Cedar Crest College

Financial Statements and
Supplementary Information

June 30, 2020 and 2019

Independent Auditors' Report

To the Board of Trustees of
Cedar Crest College

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, are required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Financial Responsibility Supplemental Schedule, as required by Title 34 CFR Section 668.172, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Allentown, Pennsylvania
October 23, 2020, except for Note 16, as to which the date is May 5, 2021

Cedar Crest College

Statements of Financial Position
June 30, 2020 and 2019

Assets	2020	2019
Current Assets		
Cash and cash equivalents	$ 5,524,924	$ 3,433,106
Short-term investments	484,581	640,393
Student receivables, net	1,840,572	1,244,253
Other receivables	300,563	361,145
Contributions receivable, net	204,812	218,955
Prepaid expenses	198,707	234,733
Total current assets	8,554,159	6,132,585
Noncurrent Assets		
Student loans receivable	914,616	921,077
Contributions receivable, net	53,818	117,409
Long-term investments	36,746,895	36,136,164
Assets under split-interest agreements:		
Assets held in charitable remainder trust	5,095,000	5,095,000
Beneficial interest in charitable remainder trust	6,319,697	6,174,183
Assets of pooled income fund	85,598	85,258
Total noncurrent assets	49,215,624	48,529,091
Property and Equipment		
Land	751,331	751,331
Land improvements	3,314,166	3,307,520
Buildings and building improvements	55,913,242	55,138,542
Equipment, furniture, and fixtures	22,085,028	21,142,036
Library materials and collections	9,782,315	9,435,340
Construction in progress	58,470	7,368
Accumulated depreciation	(56,039,060)	(52,350,199)
Total property and equipment	35,865,492	37,431,938
Total assets	$ 93,635,275	$ 92,093,614

Liabilities and Net Assets	2020	2019
Current Liabilities		
Current portion notes payable	$ 1,145,000	$ 1,105,000
Current portion capitalized lease obligations payable	198,987	222,137
Agency funds	185,036	120,885
Accounts payable and accrued expenses	215,956	666,409
Accrued payroll and related items	617,297	408,205
Accrued interest payable	126,681	137,352
Student deposits	116,239	174,189
Deferred revenues	1,698,853	1,718,250
Refundable advance from federal government	3,953,000	-
Total current liabilities	8,257,049	4,552,427
Noncurrent Liabilities		
Liabilities under split-interest agreements:		
Liability to life beneficiary	2,398,672	2,482,427
Deferred revenue, pooled income fund	16,231	17,132
Capitalized lease obligations payable	242,614	206,971
Notes payable	18,151,147	18,148,840
Refundable advance from federal government for student loans	892,029	933,844
Total noncurrent liabilities	21,700,693	21,789,214
Total liabilities	29,957,742	26,341,641
Net Assets		
Without donor restrictions	23,701,266	25,590,685
With donor restrictions	39,976,267	40,161,288
Total net assets	63,677,533	65,751,973
Total liabilities and net assets	$ 93,635,275	$ 92,093,614

See notes to financial statements

Cedar Crest College

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

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Operating Revenues				
Tuition and fees (net of scholarship allowances $17,868,714 in 2020 and of $16,505,205 in 2019)	$ 24,386,653	$ -	$ 24,386,653	$ 27,332,618
Federal grants and contracts	1,693,272	-	1,693,272	248,894
State and local grants	411,123	-	411,123	348,263
Private gifts, grants and bequests	1,087,615	1,872,145	2,959,760	3,378,646
Endowment interest and dividend income, net	75,696	418,105	493,801	660,331
Facilities rental	403,975	-	403,975	710,080
Other income	704,881	24	704,905	1,058,581
Auxiliary enterprises	4,398,115	-	4,398,115	4,935,182
Interest on loans receivable	1,923	-	1,923	1,252
Endowment spending	1,348,591	(1,348,591)	-	-
Net assets released from restrictions, satisfaction of time and purpose restrictions	949,680	(949,680)	-	-
Total operating revenues	35,461,524	(7,997)	35,453,527	38,673,847
Operating Expenses				
Education and general:				
Instructional	15,460,580	-	15,460,580	15,065,331
Academic support	1,425,548	-	1,425,548	1,295,061
Student services	5,898,630	-	5,898,630	6,265,084
Public service	1,478,082	-	1,478,082	1,723,196
Institutional support	9,330,031	-	9,330,031	9,470,554
Student aid	140,806	-	140,806	146,914
Total educational and general	33,733,677	-	33,733,677	33,966,140
Auxiliary enterprises	3,565,791	-	3,565,791	3,822,002
Total operating expenses	37,299,468	-	37,299,468	37,788,142
Change in net assets from operating activities	(1,837,944)	(7,997)	(1,845,941)	885,705
Nonoperating Activities				
Realized gain on long-term investments	509,694	2,391,340	2,901,034	614,442
Unrealized (loss) gain on investments	(561,169)	(2,490,374)	(3,051,543)	184,340
Change in the valuation of split-interest agreements	-	(77,990)	(77,990)	238,735
Change in net assets from nonoperating activities	(51,475)	(177,024)	(228,499)	1,037,517
Change in net assets	(1,889,419)	(185,021)	(2,074,440)	1,923,222
Net Assets, Beginning	25,590,685	40,161,288	65,751,973	63,828,751
Net Assets, Ending	$ 23,701,266	$ 39,976,267	$ 63,677,533	$ 65,751,973

See notes to financial statements

Cedar Crest College

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Tuition and fees (net of scholarship allowances of $16,505,205)	$ 27,332,618	$ -	$ 27,332,618
Federal grants and contracts	248,894	-	248,894
State and local grants	348,263	-	348,263
Private gifts, grants and bequests	940,488	2,438,158	3,378,646
Endowment interest and dividend income	129,739	530,592	660,331
Facilities rental	710,080	-	710,080
Other income	1,058,532	49	1,058,581
Auxiliary enterprises	4,935,182	-	4,935,182
Interest on loans receivable	1,252	-	1,252
Endowment spending	1,316,033	(1,316,033)	-
Net assets released from restrictions, satisfaction of time and purpose restrictions	793,619	(793,619)	-
Total operating revenues	37,814,700	859,147	38,673,847
Operating Expenses			
Educational and general:			
Instructional	15,065,331	-	15,065,331
Academic support	1,295,061	-	1,295,061
Student services	6,265,084	-	6,265,084
Public service	1,723,196	-	1,723,196
Institutional support	9,470,554	-	9,470,554
Student aid	146,914	-	146,914
Total educational and general	33,966,140	-	33,966,140
Auxiliary enterprises	3,822,002	-	3,822,002
Total operating expenses	37,788,142	-	37,788,142
Change in net assets from operating activities	26,558	859,147	885,705
Nonoperating Activities			
Realized gain on long-term investments	113,460	500,982	614,442
Unrealized gain on investments	39,573	144,767	184,340
Restoration of underwater endowments	109,516	(109,516)	-
Change in the valuation of split-interest agreements	-	238,735	238,735
Change in net assets from nonoperating activities	262,549	774,968	1,037,517
Change in net assets	289,107	1,634,115	1,923,222
Net Assets, Beginning	25,301,578	38,527,173	63,828,751
Net Assets, Ending	$ 25,590,685	$ 40,161,288	$ 65,751,973

See notes to financial statements

Cedar Crest College

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

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	$ (2,074,440)	$ 1,923,222
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,251,754	4,084,621
Amortization	20,183	21,273
Unrealized loss (gain) on investments	3,051,543	(184,340)
Realized gains on investments	(2,901,034)	(614,442)
Contributions received for long-term investment	(1,402,370)	(2,026,574)
Changes in split-interest agreements	(230,510)	(586,715)
Changes in operating assets and liabilities:		
Student accounts receivable	(596,319)	1,066,518
Other receivables	60,582	1,032,923
Contributions receivable	320,222	445,563
Prepaid expenses	36,026	49,915
Agency funds	64,151	622
Accounts payable and accrued expenses	(468,519)	(634,431)
Accrued payroll and related items	209,092	19,465
Accrued interest payable	(10,671)	7,365
Student deposits	(57,950)	34,720
Deferred revenues	(19,397)	(137,343)
Refundable advance from federal government	3,953,000	-
Other noncurrent liabilities	-	(20,000)
Net cash provided by operating activities	4,205,343	4,482,362
Cash Flows From Investing Activities		
Acquisition of property and equipment	(2,362,040)	(4,737,421)
Purchases of investments	(12,484,722)	(3,402,637)
Proceeds from maturities/sales of investments	11,879,294	2,228,263
Student loans advanced	(96,500)	(96,573)
Student loans collected	101,832	94,520
Other changes in student loans	1,129	2,219
Net cash used in investing activities	(2,961,007)	(5,911,629)
Cash Flows From Financing Activities		
Proceeds from debt	1,127,124	3,000,000
Payment of debt principal	(1,105,000)	(1,080,000)
Payment of capital lease obligations	(292,709)	(293,858)
Proceeds from long-term contributions	1,159,882	2,319,343
Other changes in government loan funds	(41,815)	6,107
Net cash provided by financing activities	847,482	3,951,592
Net increase in cash and cash equivalents	2,091,818	2,522,325
Cash and Cash Equivalents, Beginning	3,433,106	910,781
Cash and Cash Equivalents, Ending	$ 5,524,924	$ 3,433,106
Supplemental Disclosures		
Interest paid	$ 539,409	$ 520,152
Supplemental Disclosure of Noncash Operating and Investing Activities		
Property and equipment in accounts payable	$ 18,066	$ 300,508
Equipment acquired under capital lease	$ 305,202	$ 178,273

See notes to financial statements

1. Summary of Significant Accounting Policies

Nature of Operations

Cedar Crest College (the College) is a liberal arts college primarily for women dedicated to the education of the next generation of leaders. The College prepares students for life in a global community by educating the whole student at all stages of life and experience.

The College campus, with 19 primary buildings, is located in the western residential section of the City of Allentown, Pennsylvania in the Lehigh Valley, which has a combined population of approximately 820,000. The College is within 55 miles of Philadelphia and 90 miles of New York City. The College serves approximately 1,500 students and has a 9:1 student-faculty ratio. The College is accredited by the Middle States Commission on Higher Education.

The College evaluated subsequent events for recognition or disclosure through October 23, 2020, the date the financial statements were issued.

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting. For financial reporting purposes, the College follows the reporting requirements of Generally Accepted Accounting Principles (GAAP), which require that resources are classified based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

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

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

Nonoperating Activities

As presented in the statements of activities, realized gains on long-term investments, unrealized appreciation (depreciation) on investments and changes in the valuation of certain split-interest agreements have been classified as nonoperating activities.

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. Spring and Summer I tuition and fees are recognized and rendered within the same fiscal year. Tuition and fees for Summer II are recorded in deferred revenue and recognized as revenue in the following year. Various rehabilitation science and nursing programs are outside of the traditional semester model. Each of these programs is divided into current year and future year revenue based on the number of weeks in which the course takes place.

Tuition, fees, room and board rates are approved by the Board of Trustees. Institutional financial aid and discounts provided by the College are reflected as a reduction of tuition and fee revenue. The College awards grants-in-aid and scholarships to individuals who meet the College's academic standards. The amounts of such awards are based upon the merit of each applicant. Financial aid and discounts provided to students were $17,868,714 and $16,505,205 in 2020 and 2019, respectively.

Amounts are due for tuition, fees, room and board prior to the beginning of each semester. In accordance with the College'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 College is unconditionally entitled. In connection with the adoption of the revenue recognition standard, the College considers such amounts as unconditional based on the payment due date.

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

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

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

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

Deferred Revenue and Deposits

Deferred revenue and deposits includes payments received prior to the start of the academic term.

The following table depicts activities for deferred revenue related to tuition and fees and room and board.

	Balance at June 30, 2019	Refunds Issued	Revenue Recognized Included in June 30, 2019 Balance	Cash Received in Advance of Performance	Balance at June 30, 2020
Tuition and fees, net	$ 1,517,402	$ 69,519	$ 1,447,883	$ 1,346,673	$ 1,346,673
Room and board, net	4,600	-	4,600	-	-

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Student and Loans Receivable

Student receivables are not collateralized. Reserves have been provided for based on management's estimate of credit losses. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for losses on student receivables was $327,233 and $351,269 at June 30, 2020 and 2019, respectively.

The student loans receivable represents loans to students funded by advances to the College by the federal government under the federal Perkins and Nursing Student Loan Program (the Programs). In the event that the College ceases to participate in the Programs, the amounts are refundable to the federal government. The federal government's portion of these funds at June 30, 2020 and 2019 was $892,029 and $933,844, respectively.

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

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 financial statements.

Investments

Investments are recorded at fair value. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statements of activities. All realized gains and losses arising from the sale of investments and ordinary income from investments are reported as changes in net assets without donor restrictions unless their use is restricted by explicit donor imposed stipulations, or by law. Alternative investments are valued at the net asset value (NAV) of the underlying holdings.

Investments are classified as short-term in the statements of financial position if liquidation of the investments is anticipated within the next twelve months to meet operating needs or to fund construction projects and other capital acquisitions.

The College's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the College's investment policy. The degree and concentration of credit risk varies by type of investment. The fair values reported in the statements of financial position are exposed to various risks including changes in the equity markets, the interest rate environment and general economic conditions. 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 reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Property and Equipment

Property and equipment are stated at cost at date of acquisition, or fair value at date of donation in the case of gifts. Depreciation on property and equipment is provided on the straight-line method over the following estimated lives:

	Years
Buildings	30 - 60
Buildings and land improvements	15 - 30
Vehicles	3 - 5
Equipment, furniture and fixtures	5 - 10
Library materials and collections	10

Works of art and other collection items are capitalized at cost or fair value at the date of the gift and are not depreciated. These items are protected and preserved for public exhibition, education, research and furtherance of public service. They are neither disposed for financial gain or encumbered in any manner.

Title IV Requirements

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

Institutions participating in Title IV programs are required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible.

Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of and for the years ended June 30, 2020 and 2019, the College's composite score exceeded 1.5.

Split-Interest Agreements

The College is a party to two types of split-interest agreements, charitable remainder trusts and pooled income funds. The College reports separately the assets and liabilities of its split-interest agreements in the statements of financial position, and it reports separately contribution revenue from split-interest agreements and the change in valuation of split interest agreements in its statements of activities.

A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the remaining assets are transferred to the College in accordance with the donor's stated restrictions, if any. The College is a party to various types of charitable remainder trusts.

The College is a party to an agreement whereby title of real estate was deeded to the College (asset held in charitable remainder trust). As part of the agreement, a beneficiary was given the right to utilize the real estate until death. The College recorded an asset at fair value at the date of gift. The difference between the fair value of the asset and the present value of future benefit discounted over the beneficiary's actuarially determined life expectancy (liability to life beneficiary) was recorded as a contribution. Amortization of the liability and changes in the life expectancy of the beneficiary are recognized as change in the valuation of split interest agreements.

The College is also a party to charitable remainder annuity trusts and charitable remainder unitrusts of which a third party is trustee (beneficial interest in charitable remainder trusts). The College records a beneficial interest in charitable remainder trust based on the present value of the estimated expected future benefits to be received when the trust assets are distributed. Adjustments are made to the beneficial interest to reflect changes in the fair value and are recognized as change in the valuation of split-interest agreements.

Pooled income funds are arrangements whereby many donors' gifts are invested and pooled together, and each donor is assigned a relative number of units in the pool (pooled income fund). Until the donor's death, the donor is paid the investment income earned on the donor's units of the pooled income fund. Contribution revenue has been recorded at the fair value of the assets received, discounted for the actuarially determined life expectancy of the donor. The difference between the fair value of the assets received and the revenues recognized is recorded as deferred revenue, representing the amount of the discount for future interest. Upon the donor's death, the value of the donor's units reverts to the College and is to be used in accordance with the donor's stated restrictions, if any. Amortization of the discount and changes in the life expectancy of the beneficiary are recognized as change in the valuation of split interest agreements.

Advertising

Advertising expenses are recorded as incurred and were $708,839 in 2020 and $690,959 in 2019.

Fundraising Costs

Fundraising costs are expensed as incurred and amounted to $949,034 in 2020 and $1,079,829 in 2019. Fundraising costs are included in institutional support in the statements of activities.

Use of Estimates

The preparation of the College's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Accounting Standards Adopted in the Current Year

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers*. This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. There were no material changes to the financial statements as a result of adoption of ASU No. 2014-09 aside from expanded disclosures in the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. There were no material changes to the financial statements as a result of adoption of ASU No. 2018-08.

New Accounting Standards Not Yet Adopted

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statements of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for the College in fiscal 2023. The College expects to use the optional transition method and recognize and measure leases at the beginning of the year of adoption and recognize a cumulative effect adjustment to opening net assets in the year of adoption. The College is assessing the impact this standard will have on its financial statements.

In March 2019, FASB issued ASU 2019-03, *Not-for-Profit-Entities (Topic 958): Updating the Definition of Collections*. ASU 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 2019-03, expands the definition of 'collections' and now allows Not-for- Profit Entities that have collections to use funds from deaccessioned collection pieces to support the direct care of existing collections in addition to the current requirement that proceeds from sales of collection items be used to acquire other items for collection. ASU 2019-03 is effective for the College in fiscal 2021 and is to be applied on a prospective basis. The College is assessing the impact this standard will have on its financial statements.

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

In January 2020, an outbreak of a new strain of the coronavirus disease, COVID-19, was identified. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. Currently, no vaccine has been made available to the public. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. On March 16, 2020, following guidance from Pennsylvania Governor Tom Wolf, students, 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 College’s operations. While this disruption is anticipated to be temporary, with full operations and services resuming in the near future, the exact timing of a return to normal is uncertain. Furthermore, the extent of the impact of COVID-19 on the College’s operational and financial performance will depend on the developments of COVID-19, including the duration and spread of the outbreak, development of a vaccine, impact on students, employees and vendors, all of which are uncertain and cannot be reasonably predicted at the current time. The Board of Trustees and the College's Cabinet 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 May 2020 the College issued refunds to students for housing and dining in the amount of $755,615. Refunds issued reduced the amount of auxiliary enterprise revenue recognized in the statement of activities for the year ended June 30, 2020. The College implemented a number of internal measures to address the negative financial impact of COVID-19. Measures included a freeze on nonessential operating expenses, a freeze on hiring for open positions, renegotiated service contracts, and reduced Cabinet level salaries.

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

The College received $1,526,417 of HEERF funding on April 22, 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, $678,577 of the student relief portion of the grant was expended and recognized as federal grants and contracts revenue and student aid expense and $678,577 of the institutional portion of the grant was expended and recognized as federal grants and contract income. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions.

Below is a summary of the financial impact of the College's response to COVID-19 for the year ended June 30, 2020.

Room, board and student fee refunds	$ 755,615
Travel cancellation costs	13,246
Personal protective equipment	14,298
Remote learning expenses	40,064
Other operational expenses	10,816
Total refunds and expenses	834,039
Less CARES Act - Institutional HEERF	763,208
Total	$ 70,831

In April 2020, the College applied for and was approved for funding pursuant to the Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration. The PPP was authorized in the CARES Act. The College received proceeds of $3,953,000 on April 22, 2020 and there are no collateral or guarantee requirements. Management believes that the College has met certain eligibility and spending requirements under the PPP, which would allow the full amount to be forgiven. The College has recorded the PPP funding as a refundable advance as of June 30, 2020, and expects forgiveness to occur in 2021.

3. Contributions Receivable

Included in contributions receivable at June 30, 2020 and 2019 are the following unconditional promises to give:

	2020	2019
Contributions receivable, gross	$ 264,277	$ 362,726
Discount	(2,347)	(6,515)
Allowance for uncollectibles	(3,300)	(19,847)
Contributions receivable, net	$ 258,630	$ 336,364
Current portion of contributions receivable	$ 204,812	$ 218,955
Long-term contributions receivable	53,818	117,409
Total	$ 258,630	$ 336,364

Contributions due in future years are as follows:

Years ending June 30:	
Less than one year	$ 206,316
One to two years	51,500
Three to four years	6,461
Total	$ 264,277

Contributions are discounted to their present value over the period they are to be collected at risk-adjusted rates ranging from .16 percent to 2.73 percent.

Management believes the College's allowance for doubtful collections at June 30, 2020 and 2019 is adequate based upon information currently known. However, events impacting donors' ability to fulfill their commitments can occur in subsequent years, which may result in a material change in the allowance for doubtful collections.

4. Fair Value Measurements, Investments and Other Financial Instruments

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

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the College for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The following tables present the financial instruments measured at fair value as of June 30, 2020 and 2019 by caption on the statements of financial position by the valuation hierarchy defined above:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets Reported at Fair Value				
Short-term investments:				
Cash and cash equivalents	$ 483,581	$ -	$ -	$ 483,581
Bonds	-	1,000	-	1,000
Total short-term investments	483,581	1,000	-	484,581
Long-term investments:				
Certificates of deposits	25,000	-	-	25,000
Marketable equity securities	113,816	-	-	113,816
Equity mutual funds:				
International	9,318,702	-	-	9,318,702
Large cap	12,940,392	-	-	12,940,392
Fixed income mutual funds:				
U.S. corporate	1,780,687	-	-	1,780,687
U.S. government	1,570,412	-	-	1,570,412
U.S. securitized	2,646,662	-	-	2,646,662
Total long-term investments by valuation hierarchy	28,395,671	-	-	28,395,671
Alternative Investments Reported at NAV				
Hedge fund				7,766,378
Private equity				584,846
Total alternative investments				8,351,224
Total long-term investments				36,746,895
Assets Held in Charitable Remainder Trust	-	-	5,095,000	5,095,000
Beneficial Interest in Remainder Trust	-	-	6,319,697	6,319,697
Assets of Pooled Income Fund	85,598	-	-	85,598
Total assets	$ 28,964,850	$ 1,000	$ 11,414,697	$ 48,731,771

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets Reported at Fair Value				
Short-term investments:				
Cash and cash equivalents	$ 639,393	$ -	$ -	$ 639,393
Bonds	-	1,000	-	1,000
Total short-term investments	639,393	1,000	-	640,393
Long-term investments:				
Certificates of deposits	25,000	-	-	25,000
Marketable equity securities	99,925	-	-	99,925
Equity mutual funds:				
International	13,242,345	-	-	13,242,345
Large cap	12,983,027	-	-	12,983,027
Small/mid cap	680,175	-	-	680,175
Fixed income mutual funds:				
U.S. corporate	1,850,372	-	-	1,850,372
U.S. government	2,212,147	-	-	2,212,147
U.S. securitized	2,047,209	-	-	2,047,209
Total long-term investments by valuation hierarchy	33,140,200	-	-	33,140,200
Alternative Investments Reported at NAV				
Hedge fund				2,233,816
Private equity				762,148
Total alternative investments				2,995,964
Total long-term investments				36,136,164
Assets Held in Charitable Remainder Trust	-	-	5,095,000	5,095,000
Beneficial Interest in Remainder Trust	-	-	6,174,183	6,174,183
Assets of Pooled Income Fund	85,258	-	-	85,258
Total assets	$ 33,864,851	$ 1,000	$ 11,269,183	$ 48,130,998

The Level 3 rollforward for 2020 and 2019 is as follows:

	Assets Held in Charitable Remainder Trust	Beneficial Interest in Remainder Trust
Balance at June 30, 2018	$ 4,950,000	$ 5,755,919
Additions:		
Change in value	145,000	418,263
Balance at June 30, 2019	5,095,000	6,174,182
Additions:		
Change in value	-	145,515
Balance at June 30, 2020	$ 5,095,000	$ 6,319,697

The change in value of assets held in charitable remainder trust is reduced by the change in value of the liability to life beneficiary. This net value is recognized in the change in valuation of split interest agreements under nonoperating activities in the statements of activities.

Valuation Methodologies

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Investments: Mutual funds, equity and fixed income, marketable equity securities, and certificates of deposits in the investment portfolio are measured at fair value using quoted market prices for identical assets, which are considered Level 1 inputs. Bonds in the investment portfolio are measured at fair value using pricing for similar assets with similar terms in actively traded markets, which are considered Level 2 inputs. The certificates of deposit were measured using Level 1 inputs in which cost approximates fair value.

Alternative investments: The College measures the fair value for these alternative investments based on 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 fund'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 College 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 are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The alternative investments category represents investments in offshore hedge funds and private equities. The hedge funds pursue multiple strategies to diversify risks and reduce volatility. The hedge funds were created to maximize risk-adjusted returns and achieve low correlation to the equity markets. The private equities are primarily invested in limited partnerships and were created to realize long-term total returns. The fair value of the investment in this category has been estimated using the NAV per share of the investment. The College may redeem shares in the alternative investments, in whole or in part, on 90 days' prior written notice as of the last business day of each quarter. The College does not have any remaining unfunded commitments related to these investments.

Assets held in charitable remainder trust: The fair value of the assets held in charitable remainder trust are based on the present value of the underlying real estate at the date expected to be sold, which are considered Level 3 inputs.

Beneficial interest in remainder trust: The fair value of the beneficial interest in remainder trust is based on the present value of the underlying investments over the beneficiaries' life expectancies, which are considered Level 3 inputs.

Assets of pooled income fund: The fair value of the assets of pooled income fund is based on the underlying interests, which utilize closing prices on an active exchange, which are considered Level 1 inputs.

Investment Return

The College's total investment return is comprised of the following components at June 30, 2020 and 2019:

	2020	2019
Interest and dividend income	$ 702,879	$ 860,609
Investment fees	(209,078)	(200,278)
Net interest and dividend income	493,801	660,331
Net realized gain on investments	2,901,034	614,442
Unrealized (loss) gain on investments	(3,051,543)	184,340
Net unrealized (loss) gain on investments	(150,509)	798,782
Net investment gain	$ 343,292	$ 1,459,113

5. Line of Credit

The College has entered into a loan agreement to provide an unsecured revolving line of credit facility, which provided up to a maximum principal amount of $2,000,000. This facility bears interest at LIBOR plus 1.9 percent. Interest on the aggregate outstanding balance under this line of credit facility is payable monthly. The College had no borrowings outstanding under the line of credit at June 30, 2020 and 2019. The line of credit expires on March 31, 2021.

6. Long-Term Debt

	2020	2019
College Revenue Note, Series of 2014 (issued through Municipal Authority of Cumru), payable in annual installments ranging from $415,000 to $670,000 plus interest at a fixed rate of 2.57% through April 1, 2025, and 4.8% through April 1, 2035.	$ 7,890,000	$ 8,360,000
College Revenue Note, Series A and Series B of 2015 (issued through Municipal Authority of Cumru), payable in annual installments ranging from $180,000 to $310,000 plus interest at a fixed rate of 2.10%.	6,835,000	7,235,000
College Revenue Note, Series of 2017 (issued through Municipal Authority of Cumru), initial issue amount available to be drawn through November 2019 of $5,200,000, payable in annual installments ranging from $205,000 to $330,000 plus interest at a fixed rate of 2.33% through April 1, 2028, and 5.5% through April 1, 2038.	4,735,000	3,842,876
Total	19,460,000	19,437,876
Less unamortized note issuance costs	(163,853)	(184,036)
Total	19,296,147	19,253,840
Current portion	(1,145,000)	(1,105,000)
Long-term portion	$ 18,151,147	$ 18,148,840

The aggregate future principal payments on notes payable at June 30, 2020, is as follows:

Years ending June 30:	
2021	$ 1,145,000
2022	1,170,000
2023	1,200,000
2024	1,235,000
2025	1,270,000
Thereafter	13,440,000
Total	$ 19,460,000

On August 7, 2020, the College entered into an interest rate modification on the 2015 Series A and Series B notes held through BB&T, now Truist. Under this interest rate modification, the College reduced its current fixed rate of 2.7 percent through April 2025 and 5 percent through April 1, 2035, to a 2.10 percent indicative tax-exempt fixed rate through final maturity.

7. Lease Commitments

The College leases certain computer and audio visual equipment under capitalized leases. Lease terms for equipment leased by the College are generally between three and five years.

Future minimum lease payments under the College's capital lease commitments are as follows:

Years ending June 30:	
2021	$ 200,560
2022	153,064
2023	83,221
2024	6,283
Total	443,128
Interest amount	(1,527)
Present value of future minimum lease payments	441,601
Current portion	(198,987)
Long-term	$ 242,614

Equipment acquired under capital leases is summarized as follows at June 30, 2020 and 2019:

	2020	2019
Equipment under capital lease, at cost	$ 990,657	$ 1,217,890
Accumulated amortization	(476,591)	(732,957)
Equipment under capital lease, net	$ 514,066	$ 484,933

Equipment acquired under capital leases is amortized on a straight-line basis over the terms of the respective leases. Amortization of equipment under capital lease is included in depreciation expense.

8. Net Assets

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

	2020	2019
Unrestricted	$ 4,999,067	$ 5,081,852
Board-designated endowment	2,678,019	2,759,844
Net investment in plant	16,024,180	17,748,989
Total net assets without donor restrictions	$ 23,701,266	$ 25,590,685

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

	2020	2019
Investments, primarily accumulated change in market value of investments in excess of the Pennsylvania trust limitation and unexpended assets for other designated purposes	$ 27,386,188	$ 26,214,049
Accumulated endowment income	1,815,981	2,587,825
Term endowment fund	1,012,505	966,757
Total endowment fund (Note 9)	30,214,674	29,768,631
Beneficial interest in remainder trust	6,319,697	6,174,183
Educational and general programs	418,643	1,202,529
Assets held in charitable remainder trust	2,696,327	2,612,572
Contributions receivable	258,630	336,365
Pooled income funds	68,296	67,008
Total	$ 39,976,267	$ 40,161,288

Contributions receivable and assets in the charitable and beneficial remainder trusts, when received, are generally available for education services and programs.

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors. Net assets released from restrictions consisted of the following as of June 30, 2020 and 2019, respectively:

	2020	2019
Endowment spending	$ 1,348,591	$ 1,316,033
Restricted grants and scholarships	$ 645,744	$ 291,303
Capital expenditures	105,151	208,196
Contributions received	198,785	294,120
Releases of time and purpose restriction	$ 949,680	$ 793,619

9. Endowment Funds

The College's endowment consists of 321 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The policy of the Board of Trustees of the College based on its interpretation of Pennsylvania law, is to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

1. The duration and preservation of the fund
2. The purpose of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. The College expects its endowment funds to attain total return, net of management fees, in excess of a fully diversified Long-Term Policy Portfolio incorporating the asset classes identified in the stated asset allocation. Performance of the overall endowment is to be measured against this objective over a five-year period, which may encompass more than one market cycle.

The long-term strategic asset allocation guidelines and operating ranges are provided in the Investment Plan. Asset allocation guidelines reflect both the diversified profile of the portfolio and the need to emphasize equity-related investments to achieve the return objective. The asset allocation operating ranges provide flexibility for shifts in the long-term policy to mitigate portfolio risks. The range on the global equity allocation is 52-71 percent, the range for the alternatives is 10-25 percent and the range for the overall fixed income allocation is 14-21 percent.

For fiscal year 2020, the College has appropriated for distribution 5 percent of its endowment fund's three-year moving average of the market value. This level of distribution is within the limitation imposed by Pennsylvania statute. A deviation from this level must be approved by the Board of Trustees. In establishing this percentage, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects current spending policy to allow its endowment to grow at an average of 7 percent annually. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the fiscal years ended June 30, 2020 and 2019:

	Board Designated	Donor Restrictions	Total
Endowment net assets, July 1, 2018	$ 2,240,909	$ 28,382,532	$ 30,623,441
Investment return:			
Investment income	49,592	530,592	580,184
Net realized and unrealized gain	84,495	645,749	730,244
Total investment return	134,087	1,176,341	1,310,428
Contributions	100	2,312,888	2,312,988
Appropriation of endowment assets for expenditure	(4,360)	(1,316,033)	(1,320,393)
Changes in due to/from	389,108	(787,097)	(397,989)
Change	518,935	1,386,099	1,905,034
Endowment net assets, June 30, 2019	2,759,844	29,768,631	32,528,475
Investment return:			
Investment income	35,476	418,105	453,581
Net realized and unrealized gain	(19,624)	(96,262)	(115,886)
Total investment return	15,852	321,843	337,695
Contributions	-	1,159,882	1,159,882
Appropriation of endowment assets for expenditure	(10,304)	(1,348,591)	(1,358,895)
Changes in due to/from	(87,373)	312,909	255,536
Change	(81,825)	446,043	364,218
Endowment net assets, June 30, 2020	$ 2,678,019	$ 30,214,674	$ 32,892,693

Change in due to/from above represents monies due from the endowment fund to the operating fund. This amount is due to timing differences.

10. Benefit Plans

Substantially all full-time employees are currently covered by a contributory defined contribution plan with TIAA-CREF. Plan contributions vest immediately and are based on a percent of salary. Total pension expense for this plan totaled $589,092 and $550,956 for the years ended June 30, 2020 and 2019, respectively.

11. Significant Group Concentration of Credit Risk

The College maintains its cash accounts in commercial banks located in Pennsylvania. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

12. Income Taxes

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

The College accounts for uncertainty in income taxes using 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 is met. Management determined there were no tax uncertainties that met the recognition threshold.

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

13. Commitments and Contingencies

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 College's management believes disallowances, if any, will not have a significant impact on the College's financial position.

The College is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the College.

14. Functional Classification of Natural Expenses

The College adheres to the American Institute of Certified Public Accountants Audit Guide in reporting expenses by their functional classification. Accordingly, depreciation, benefits, interest and other expenses have been allocated to functional classifications based on square footage, salaries, use of debt proceeds and other factors.

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

	Education and General							
	Instructional	**Academic Support**	**Student Services**	**Public Service**	**Intuitional Support**	**Student Aid**	**Auxiliary**	**Total**
Salaries	$ 10,360,176	$ 339,716	$ 3,090,860	$ 458,713	$ 3,638,120	$ -	$ -	$ 17,887,585
Other	1,200,146	662,324	1,107,662	494,219	1,785,109	140,806	2,374,889	7,765,155
Benefits	2,526,839	83,994	781,098	121,489	1,044,137	-	-	4,557,557
Depreciation	1,018,191	119,929	344,660	327,663	1,388,700	-	1,052,611	4,251,754
Equipment and maintenance	141,438	12,923	55,259	31,352	1,018,918	-	-	1,259,890
Professional fees	87,163	190,906	473,810	950	275,965	-	-	1,028,793
Interest	126,627	15,756	45,281	43,696	179,082	-	138,292	548,735
Total	$ 15,460,580	$ 1,425,548	$ 5,898,630	$ 1,478,082	$ 9,330,031	$ 140,806	$ 3,565,792	$ 37,299,469

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

	Education and General							
	Instructional	Academic Support	Student Services	Public Service	Intuitional Support	Student Aid	Auxiliary	Total
Salaries	$ 9,937,701	$ 282,426	$ 3,040,499	$ 500,119	$ 3,696,234	$ -	$ -	$ 17,456,979
Other	1,156,567	633,226	1,430,070	703,255	2,076,499	146,914	2,672,330	8,818,861
Benefits	2,618,666	68,871	801,443	139,677	1,024,874	-	-	4,653,531
Depreciation	972,561	115,235	331,171	310,201	1,344,039	-	1,011,414	4,084,621
Equipment and maintenance	181,001	8,559	84,231	25,277	888,778	-	-	1,187,846
Professional fees	73,539	170,992	532,400	982	259,604	-	-	1,037,517
Interest	125,296	15,752	45,270	43,685	180,526	-	138,258	548,787
Total	$ 15,065,331	$ 1,295,061	$ 6,265,084	$ 1,723,196	$ 9,470,554	$ 146,914	$ 3,822,002	$ 37,788,142

15. Liquidity and Availability of Resources

The College's financial assets available within one year of the statement of financial position date for general expenditure are as follows as of June 30:

	2020	2019
Cash and cash equivalents	$ 5,524,924	$ 3,433,106
Short-term investments	484,581	640,393
Student receivables, net	1,840,572	1,244,253
Other receivables	300,563	361,145
Contributions receivable, current portion (without donor restrictions)	135,880	171,713
Planned appropriation of endowment	1,800,000	1,700,000
Long-term investments available for current use	3,494,208	3,498,173
Financial assets available to meet cash needs for general expenditures within one year	$ 13,580,728	$ 11,048,783

As part of the College's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the College has a committed line of credit in the amount of $2,000,000, which it could draw upon at June 30, 2020 and 2019. In addition, the College has a Board-designated endowment of $2,678,019 and $2,759,844 at June 30, 2020 and 2019, respectively. Although the College does not intend to spend from its Board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the Board-designated endowment could be made available if necessary. However, both the Board-designated endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available.

16. ED Financial Responsibility

The ED revised the regulations for financial responsibility effective July 1, 2020. The regulations require the College provide additional disclosures, including a financial responsibility supplemental schedule, to assist the 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.

The statement of financial position provides information on the College's property and equipment, net, but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of property and equipment, net, at June 30, 2020 based on the July 1, 2019 implementation date.

Pre-implementation:	
Property and equipment, net	$ 33,355,942
Post-implementation:	
Property and equipment, net, with outstanding debt for original purchase	1,336,491
Property and equipment, net, without outstanding debt for original purchase	1,114,589
Construction in progress	58,470
Total property and equipment, net, without outstanding debt for original purchase	1,173,059
Total property and equipment, net, at June 30, 2020	$ 35,865,492

Notes 6 and 7 provide information on the College's long-term debt and capital leases, but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of long-term debt and capital leases for long-term purposes, at June 30, 2020 based on the July 1, 2019 implementation date.

Pre-implementation:	
Long-term debt for long-term purposes	$ 19,198,015
Capital leases for long-term purposes	484,933
Less current year repayments	(1,377,526)
Long-term debt for long-term purposes, pre-implementation	18,305,422
Post-implementation:	
Long-term debt for long-term purposes	1,127,124
Capital leases for long-term purposes	305,202
Long-term debt and capital leases for long-term purposes, post-implementation	1,432,326
Total capital leases and notes payable at June 30, 2020	$ 19,737,748

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Trustees of
Cedar Crest College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cedar Crest College (the College), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2020, except for Note 16, as to which the date is May 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly Baker Tilly Virchow Krause, LLP)
Allentown, Pennsylvania
October 23, 2020

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees of
Cedar Crest College

Report on Compliance for Each Major Federal Program

We have audited Cedar Crest College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2020. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly Baker Tilly Virchow Krause, LLP)
Allentown, Pennsylvania
May 5, 2021

Financial Statement and Line Name or Note Location			
	Primary Reserve Ratio		
	Expendable Net Assets		
Statement of Financial Position	Net assets without donor restrictions	$	23,701,266
Statement of Financial Position	Net assets with donor restrictions		39,976,267
Note 8, Total endowment fund less accumulated endowment income	Net assets with donor restrictions - restricted in perpetuity		28,398,693
Note 8, Accumulated endowment income, Beneficial interest in remainder trust, Educational and general programs, Assets held in charitable remainder trust, Contributions receivable, Pooled income funds	Net assets with donor restrictions - time or purpose		11,577,574
Note 16	Property, plant and equipment - pre-implementation		33,355,942
Note 16	Property, plant and equipment - post-implementation with outstanding debt for original purchase		1,336,491
Note 16	Property, plant and equipment - post-implementation without outstanding debt for original purchase		1,114,589
Statement of Financial Position	Construction in progress		58,470
Statement of Financial Position	Total property, plant and equipment, net (including CIP)		35,865,492
Note 16	Long-term debt for long-term purposes - pre-implementation		18,305,422
Note 16	Long-term debt for long-term purposes - post implementation		1,432,326
	Total Expenses and Losses Without Donor Restrictions		
Statement of Activities	Total expenses without donor restrictions	$	37,299,468
Statement of Activities, Realized gain on long-term investments, Unrealized loss on investments	Nonoperating losses		51,475
	Equity Ratio		
	Modified Net Assets		
Statement of Financial Position	Net assets without donor restrictions	$	23,701,266
Statement of Financial Position	Net assets with donor restrictions		39,976,267
	Modified Assets		
Statement of Financial Position	Total assets	$	93,635,275
	Net Income Ratio		
Statement of Activities	**Change in Net Assets Without Donor Restrictions**	$	(1,889,419)
	Total Revenues and Gains Without Donor Restrictions		
Statement of Activities	Total operating revenue and other additions (gains)	$	35,461,524
Note 9	Investment return appropriated for spending		10,304

Cedar Crest College

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Total Federal Expenditures
Student Financial Assistance Cluster			
U.S. Department of Education:			
Federal Supplemental Educational Opportunity Grants	84.007		$ 105,815
Federal Work-Study Program	84.033		102,527
Federal Perkins Loan Program	84.038		418,462
Federal Pell Grant Program	84.063		2,142,598
Federal Direct Student Loans	84.268		12,654,012
Total U.S. Department of Education			15,423,414
U.S. Department of Health and Human Services:			
Nursing Student Loans	93.364		591,265
Total Student Financial Assistance Cluster			16,014,679
Other Programs			
U.S. Department of Education:			
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Student Portion	84.425E		678,577
COVID-19 - HEERF - Institutional Portion	84.425F		763,208
COVID-19 - HEERF - Strengthening Institutions Program	84.425M		38,916
Total COVID-19 - Higher Education Emergency Relief Fund (HEERF)			1,480,701
U.S. Department of Education of Health and Human Services:			
Health Resources and Services Administration, Nurse Anesthetist Traineeships	93.124		4,229
Total Expenditures of Federal Awards			$ 17,499,609

See notes to schedule of expenditures of federal awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal award activity of Cedar Crest College (the College) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200*, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets or cash flows of the College.

2. Relationship to Basic Financial Statements

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

3. Federal Student Loan Programs

The Federal Perkins and Nursing Student Loan Programs are administered directly by the College, and balances and transactions relating to these programs are included in the College's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Federal Perkins Loans outstanding and Nursing Student Loans outstanding at June 30, 2020 totaled $373,210 and $541,406, respectively.

4. Indirect Cost Rate

The College has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 516(a)?	____ yes	X no

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
93.364	Nursing Student Loans
84.425E	COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion
84.425F	COVID-19 - HEERF - Institutional Portion
84.425M	COVID-19 - HEERF - Strengthening Institutions Program

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee?	X yes	____ no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV – Summary of Prior Audit Findings

Finding 2019-001 - Enrollment Reporting

Federal Program - Student Financial Assistance Cluster
Federal Agency - U.S. Department of Education
Pass-Through Entity - Not Applicable
CFDA Number - 84.007, 84.033, 84.038, 84.063, 84.268
Federal Award Year - June 30, 2019

Condition/Context: The change in student status for 11 of 40 students tested was not reported to the National Student Loan Data System (NSLDS) within 30 days or included in a response to a roster file within 60 days. In addition, for 8 of the 11 students, the College did not accurately report the student enrollment status to NSLDS. Those 8 students were coded as Withdrawn (W) instead of Graduated (G). A statistical sample was not used.

Status: During the current year the College instituted a process where, after submitting the end of term enrollment file for semester, the Registrar's Office submits a Graduates-Only Enrollment File to National Student Clearinghouse (NSC) for that semester. Any degrees conferred after the graduates only file will be entered manually on the NSC website. This process reports a graduated status for any student who graduated at the end of that semester. NSC will pass the graduated status along to NSLDS on the next student status change confirmation report. Additionally, the College instituted a process to manually report students who formally withdraw between semesters to NSC and track to ensure timely reporting to NSLDS.