Net Assets (Note 8)		
Without donor restrictions	135,018,555	133,703,149
With donor restrictions	42,566,041	40,016,129
Total net assets	177,584,596	173,719,278
Total liabilities and net assets	$ 251,956,238	$ 241,844,663

See notes to consolidated financial statements

DeSales University and Subsidiaries

Consolidated Statement of Activities
Year Ended June 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating Revenues and Other Additions			
Tuition and fees, net of scholarship allowances of $34,579,438	$ 58,451,972	$ -	$ 58,451,972
Federal grants	993,582	-	993,582
State appropriations	449,239	-	449,239
Private gifts and grants	966,377	2,627,146	3,593,523
Endowment earnings	1,334,667	1,238,702	2,573,369
Investment earnings	892,609	25,318	917,927
Sales and services of educational departments	281,203	-	281,203
Sales and services of auxiliary enterprises	11,727,379	-	11,727,379
Other sources	226,952	154,352	381,304
Net assets released from restrictions	999,590	(999,590)	-
Total operating revenues and other additions	76,323,570	3,045,928	79,369,498
Operating Expenditures and Other Deductions			
Educational and general:			
Instruction and research	34,167,033	-	34,167,033
Academic support:			
Administrative	3,311,165	-	3,311,165
Library	1,355,220	-	1,355,220
Student services	12,389,563	-	12,389,563
Institutional support	12,718,692	-	12,718,692
Auxiliary enterprise expenditures	12,230,649	-	12,230,649
Total operating expenditures and other deductions	76,172,322	-	76,172,322
Increase in net assets from operating activities	151,248	3,045,928	3,197,176
Nonoperating Activities			
Endowment earnings less than spending policy	(251,921)	100,266	(151,655)
Unrealized net loss on investments	(515,445)	(63,111)	(578,556)
State appropriations, RACP Grant	1,000,000	-	1,000,000
Capital campaign gifts	-	356,486	356,486
Gifts released from restrictions	885,842	(885,842)	-
Subsidiary operations, net	45,682	(3,838)	41,844
Change in value of split-interest agreements	-	23	23
Change in net assets from nonoperating activities	1,164,158	(496,016)	668,142
Change in net assets	1,315,406	2,549,912	3,865,318
Net Assets, Beginning	133,703,149	40,016,129	173,719,278
Net Assets, Ending	$ 135,018,555	$ 42,566,041	$ 177,584,596

See notes to consolidated financial statements

DeSales University and Subsidiaries

Consolidated Statement of Activities
Year Ended June 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating Revenues and Other Additions			
Tuition and fees, net of scholarship allowances of $32,561,431	$ 57,473,815	$ -	$ 57,473,815
Federal grants	455,687	-	455,687
State appropriations	426,844	-	426,844
Private gifts and grants	2,830,944	1,886,868	4,717,812
Endowment earnings	1,281,998	1,336,707	2,618,705
Investment earnings	715,187	42,479	757,666
Sales and services of educational departments	397,841	-	397,841
Sales and services of auxiliary enterprises	15,972,378	-	15,972,378
Other sources	380,509	330,962	711,471
Net assets released from restrictions	1,242,340	(1,242,340)	-
Total operating revenues and other additions	81,177,543	2,354,676	83,532,219
Operating Expenditures and Other Deductions			
Educational and general:			
Instruction and research	31,847,981	-	31,847,981
Academic support:			
Administrative	3,102,410	-	3,102,410
Library	1,348,165	-	1,348,165
Student services	12,154,539	-	12,154,539
Institutional support	12,878,617	-	12,878,617
Auxiliary enterprise expenditures	14,450,948	-	14,450,948
Total operating expenditures and other deductions	75,782,660	-	75,782,660
Increase in net assets from operating activities	5,394,883	2,354,676	7,749,559
Nonoperating Activities			
Endowment earnings less than spending policy	(715,820)	(324,278)	(1,040,098)
Unrealized net gain on investments	1,362,646	949,961	2,312,607
Capital campaign gifts	-	1,015,346	1,015,346
Other nonoperating revenues	404,827	-	404,827
Gifts released from restrictions	4,038,393	(4,038,393)	-
Subsidiary operations, net	34,987	(74,250)	(39,263)
Change in value of split-interest agreements	75,096	(178,003)	(102,907)
Change in net assets from nonoperating activities	5,200,129	(2,649,617)	2,550,512
Change in net assets	10,595,012	(294,941)	10,300,071
Net Assets, Beginning	123,108,137	40,311,070	163,419,207
Net Assets, Ending	$ 133,703,149	$ 40,016,129	$ 173,719,278

See notes to consolidated financial statements

DeSales University and Subsidiaries

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

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	$ 3,865,318	$ 10,300,071
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,000,913	7,480,217
Amortization of note premium and deferred financing costs, net	16,156	(35,763)
Contributions restricted for permanent endowment and capital campaign	(2,832,779)	(2,045,487)
Contributed property	-	(56,565)
Net realized and unrealized gains on investments	(1,170,972)	(3,145,719)
Loss on disposal of equipment	24,956	32,374
(Increase) decrease in assets:		
Accounts receivable	(1,359,977)	(482,255)
Contributions receivable	153,258	451,173
Charitable lead trust receivable	-	138,168
Notes receivable and other assets	(282,182)	(4,324)
Prepaid expenses and other current assets	132,276	(175,458)
Investment income receivable	5,928	(17,654)
Increase (decrease) in liabilities:		
Accounts payable	(153,218)	(451,403)
Accrued expenses	737,538	(933,004)
Deferred revenues	2,617,161	11,876
Refundable government loan funds	(82,633)	(26,846)
Liabilities under split-interest agreements	6,023	(22,104)
Refundable deposits	(6,400)	6,400
Net cash provided by operating activities	9,671,366	11,023,697
Cash Flows From Investing Activities		
Proceeds from sales of investments	25,843,540	19,558,651
Purchase of investments	(26,413,820)	(20,410,967)
Student loans advanced	(20,000)	(29,135)
Student loans collected	160,963	221,217
Purchase of buildings and equipment	(11,020,174)	(14,276,589)
Proceeds from sale of equipment	3,950	11,075
Net cash used in investing activities	(11,445,541)	(14,925,748)
Cash Flows From Financing Activities		
Proceeds from contributions for permanent endowment and capital campaign	2,832,779	2,045,487
Proceeds from line of credit	5,000,000	3,000,000
Proceeds from long-term debt	10,000,000	-
Payment of financing costs on issuance of long-term debt	(98,671)	-
Repayment on line of credit	(5,000,000)	-
Repayment of long-term debt	(4,483,551)	(4,022,499)
Payment of annuity obligations	(8,818)	(8,818)
Net cash provided by financing activities	8,241,739	1,014,170
Net increase (decrease) in cash and cash equivalents	6,467,564	(2,887,881)
Cash and Cash Equivalents, Beginning	9,627,019	12,514,900
Cash and Cash Equivalents, Ending	$ 16,094,583	$ 9,627,019
Supplementary Cash Flows Information		
Interest paid	$ 1,449,336	$ 1,321,141
Assets acquired under financing arrangements	$ 230,043	$ 574,171
Building and equipment purchases in accounts payable	$ 329,683	$ 2,857,056

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

Nature of Operations

DeSales University (the University) is an independent, four-year coeducational Catholic liberal arts university with both undergraduate and graduate degree programs serving approximately 3,200 students. The University is incorporated in the Commonwealth of Pennsylvania as a nonprofit corporation in accordance with Section 501(c)(3) of the Internal Revenue Code (IRC), and is accredited by Middle States Commission on Higher Education.

The University was established in 1965 by the Oblates of St. Francis de Sales and is situated on an approximately 550 acre campus in Center Valley, Pennsylvania. The University offers undergraduate degrees in forty major areas of study, as well as pre-professional programs in medicine, dentistry, law and teacher certification in secondary education. In graduate study, the University offers master's degrees in business administration, education, nursing, information systems, criminal justice, creative writing and physician assistant studies and doctorates of nursing practice in clinical leadership and of physical therapy.

The significant accounting policies followed by the University are set forth below and in other sections of these notes.

Basis of Presentation and Consolidation

The consolidated financial statements of the University have been prepared on the accrual basis of accounting and in accordance with the principles of not-for-profit accounting generally accepted in the United States of America. These consolidated financial statements include the accounts of the University and its wholly-owned subsidiaries, The Pennsylvania Shakespeare Festival (PSF) and the Forum for Ethics in the Workplace (Forum for Ethics).

All significant inter-organization accounts and transactions have been eliminated in consolidation.

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

Net Assets Without Donor Restrictions - are not subject to donor imposed stipulations. Net assets may be designated for specific purposes by action of the Board of Trustees.

Net Assets With Donor Restrictions - are subject to donor imposed stipulations for specific operating purposes, for the acquisition of property and equipment, are time-restricted or require that they be held in perpetuity with investment returns used for operations or scholarships. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Nonoperating Activities

Nonoperating activities primarily reflect transactions of a long-term investment or capital nature, including contributions restricted for future acquisitions of facilities and equipment and the net realized and unrealized gains and losses on investments in excess of, or less than, the University's spending policy, change in value of split-interest agreements, as well as the net operating results of PSF and the Forum for Ethics.

Revenue Recognition

The University recognizes tuition and fee revenue in the fiscal year in which the academic programs are delivered. Revenue for the majority of auxiliary enterprises, including food service, residence halls and the campus store, is recognized as the related goods and services are delivered and rendered. The remainder of auxiliary enterprises revenues is derived from the rental of the University's conference center, classrooms and athletic fields for conferences, meetings and camp activities and for which revenue is recognized monthly based on the applicable calendar of events held.

Transaction prices for tuition, fees, room and board are determined based on applicable University pricing schedules by program as approved by the Board of Trustees. Institutional financial aid and discounts provided by the University are reflected as a reduction of tuition and fee revenue and is awarded to students who meet the University's academic and aid eligibility standards.

Amounts are due for tuition, fees, room and board at the beginning of the start of each academic semester. The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws or adjusts their course load during stated refund periods which vary by program and term.

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

Unconditional promises to give over more than one year are recognized at the estimated present value of the future cash flows. The discounts on those amounts are computed using the expected rate of return of a market participant applicable to the year in which the promise is received. Promises made and collected in the same reporting period are recorded when received in the appropriate net asset category. Contributions and promises to give of noncash assets are recorded at their fair value.

Private grants and contracts are generally deemed to be exchange (reciprocal) transactions. The performance obligation for each grant or contract is deemed to be the research itself and revenue is recognized as the eligible grant activities are conducted. Transaction prices are based on budgets in the award agreement. Private grants and contracts are generally one year or less in duration. Exchange contracts are not significant to the University's consolidated financial statements.

Government grants and contracts are deemed to be nonexchange (nonreciprocal) transactions. Under this guidance, revenue related to conditional grants and contracts is recorded when the conditions are substantially 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. Restricted private gifts are recorded as changes in net assets with donor restrictions. When a donor restriction expires, net assets are reclassified as net assets without donor restrictions.

Deferred Revenue

Deferred revenue consists primarily of student tuition and fees received prior to the start of the academic term. The following table depicts activities for deferred revenue related to tuition and fees along with other revenue classifications.

	Balance at June 30, 2019	Refunds Issued	Revenue Recognized in 2020 Included in June 30, 2019 Balance	Cash Received in Advance of Performance	Balance at June 30, 2020
Tuition and fees	$ 3,756,022	$ 29,556	$ 3,726,466	$ 5,150,807	$ 5,150,807
Room and board	139,329	-	139,329	181,410	181,410
Theatre and PSF performances	285,377	-	285,377	-	-
Federal and state grants	-	-	-	1,508,332	1,508,332
Conference services	67,970	8,000	59,970	25,310	25,310
Total	$ 4,248,698	$ 37,556	$ 4,211,142	$ 6,865,859	$ 6,865,859

Fair Value Measurements

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value for certain financial assets and liabilities. The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Quoted prices in markets that are not active, quoted prices for similar securities, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of the assets held under split-interest agreements are based on quoted market prices, are measured on a recurring basis and are based on a Level 1 input. At June 30, 2020 and 2019, the fair value of the split-interest agreements of $29,400 and $32,171, respectively, have been recorded in Notes Receivable and Other Assets. See Note 2 for additional fair value measurements by level within the fair value hierarchy.

Cash Equivalents

Cash equivalents include short-term, highly liquid investments with maturities of three months or less. The carrying amount approximates fair value because of the short-term maturity of these instruments, which is considered a Level 1 input.

Accounts Receivable

Accounts receivable are stated at outstanding balance less an allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based primarily on past experience, aging of the receivables and other relevant factors and is maintained at a level considered adequate to provide for losses that can be reasonably anticipated.

Accounts are written off when they are determined to be uncollectible based upon management's assessment of the individual accounts.

Notes Receivable and Other Assets

The notes receivables include loans to students funded by advances to the University by the federal government under the Federal Perkins Loan Program, Nursing Student Loan Program and the Nursing Faculty Loan Program (the Programs). These advances may be re-loaned by the University after collection, but in the event that the University no longer participates in the Programs, the amounts are refundable to the federal government. The federal government's portion of these funds was $1,353,000 and $1,436,000 for the years ended June 30, 2020 and 2019, respectively. The University provides required matching contributions for any new advances received from the U.S. Government, of which there were none during fiscal 2020 and 2019. The carrying amounts of these notes receivables and refundable government loan funds approximate the fair value of these instruments.

The Federal Perkins Loan Extension Act amended section 461 of the Higher Education Act to end the University's authority to grant new Perkins Loans after June 30, 2018. The University is not required to assign the outstanding Perkins Loans to the Department of Education or liquidate the Perkins Loan Revolving Funds due to the wind-down of the Perkins Loan Program (the Program); however, the University may choose to liquidate at any time in the future. As of June 30, 2020, the University continues to service the Program.

The prescribed practices for the Programs 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 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 consolidated financial statements.

Split Interest Agreements

The University is a party to various types of split-interest agreements, including charitable gift annuities, pooled life income funds and charitable remainder trusts. Revenue under these agreements is recognized based on the fair value of the assets contributed less a liability for the present value of the payments expected to be made to the beneficiaries. The University annually re-evaluates the expected future payments to beneficiaries based on changes in life expectancy.

Assets held under split-interest agreements are recorded in Notes Receivable and Other Assets. Unrealized gains are reported in the change in value of split-interest agreements in the nonoperating section of the statements of activities for the years ended June 30, 2020 and 2019.

Investments

Investments in marketable securities are stated at fair value. The average cost of marketable securities is used to determine the basis for computing realized and unrealized gains and losses.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost if purchased or at fair value at date of donation if received by gift, less an allowance for depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets ranging from 5 years to 50 years. All assets with a purchased cost, or fair value if acquired by gift, in excess of $5,000 are capitalized. Depreciation is not recorded on works of art or land.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Planned major maintenance activities are expensed as incurred or capitalized if the planned maintenance extends the useful life of the asset.

Impairment of Long-lived Assets

Management of the University reviews long-lived assets (including property and equipment and other assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management considers the undiscounted cash flow expected to be generated by the use of the asset and its eventual disposition to determine when, and if, an impairment has occurred. An impairment loss is recognized to the extent that the carrying value of assets exceeds their fair value. Any write-downs due to impairment are charged to operations at the time impairment is identified. No such write-downs were required in 2020 and 2019.

Pension Plans

The University provides defined contribution pension plan benefits for substantially all regular full-time employees through the Teachers Insurance and Annuity Association and contributes to a pension fund established and maintained by the Oblates of St. Francis de Sales. Total University contributions made under these plans totaled approximately $1,806,000 and $1,825,000 for the fiscal years ended June 30, 2020 and 2019, respectively.

Self-Funded Insurance

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. At June 30, 2020 and 2019, 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 notes receivable and other assets in the statements of financial position (Note 4).

Fundraising

Fundraising costs are expensed as incurred and amounted to approximately $1,914,000 and $1,724,000 for the years ended June 30, 2020 and 2019, respectively. Fundraising costs are included in institutional support in the consolidated statements of activities.

Use of Estimates

The preparation of the University's consolidated 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 disclosures of contingent assets and liabilities at the dates of the statements of financial position and the reported amounts of revenue and expense included in the statements of activities. Actual results could differ from such estimates. Significant estimates relate to the allowance for uncollectible accounts receivable and contributions receivable, the fair value of alternative investments and the estimate of incurred but not reported employee medical claims that are self-funded.

Concentrations of Credit Risk

The University's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments, all of which are held in various high-quality financial institutions. The University believes that the concentrations of credit risk are very limited for these instruments, although the University does maintain cash and cash equivalent balances in financial institutions which at times exceed federally insured limits.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in the fair value of investments in the near term would materially affect the amounts reported in the statements of financial position and the statements of activities.

Income Taxes

The Internal Revenue Service (IRS) has ruled that the University is tax-exempt as a not-for-profit organization under Section 501(c)(3) of the IRC; accordingly, no provision for income taxes is required in the accompanying consolidated financial statements.

The University accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold at June 30, 2020 and 2019.

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

Endowments

The University's endowments consist of various funds established for a variety of purposes. Its endowments include both a donor restricted endowment fund and a fund designated by the Board of Trustees to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The University has interpreted relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and including investment return on those amounts.

Funds With Deficiencies

The fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the relevant state law requires the University to retain as a fund of perpetual duration. The University does not have a policy to suspend distributions on such endowments. At June 30, 2020, 65 donor restricted funds with original gift values of $15,555,000, fair values of $14,633,000 and deficiencies of $922,000 were reported in net assets with donor restrictions. At June 30, 2019, 68 donor restricted funds with original gift values of $15,880,000, fair values of $14,984,000 and deficiencies of $896,000 were reported in net assets with donor restrictions. The deficiencies resulted from recent unfavorable market fluctuations that occurred after the investment of donor restricted contributions and continued appropriation for certain programs that was deemed prudent by University management.

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 endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the University must hold in perpetuity or for a donor specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the performance of a blended index while assuming a moderate to moderately aggressive level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of approximately the consumer price index plus five percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving 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.

Endowment Spending Policy

The University has an endowment and similar funds investment return spending policy. The policy allows spending of the earnings equal to 5 percent of the lower of cost or market value of the respective endowment at the beginning of the fiscal year. Any income earned in excess of the spending limit is reinvested, while funds may be withdrawn from investment returns earned in previous years if income is less than the spending limit.

Coronavirus Disease (COVID-19) and Emergency Relief Funding

In January 2020, an outbreak of a new strain of the coronavirus disease, COVID-19, was identified. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. Currently, no vaccine has been made available to the public. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. On March 16, 2020, following guidance from Pennsylvania Governor Wolf, students, staff, and faculty were transitioned to remote operations. For the fiscal year ended June 30, 2020, the COVID-19 outbreak has had an adverse impact on the University’s operations. While this disruption is anticipated to be temporary, with full operations and services resuming in the near future, the exact timing of a return to normal is uncertain. Furthermore, the extent of the impact of COVID-19 on the University’s operational and financial performance will depend on the developments of COVID-19, including the duration and spread of the outbreak, development of a vaccine, impact on customers, employees and vendors, all of which are uncertain and cannot be reasonably predicted at the current time. The Board of Trustees and the University’s management are monitoring the outbreak and potential financial impact, which are currently uncertain.

As a result of closing the majority of on campus operations in response to the Governor’s order, in April 2020 the University issued refunds to students for housing and dining of $1,665,000 and $1,512,000, respectively. Refunds issued reduced the amount of auxiliary enterprise revenue recognized in the statement of activities for the year ended June 30, 2020. The University implemented a number of internal measures to address the negative financial impact of COVID-19. The measures included a freeze on nonessential operating expenses, a freeze on capital projects that were not safety or enrollment related, and an energy curtailment program.

As a response to COVID-19, the Coronavirus Aid, Relief and Economics Security (CARES) Act was enacted and provided budgetary relief to higher education institutions. Congress set aside approximately $14.25 billion of the $30.75 billion allotted to the Education Stabilization Fund through the Higher Education Emergency Relief Fund (HEERF). Each institution received one grant comprised of two parts. Under the legislation, no less than 50 percent of the full grant was to be used for direct emergency aid to students. The remaining portion of the full grant was to be used by institutions to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Institutions were given one calendar year from the date of award in their HEERF Grant Award Notification to complete the performance of their HEERF grant.

The University was awarded approximately $1,847,000 of HEERF funding of which the student relief portion was received on May 26, 2020 and the institutional portion was received on June 29, 2020. Institutions may recognize the institutional portion of the grant to the extent the grant was expended on student relief as of June 30, 2020. As of June 30, 2020, approximately $284,000 of the student relief portion of the grant was expended and recognized as federal grants revenue and scholarship allowance and approximately $284,000 of the institutional portion of the grant was expended and recognized as federal grants income and auxiliary enterprise expenditures. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions.

The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50 percent of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021, paid to employees that are not providing services because operations were suspended or due to the decline in gross receipts. Eligible employers can get immediate access to the credit by reducing employment tax deposits they are otherwise required to make. The University claimed a credit of $216,000 through June 30, 2020.

Subsequent Events

The University has evaluated subsequent events through October 26, 2020, which is the date the consolidated financial statements were issued.

New Accounting Standards Not Yet Adopted

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

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

2. Investments

The following table summarizes the fair value and cost of investments at June 30:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Short-term investments, Certificates of deposit	$ 111,363	$ 111,363	$ 111,114	$ 111,114
Long-term investments:				
Financial instruments measured at fair value	$ 93,400,262	$ 82,619,350	$ 91,661,480	$ 80,302,012
Cash surrender value of life insurance	181,518	181,518	179,297	179,297
Total long-term investments	$ 93,581,780	$ 82,800,868	$ 91,840,777	$ 80,481,309

The following is a summary of the University's investments in financial instruments measured at fair value segregated by level within the fair value hierarchy at June 30:

	2020			
	Level 1	Level 2	Level 3	Total
Reported at Fair Value				
Long-term investments:				
Money market funds	$ 1,028,101	$ -	$ -	$ 1,028,101
U.S. government obligations	3,179,871	-	-	3,179,871
Domestic equity:				
Small-cap securities	2,968,382	-	-	2,968,382
Mid-cap securities	2,400,521	-	-	2,400,521
Large-cap securities	30,543,333	-	-	30,543,333
International equity:				
Developed markets securities	17,163,718	-	-	17,163,718
Emerging markets securities	5,678,868	-	-	5,678,868
Income mutual funds	10,535,186	-	-	10,535,186
Growth mutual funds	3,016,493	-	-	3,016,493
Mortgage and other asset backed securities	-	1,797,626	-	1,797,626
Land	-	3,279,698	-	3,279,698
Total investments by valuation hierarchy	$ 76,514,473	$ 5,077,324	$ -	81,591,797
Alternative investments (measured at net asset value)				11,808,465
Total investments				$ 93,400,262

	2019			
	Level 1	Level 2	Level 3	Total
Reported at Fair Value				
Long-term investments:				
Money market funds	$ 3,275,740	$ -	$ -	$ 3,275,740
U.S. government obligations	3,334,502	-	-	3,334,502
Domestic equity:				
Small-cap securities	2,645,982	-	-	2,645,982
Mid-cap securities	2,528,029	-	-	2,528,029
Large-cap securities	28,060,404	-	-	28,060,404
International equity:				
Developed markets securities	16,373,645	-	-	16,373,645
Emerging markets securities	6,575,971	-	-	6,575,971
Income mutual funds	9,545,683	-	-	9,545,683
Growth mutual funds	2,843,516	-	-	2,843,516
Mortgage and other asset backed securities	-	1,533,711	-	1,533,711
Land	-	3,279,698	-	3,279,698
Total investments by valuation hierarchy	$ 75,183,472	$ 4,813,409	$ -	79,996,881
Alternative investments (measured at net asset value)				11,664,599
Total investments				$ 91,661,480

The following valuation techniques were used to measure the fair value of investments as of June 30, 2020 and 2019:

Money market funds, U.S. government obligations, income and growth mutual funds and marketable equity securities - Fair value for these investments was based on quoted market prices for the identical security which are considered level 1 inputs.

Mortgage and other asset backed securities - Interest rates and credit risks of similar securities are used to determine the fair value of these investments which are considered level 2 inputs.

Land - An independent appraisal based on quoted prices for similar land and other observable inputs was used to determine the fair value which are considered level 2 inputs.

Alternative investments - Fair value was based on estimated fair values using the net asset value (NAV) per share of the investments as provided by investment managers, adjusted to reflect significant events between measurement dates if the NAV measurement date was not June 30. 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 any 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 due to the nature of the investments, changes in market conditions and the overall economic environment.

Alternative investments are funds and partnerships that invest in a variety of strategies including hedge funds, managed futures and private equity funds. These are generally illiquid investments pooled and professionally managed with the goal of generating higher returns.

The investment strategies as of June 30, 2020 are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	$ 9,736,106	$ -	Various	90 - 95 days
Managed futures	1,909,287	-	Monthly	3 days
Private equity funds	163,072	3,771,054	Illiquid	
	$ 11,808,465	$ 3,771,054		

The investment strategies as of June 30, 2019 are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	$ 9,544,241	$ -	Various	90 - 95 days
Managed futures	2,112,854	-	Monthly	3 days
Private equity funds	7,504	56,371	Illiquid	
	$ 11,664,599	$ 56,371		

The hedge funds category includes investments in several funds. One hedge fund invests primarily in long and short equity markets as well as equity markets with arbitrage strategies, merger arbitrage, closed-end fund arbitrage and equity derivative strategies. This investment has a 90 day redemption notice for which funds will be paid semi-annually on the anniversary date over a three year period. Another hedge fund invests primarily in arbitrage, credit and event strategies, equity strategies and trading oriented strategies. This particular fund has a 95 day redemption notice for which funds will be paid semi-annually.

The managed futures category includes several investment funds that directly invest in futures, forwards and options in global currency, interest rate, energy, equity, metal and agricultural markets.

The University's investment in the private equity limited partnerships became fully liquidated by June 30, 2020. The University entered into a $4,000,000 subscription agreement with a second private equity fund of funds during April 2019; the initial capital call occurred in December 2019. The private equity fund of fund's investment objective is long-term capital appreciation by creating a diversified portfolio of global private market investment strategies.

3. Contributions Receivable

Unconditional promises to give have been recorded in the consolidated financial statements as contributions receivable and revenue of the appropriate net asset category and are expected to be realized in the following periods:

	2020	2019
In one year or less	$ 1,141,772	$ 958,473
Between one year and five years	751,565	1,188,195
Greater than five years	3,000	6,000
Gross contributions receivable	1,896,337	2,152,668
Unamortized discount (discount rates ranging from 1.50% to 2.25%) and allowance for uncollectible amounts	(142,249)	(245,322)
Net contributions receivable	$ 1,754,088	$ 1,907,346

4. Notes Receivable and Other Assets

Notes receivable and other assets at June 30 consist of the following:

	2020	2019
Student loans	$ 1,118,729	$ 1,260,707
Self-insurance trust account, net of estimated claims	1,230,214	1,112,600
Split interest agreements	29,400	32,171
Other, including government grants and other program receivables	690,407	522,053
Total notes receivable and other assets	3,068,750	2,927,531
Allowance for doubtful accounts	(48,324)	(48,324)
Net notes receivable and other assets, net	3,020,426	2,879,207
Current portion	(797,447)	(643,291)
Long-term notes receivable and other assets	$ 2,222,979	$ 2,235,916

5. Land, Buildings and Equipment

Land, buildings and equipment at June 30 consists of the following:

	2020	2019
Land	$ 3,460,163	$ 3,460,163
Land improvements	30,808,796	30,627,827
Buildings and building improvements	159,817,866	148,991,909
Construction in progress	827,209	6,574,534
Equipment	45,697,006	43,156,696
Library books	3,407,900	3,432,501
Works of art	1,726,474	1,723,354
	245,745,414	237,966,984
Accumulated depreciation	(112,307,525)	(105,222,120)
	$ 133,437,889	$ 132,744,864

6. Long-Term Debt and Line of Credit

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

	2020	2019
University Revenue Note, Series of 2019, 2.65% through December 2034, 79% of the bank's prime rate or a fixed interest rate based upon the five year US Treasury rate plus 2.0% multiplied by 79%, each capped at 4.5% with scheduled principal payments through December 2041.	$ 10,000,000	$ -
University Revenue Note, Series of 2017, 2.32% through December 2022, 2.44% through December 2027, 2.69% through December 2032 and 2.84% through December 2037 with scheduled principal payments through December 2037.	9,830,000	10,000,000
University Revenue Note, Series of 2015, 2.15% through December 2022, 66% of the bank's prime rate, capped at 5.5% with scheduled principal payments through December 2035.	9,185,000	9,450,000
University Revenue Note, Series of 2013, with scheduled principal payments through December 2033 and an interest rate of 2.37%.	7,960,000	8,405,000
University Revenue Note, Series A of 2010, 2.55% with scheduled principal payments through December 2022.	4,980,000	5,695,000
University Revenue Note, Series B of 2010, 2.56% through December 2023, 69% of the sum of one month Libor plus 1.8% thereafter, capped at 5.5% with scheduled principal payments through December 2025.	6,950,000	7,230,000
University Revenue Note, Series of 2007, 2.8% through December 2023, 60% of the sum of one month Libor plus 1% or upon election a fixed rate of interest at 60% of the then prevailing 4-year Treasury Rate plus 1.70%, thereafter, capped at 5.5% with scheduled principal payments through December 2027.	4,705,000	5,145,000
University Revenue Note, Series of 2005, 67% of the bank's prime rate, capped at 5.50%, with scheduled principal payments through December 2020 (unamortized premium of $16,250 and $55,250 in 2020 and 2019, respectively). Interest rate was 2.18% at June 30, 2020.	1,340,000	2,625,000
University Revenue Note, Series of 2004, with scheduled principal payments through December 2024 and an interest rate of 2.95%.	2,130,000	2,485,000
Bank note, proceeds used to finance equipment, monthly payments plus interest at one month Libor plus 2%.	-	220,000
Equipment financing agreements	581,899	657,170
	57,661,899	51,912,170
Current portion of debt	(4,221,648)	(4,326,178)
Deferred financing costs	(469,652)	(422,900)
Original issue premium	16,250	55,250
	$ 52,986,849	$ 47,218,342

The University Revenue Notes, Series of 2019, 2017, 2015, 2013, 2007, 2005, 2004 and Series A and B of 2010, are held by banks and are also secured by a pledge of, and a lien on, the University's unrestricted revenues, but do not contain any debt service reserve requirements. Proceeds from the University Revenue Note, Series of 2004, funded the construction of Annecy Hall, a student residence placed in service in August 2005. Proceeds from the University Revenue Note, Series of 2005, were placed in escrow to refund $9,025,000 of the University Revenue Bonds, Series of 1999A in December 2009. Proceeds from the University Revenue Note, Series of 2007 were used for the construction of Donahue Hall, a student residence hall placed into service in August 2008, and certain other campus improvements. Proceeds from the University Revenue Note, Series A of 2010 were used to refinance the University Revenue Bonds, Series of 2002. Proceeds from the University Revenue Note, Series B of 2010 were used for the construction of the Gambet Center, a 78,000 square foot instructional facility placed into service in April 2013. Proceeds from the University Revenue Note, Series of 2013 were used for the construction of student residence units placed in service in August 2014 in addition to other campus improvements. Proceeds from the Revenue Note, Series of 2015, were used for athletic field and facility improvements that were placed into service during spring 2016. Approximately $6,600,000 of the proceeds from the Revenue Note, Series of 2017, were used to construct a student residence unit placed in service in August 2017, as well as other campus improvements and to purchase two properties adjacent to campus, with the remaining $3,400,000 used for the construction of a baseball and softball stadium complex completed in March 2019. Proceeds from the University Revenue Note, Series of 2019 were used for renovations to several academic buildings and the student center.

As of June 30, 2019, the University had an outstanding taxable note with a bank that financed certain capital improvements to Dooling Hall that was also secured by a pledge on the University's unrestricted revenues, but on a subordinated basis as compared to the University Revenue Notes detailed previously.

The University has four four-year equipment financing agreements remaining for computers with terms expiring between July 2019 and February 2023. The maximum payments on these agreements, which are made quarterly, total approximately $74,000. The financing agreements are collateralized by the related equipment.

The University has a $10 million commercial line of credit with a bank that expires on December 31, 2020. Interest on this line is payable monthly based on the published 30-day LIBOR rate plus 1.85 percent (2.03 percent at June 30, 2020). As of June 30, 2020 and 2019, there was $3,000,000 outstanding under the line of credit.

The University is required to maintain a minimum debt service coverage ratio as defined under the Loan and Security Agreements for the 2019, 2017, 2015, 2013, 2010, 2007, 2005 and 2004 Notes.

At June 30, 2020, the University had five irrevocable letters of credit with a bank related to certain construction projects on campus totaling approximately $759,000. There were no draws against these letters of credit during the years ended June 30, 2020 and 2019.

Scheduled principal payments, excluding premiums, on the long-term debt during the next five fiscal years and thereafter are as follows:

Years ending June 30:	
2021	$ 4,221,648
2022	4,209,318
2023	3,965,933
2024	3,735,000
2025	3,885,000
Thereafter	37,645,000
	$ 57,661,899

Deferred financing costs are amortized using the straight-line method over the remaining terms of the associated debt. Amortization expense was $51,919 and $48,828 for the years ended June 30, 2020 and 2019, respectively.

7. Commitments and Contingencies

Commitments

The University is party to an agreement with a computer services and consulting firm to manage, maintain and deliver all computer services on campus. The University renewed the agreement in June 2020; the minimum payments required under the three year agreement are $1,264,000 in 2021, $1,289,000 in 2022, and $1,315,000 in 2023. Payments made under this agreement were approximately $1,313,000 and $1,402,000 in 2020 and 2019, respectively.

Contingencies

The University is involved in litigation arising during the normal course of business. While it cannot be predicted with certainty, the University believes that the outcome of such litigation will not have a material adverse effect on the University's consolidated financial statements.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will not have a significant impact on the University's financial position.

8. Net Assets

Net assets without donor restrictions result from contributions and other inflows of assets whose use by the University is not limited by donor imposed stipulations.

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

	2020	2019
Board designated endowment	$ 41,413,418	$ 41,648,928
Designated for plant activities	13,742,458	10,184,354
Designated for debt service	2,578,591	2,625,824
Net investment in plant	72,175,057	74,665,388
Subsidiary operations	330,656	299,606
Subsidiary operations, board designated endowment	474,791	442,099
Designated for program and faculty development	950,000	950,000
Undesignated	3,353,584	2,886,950
Total net assets without donor restrictions	$ 135,018,555	$ 133,703,149

Donor restricted net assets result from contributions and other inflows of assets whose use by the University is limited by donor imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the University pursuant to those stipulations. Donor imposed stipulations may also require that assets be maintained permanently by the University.

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

	2020	2019
Purpose restrictions:		
Donor restricted endowment	$ 8,776,779	$ 8,374,088
Capital campaign funds (includes capital pledges)	1,392,032	1,765,518
Daniel Gambet Enrichment fund	728,299	811,565
Academic programs and related funds	985,065	914,591
Subsidiary operations	131,286	140,719
Time restriction on net investment in plant	255,000	255,000
Donor restricted endowment held in perpetuity	27,407,891	24,870,578
Subsidiary operations, donor restricted endowment	2,456,061	2,450,466
Other	433,628	433,604
Total net assets with donor restrictions	$ 42,566,041	$ 40,016,129

Net asset classification by type of endowment as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 41,413,418	$ -	$ 41,413,418
Subsidiary operations, board designated endowment	474,791	-	474,791
Donor restricted endowment	-	8,776,779	8,776,779
Donor restricted endowment held in perpetuity	-	27,407,891	27,407,891
Subsidiary operations, donor restricted endowment	-	2,456,061	2,456,061
Total funds	$ 41,888,209	$ 38,640,731	$ 80,528,940

The following schedule represents the changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 42,091,027	$ 35,695,132	$ 77,786,159
Investment return:			
Investment income	1,334,667	1,238,702	2,573,369
Net (depreciation) appreciation (realized and unrealized)	(736,555)	37,155	(699,400)
Total investment return	598,112	1,275,857	1,873,969
Contributions	4,737	2,428,695	2,433,432
Net assets released from restriction	-	(758,953)	(758,953)
Distributions for current operations	(1,334,667)	-	(1,334,667)
Transfers to create board designations	529,000	-	529,000
Endowment net assets, end of year	$ 41,888,209	$ 38,640,731	$ 80,528,940

Net asset classification by type of endowment as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 41,648,928	$ -	$ 41,648,928
Subsidiary operations, board designated endowment	442,099	-	442,099
Donor restricted endowment	-	8,374,088	8,374,088
Donor restricted endowment held in perpetuity	-	24,870,578	24,870,578
Subsidiary operations, donor restricted endowment	-	2,450,466	2,450,466
Total funds	$ 42,091,027	$ 35,695,132	$ 77,786,159

The following schedule represents the changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 41,325,434	$ 32,969,708	$ 74,295,142
Investment return:			
Investment income	1,281,998	1,336,707	2,618,705
Net appreciation (realized and and unrealized)	199,970	625,683	825,653
Total investment return	1,481,968	1,962,390	3,444,358
Contributions	30,123	1,638,464	1,668,587
Net assets released from restriction	-	(833,980)	(833,980)
Distributions for current operations	(1,281,998)	-	(1,281,998)
Transfers to create board designations	535,500	-	535,500
Change in value of split interest agreements	-	(41,450)	(41,450)
Endowment net assets, end of year	$ 42,091,027	$ 35,695,132	$ 77,786,159

9. Functional and Natural Classification of Expenses

The University reports certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Depreciation, interest and facility operations and maintenance have been allocated to functional classifications based on the usage of the space in the facilities as a percentage the total expenses. Salaries and benefits are allocated on the basis of estimates of time and effort.

Expenses by functional and natural classification for the year ended June 30, 2020:

	Instruction and Research	Academic Support	Student Services	Institutional Support	Auxiliary Services	Total Expenses
Salaries	$ 18,599,819	$ 2,044,628	$ 4,298,338	$ 4,341,609	$ 1,489,405	$ 30,773,799
Benefits	5,477,343	602,110	1,265,790	1,278,533	438,606	9,062,382
Service, supplies and other expenses	3,608,180	908,318	3,014,137	5,074,575	5,578,702	18,183,912
Advertising	683,618	352,293	183,323	224,088	1,406	1,444,728
Facility operations and maintenance	2,810,536	250,745	1,398,579	426,237	2,366,870	7,252,967
Depreciation	2,547,283	449,092	1,787,269	1,281,338	1,935,931	8,000,913
Interest	440,254	59,199	442,127	92,312	419,729	1,453,621
Total	$ 34,167,033	$ 4,666,385	$ 12,389,563	$ 12,718,692	$ 12,230,649	$ 76,172,322

Expenses by functional and natural classification for the year ended June 30, 2019:

	Instruction and Research	Academic Support	Student Services	Institutional Support	Auxiliary Services	Total Expenses
Salaries	$ 17,087,611	$ 1,851,715	$ 4,068,132	$ 4,078,765	$ 1,484,039	$ 28,570,262
Benefits	5,414,386	586,735	1,289,030	1,292,399	470,233	9,052,783
Service, supplies and other expenses	3,668,800	997,172	3,280,218	5,459,648	7,344,297	20,750,135
Advertising	480,751	286,690	133,925	173,839	60	1,075,265
Facility operations and maintenance	2,765,233	306,876	1,220,494	575,091	2,665,786	7,533,480
Depreciation	2,145,042	375,490	1,727,612	1,207,948	2,024,125	7,480,217
Interest	286,158	45,897	435,128	90,927	462,408	1,320,518
Total	$ 31,847,981	$ 4,450,575	$ 12,154,539	$ 12,878,617	$ 14,450,948	$ 75,782,660

10. Liquidity and Availability of Resources

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

	2020	2019
Cash and cash equivalents without donor restrictions	$ 13,795,104	$ 7,389,577
Accounts receivable	3,132,607	1,772,630
Contributions receivable current, without donor restrictions	282,304	458,412
Short-term investments	111,363	111,114
Notes receivable	661,621	453,971
Financial assets available to meet cash needs for general expenditures within one year	$ 17,982,999	$ 10,185,704

The University's endowment funds consist of both donor restricted and board designated endowments. Income from donor restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The spending policy for board designated endowments will yield approximately $2,094,000 of appropriations available for spending for the year ended June 30, 2021.

A component of the University's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the University has a committed line of credit in the amount of $10,000,000, which it could draw upon. The University also holds board designated endowment funds of approximately $41,888,000. 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 of up to 95 days that would reduce the total investments that could be made available on short notice.