Cedar Crest College

Financial Statements and
Supplementary Information

June 30, 2022 and 2021

Independent Auditors' Report

To the Board of Trustees of
Cedar Crest College

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cedar Crest College (the College), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and the financial responsibility supplemental schedule, as required by 34 CFR Section 668.172, are presented for purposes of additional analysis and are 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 November 16, 2022 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

Allentown, Pennsylvania
November 16, 2022, except for Note 16 as to which the date is January 13, 2023

Cedar Crest College

Statements of Financial Position
June 30, 2022 and 2021

Assets	2022	2021
Current Assets		
Cash and cash equivalents	$ 8,167,684	$ 8,263,319
Short-term investments	365,467	580,955
Student receivables, net	1,242,943	1,564,886
Other receivables	4,335,844	1,993,263
Contributions receivable, net	537,996	107,428
Prepaid expenses	400,482	260,969
Total current assets	15,050,416	12,770,820
Noncurrent Assets		
Student loans receivable	833,628	868,720
Contributions receivable, net	832,707	29,734
Long-term investments	40,837,008	47,719,109
Assets under split-interest agreements:		
Assets held in charitable remainder trust	6,150,000	5,995,000
Beneficial interest in charitable remainder trust	6,844,105	7,727,967
Assets of pooled income fund	82,206	94,850
Total noncurrent assets	55,579,654	62,435,380
Property and Equipment		
Land	751,331	751,331
Land improvements	3,342,188	3,327,769
Buildings and building improvements	57,117,552	56,644,714
Equipment, furniture and fixtures	23,405,281	22,934,077
Library materials and collections	10,382,520	10,070,802
Construction in progress	416,022	116,094
Accumulated depreciation	(63,416,981)	(60,047,694)
Total property and equipment	31,997,913	33,797,093
Total assets	$ 102,627,983	$ 109,003,293

Liabilities and Net Assets	2022	2021
Current Liabilities		
Current portion notes payable	$ 1,200,000	$ 1,170,000
Current portion capitalized lease obligations	231,919	228,046
Agency funds	204,989	244,651
Accounts payable and accrued expenses	642,766	545,435
Accrued payroll and related items	387,404	405,825
Accrued interest payable	100,583	107,439
Student deposits	181,696	140,795
Deferred revenues	1,876,411	1,812,122
Total current liabilities	4,825,768	4,654,313
Noncurrent Liabilities		
Liabilities under split-interest agreements:		
Liability to life beneficiary	2,860,940	2,703,406
Deferred revenue, pooled income fund	14,150	16,914
Capitalized lease obligations	251,240	244,497
Notes payable	15,818,123	17,000,210
Refundable advance from federal government for student loans	832,684	845,031
Total noncurrent liabilities	19,777,137	20,810,058
Total liabilities	24,602,905	25,464,371
Net Assets		
Without donor restrictions	34,072,533	33,207,653
With donor restrictions	43,952,545	50,331,269
Total net assets	78,025,078	83,538,922
Total liabilities and net assets	$ 102,627,983	$ 109,003,293

See notes to financial statements

Cedar Crest College

Statements of Activities
Year Ended June 30, 2022 (With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Operating Revenues				
Tuition and fees (net of scholarship allowances $17,781,201 in 2022 and of $17,385,662 in 2021)	$ 25,031,255	$ -	$ 25,031,255	$ 23,864,705
Federal grants and contracts	6,013,962	-	6,013,962	8,464,466
State and local grants	466,231	-	466,231	592,688
Private gifts, grants and bequests	1,313,653	2,010,152	3,323,805	4,918,239
Endowment interest and dividend income, net	81,076	486,677	567,753	344,068
Facilities rental	495,932	-	495,932	385,659
Other income	704,970	-	704,970	471,856
Auxiliary enterprises	4,403,679	-	4,403,679	4,217,543
Interest on loans receivable	1,150	-	1,150	552
Endowment spending	1,476,092	(1,476,092)	-	-
Net assets released from restrictions, satisfaction of time and purpose restrictions	420,361	(420,361)	-	-
Total operating revenues	40,408,361	600,376	41,008,737	43,259,776
Operating Expenses				
Education and general:				
Instructional	14,758,638	-	14,758,638	13,897,858
Academic support	1,408,794	-	1,408,794	1,272,652
Student services	7,699,046	-	7,699,046	6,045,941
Public service	1,506,253	-	1,506,253	1,331,253
Institutional support	8,982,634	-	8,982,634	8,823,275
Student aid	127,794	-	127,794	128,023
Total educational and general	34,483,159	-	34,483,159	31,499,002
Auxiliary enterprises	3,693,647	-	3,693,647	3,589,622
Total operating expenses	38,176,806	-	38,176,806	35,088,624
Change in net assets from operating activities	2,231,555	600,376	2,831,931	8,171,152
Nonoperating Activities				
Realized gain on long-term investments	762,265	3,768,980	4,531,245	1,789,217
Unrealized (loss) gain on investments	(2,128,940)	(10,257,399)	(12,386,339)	8,761,592
Change in the valuation of split-interest agreements	-	(490,681)	(490,681)	1,139,428
Change in net assets from nonoperating activities	(1,366,675)	(6,979,100)	(8,345,775)	11,690,237
Change in net assets	864,880	(6,378,724)	(5,513,844)	19,861,389
Net Assets, Beginning	33,207,653	50,331,269	83,538,922	63,677,533
Net Assets, Ending	$ 34,072,533	$ 43,952,545	$ 78,025,078	$ 83,538,922

See notes to financial statements

Cedar Crest College

Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Tuition and fees (net of scholarship allowances of $17,385,662)	$ 23,864,705	$ -	$ 23,864,705
Federal grants and contracts	8,464,466	-	8,464,466
State and local grants	592,688	-	592,688
Private gifts, grants and bequests	3,072,148	1,846,091	4,918,239
Endowment interest and dividend income	41,993	302,075	344,068
Facilities rental	385,659	-	385,659
Other income	471,831	25	471,856
Auxiliary enterprises	4,217,543	-	4,217,543
Interest on loans receivable	552	-	552
Endowment spending	1,294,450	(1,294,450)	-
Net assets released from restrictions, satisfaction of time and purpose restrictions	389,820	(389,820)	-
Total operating revenues	42,795,855	463,921	43,259,776
Operating Expenses			
Educational and general:			
Instructional	13,897,858	-	13,897,858
Academic support	1,272,652	-	1,272,652
Student services	6,045,941	-	6,045,941
Public service	1,331,253	-	1,331,253
Institutional support	8,823,275	-	8,823,275
Student aid	128,023	-	128,023
Total educational and general	31,499,002	-	31,499,002
Auxiliary enterprises	3,589,622	-	3,589,622
Total operating expenses	35,088,624	-	35,088,624
Change in net assets from operating activities	7,707,231	463,921	8,171,152
Nonoperating Activities			
Realized gain on long-term investments	306,256	1,482,961	1,789,217
Unrealized loss on investments	1,492,900	7,268,692	8,761,592
Change in the valuation of split-interest agreements	-	1,139,428	1,139,428
Change in net assets from nonoperating activities	1,799,156	9,891,081	11,690,237
Change in net assets	9,506,387	10,355,002	19,861,389
Net Assets, Beginning	23,701,266	39,976,267	63,677,533
Net Assets, Ending	$ 33,207,653	$ 50,331,269	$ 83,538,922

See notes to financial statements

Cedar Crest College

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ (5,513,844)	$ 19,861,389
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,890,826	4,101,569
Amortization	17,913	19,063
Unrealized loss (gain) on investments	12,386,339	(8,761,592)
Realized gain on investments	(4,531,245)	(1,789,217)
Contributions received for long-term investment	(977,596)	(1,335,000)
Changes in split-interest agreements	896,276	(2,012,105)
Changes in operating assets and liabilities:		
Student accounts receivable	321,943	275,686
Other receivables	(2,342,581)	(1,692,700)
Contributions receivable	(914,977)	912,724
Prepaid expenses	(139,513)	(62,262)
Agency funds	(39,662)	59,615
Accounts payable and accrued expenses	(410)	300,059
Accrued payroll and related items	(18,421)	(211,472)
Accrued interest payable	(6,856)	(19,242)
Student deposits	40,901	24,556
Deferred revenues	64,289	113,269
Refundable advance from federal government	-	(3,953,000)
Net cash provided by operating activities	3,133,382	5,831,340
Cash Flows From Investing Activities		
Acquisition of property and equipment	(1,703,803)	(1,707,315)
Purchases of investments	(9,583,213)	(5,971,326)
Proceeds from maturities/sales of investments	8,825,708	5,453,547
Proceeds from disposal of property and equipment	4,195	2,947
Student loans advanced	(78,929)	(57,750)
Student loans collected	113,340	99,968
Other changes in student loans	681	3,678
Net cash used in investing activities	(2,422,021)	(2,176,251)
Cash Flows From Financing Activities		
Payment of debt principal	(1,170,000)	(1,145,000)
Payment of capital lease obligations	(283,681)	(268,440)
Proceeds from long-term contributions	659,032	543,744
Other changes in government loan funds	(12,347)	(46,998)
Net cash used in financing activities	(806,996)	(916,694)
Net (decrease) increase in cash and cash equivalents	(95,635)	2,738,395
Cash and Cash Equivalents, Beginning	8,263,319	5,524,924
Cash and Cash Equivalents, Ending	$ 8,167,684	$ 8,263,319
Supplemental Disclosures		
Interest paid	$ 427,386	$ 476,804
Supplemental Disclosure of Noncash Operating and Investing Activities		
Property and equipment in accounts payable	$ 97,741	$ 29,420
Equipment acquired under capital lease	$ 294,297	$ 299,382

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 1,400 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 November 16, 2022, the date the financial statements were issued.

Basis of Presentation

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 net assets 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. The transaction price which is determined based on these established rates, net of financial aid are recorded as student tuition and fee revenue. 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 $17,781,201 and $17,385,662 in 2022 and 2021, respectively.

Amounts are due for tuition, fees, room and board prior to the beginning of each semester. In accordance with the 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.

Federal, state and local 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, 2021	Refunds Issued	Revenue Recognized Included in June 30, 2021 Balance	Cash Received in Advance of Performance	Balance at June 30, 2022
Tuition and fees, net	$ 1,531,638	$ 115,761	$ 1,415,877	$ 1,422,933	$ 1,422,933
Room and board, net	11,920	-	-	26,580	26,580
Total	$ 1,543,558	$ 115,761	$ 1,415,877	$ 1,449,513	$ 1,449,513

Cash and Cash Equivalents

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

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. The College regularly maintains amounts on deposit in excess of the insured amount. The College has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

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 $353,478 and $367,098 at June 30, 2022 and 2021, 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, 2022 and 2021 was $832,684 and $845,031, 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 (ED) 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, 2022, 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. The College did not dispose of any collection items for financial gain for the years ended June 30, 2022 and 2021.

Title IV Requirements

The College participates in Student Financial Assistance Programs (Title IV) administered by the ED for the payment of student tuitions. Substantial portions of the revenue and collection of accounts receivable as of June 30, 2022 and 2021, 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, 2022 and 2021, 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 $706,706 in 2022 and $794,494 in 2021.

Fundraising Costs

Fundraising costs are expensed as incurred and were $886,100 in 2022 and $804,466 in 2021. 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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Accounting Standard Adopted in the Current Year

During 2022, the College adopted Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets. The adoption of ASU 2020-07 had no impact on financial statement presentation when applied retrospectively to all periods presented.

New Accounting Standard Not Yet Adopted

In February 2016, the 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.

2. Higher Education Emergency Relief Fund (HEERF)

As a response to COVID-19, the government approved three relief packages between April 2020 and March 2021. Congress set aside approximately $76.6 billion between the Coronavirus Aid, Relief and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) to be allotted to the Educational Stabilization Fund through the HEERF.

Under CRRSA, the College received one grant comprised of two parts. Institutions were required to spend an equal amount on student emergency aid as they spent under CARES. The remaining portion was to be used defray expenses associated with coronavirus. Institutions were given one calendar year from the date of award in their HEERF Grant Award Notification to complete the performance of their HEERF grant. Institutions may recognize the institutional portion of the grant proportionate to the amount expended on student emergency aid. The College was awarded $2,304,150 of funding under CRRSAA and recognized $763,209 of the student emergency aid as federal grants and contracts revenue and student services expense as of June 30, 2021. The institutional portion of the grant totaling $1,540,941 was expended and recognized as federal grants and contract revenue in 2021. As restrictions were met in the same period, the grants were reported as changes in net assets without donor restrictions.

Under ARP, the College received one grant comprised of two parts. Under the legislation, no less than 50 percent of the full grant is to be used for direct emergency aid to students. The remaining portion of the full grant is to be used to defray expenses associated with coronavirus, implement evidence-based practices to monitor and suppress coronavirus, and conduct direct outreach to financial aid applications about the opportunity to receive a financial aid adjustment due to a change in circumstance. The College was awarded $4,004,246 of funding under ARP and recognized $2,004,060 of the student emergency aid as federal grants and contracts revenue and student services expense as of June 30, 2022. The institutional portion of the grant totaling $1,966,588 was expended and recognized as federal grants and contract revenue in 2022. As restrictions were met in the same period, the grants were reported as changes in net assets without donor restrictions.

Employee Retention Credit (ERC)

The ERC, which was included as part of the CARES Act and amended by the CRRSAA and ARP, incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before January 1, 2022. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. The College qualified for the ERC as its operations were partially suspended during the first calendar quarters of 2021 due to orders from the Commonwealth of Pennsylvania limiting certain of its activities due to COVID-19 and it experienced a significant decline in gross receipts for 2021, (defined as a 20 percent decline in gross receipts when compared to the same quarter in 2019). The College averaged more than 100 full-time employees (FTEs), but less than 500 FTEs during 2019, therefore, it was considered a large employer during 2020 and a small employer during 2021. As a large employer in 2020, only wages paid to employees not providing services were eligible for the ERC, while as a small employer in 2021 all of the College's otherwise qualified wages were eligible. For 2020, the ERC equaled 50 percent of an employee's qualified wages up to $10,000 per employee per calendar quarter with a maximum annual credit for each employee of $5,000. For 2021, the ERC equaled 70 percent of an employee's qualified wages up to $10,000 per employee per calendar quarter with a maximum annual credit of $28,000 for each employee.

The College accounts for this federal funding in accordance with FASB Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met. The College claimed credits of $1,723,924 and $1,882,065 on forms 941-X which are included in federal grants and contracts revenue in the statements of activities for the year ended June 30, 2021 and 2022, respectively. As of June 30, 2022, the College had an ERC receivable of $3,605,989 and is recorded as other receivables in the statements of financial position. The Internal Revenue Service (IRS) reserves the right to audit ERC during the statute of limitations.

3. Contributions Receivable

Included in contributions receivable at June 30, 2022 and 2021 are the following unconditional promises to give:

	2022	2021
Contributions receivable, gross	$ 1,700,994	$ 140,665
Discount	(327,061)	(866)
Allowance for uncollectibles	(3,230)	(2,637)
Contributions receivable, net	$ 1,370,703	$ 137,162
Current portion of contributions receivable	$ 537,996	$ 107,428
Long-term contributions receivable	832,707	29,734
Total	$ 1,370,703	$ 137,162

Contributions due in future years are as follows:

Years ending June 30:	
Less than one year	$ 538,726
One to two years	158,006
Three to four years	1,004,262
Total	$ 1,700,994

Contributions are discounted to their present value over the period they are to be collected at risk-adjusted rates ranging from .06 percent to 3.60 percent.

Management believes the College's allowance for doubtful collections at June 30, 2022 and 2021 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, 2022 and 2021 by caption on the statements of financial position by the valuation hierarchy defined above:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets Reported at Fair Value				
Short-term investments:				
Cash and cash equivalents	$ 364,467	$ -	$ -	$ 364,467
Bonds		1,000	-	1,000
Total short-term investments	364,467	1,000	-	365,467
Long-term investments:				
Certificates of deposits	25,000	-	-	25,000
Marketable equity securities	139,059	-	-	139,059
Equity mutual funds:				
International	9,038,348	-	-	9,038,348
Large cap	15,658,370	-	-	15,658,370
Fixed income mutual funds:				
U.S. corporate	2,608,501	-	-	2,608,501
U.S. government	3,376,206	-	-	3,376,206
U.S. securitized	2,276,938	-	-	2,276,938
Total long-term investments by valuation hierarchy	33,122,422	-	-	33,122,422
Alternative Investments Reported at NAV				
Hedge fund				7,160,119
Private equity				554,467
Total alternative investments				7,714,586
Total long-term investments				40,837,008
Assets held in charitable remainder trust	-	-	6,150,000	6,150,000
Beneficial interest in remainder trust	-	-	6,844,105	6,844,105
Assets of pooled income fund	82,206	-	-	82,206
Total assets	$ 33,569,095	$ 1,000	$ 12,994,105	$ 54,278,786

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets Reported at Fair Value				
Short-term investments:				
Cash and cash equivalents	$ 579,955	$ -	$ -	$ 579,955
Bonds	-	1,000	-	1,000
Total short-term investments	579,955	1,000	-	580,955
Long-term investments:				
Certificates of deposits	25,000	-	-	25,000
Marketable equity securities	177,049	-	-	177,049
Equity mutual funds:				
International	13,448,563	-	-	13,448,563
Large cap	16,535,190	-	-	16,535,190
Fixed income mutual funds:				
U.S. corporate	2,454,767	-	-	2,454,767
U.S. government	2,540,216	-	-	2,540,216
U.S. securitized	2,611,510	-	-	2,611,510
Total long-term investments by valuation hierarchy	37,792,295	-	-	37,792,295
Alternative Investments Reported at NAV				
Hedge fund				9,201,568
Private equity				725,246
Total alternative investments				9,926,814
Total long-term investments				47,719,109
Assets held in charitable remainder trust	-	-	5,995,000	5,995,000
Beneficial interest in remainder trust	-	-	7,727,967	7,727,967
Assets of pooled income fund	94,850	-	-	94,850
Total assets	$ 38,467,100	$ 1,000	$ 13,722,967	$ 62,117,881

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. This is considered a Level 3 measurement because inputs reflect the College's own assumptions. There were no transfers or purchases during the year.

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. This is considered a Level 3 measurement because inputs reflect the College's own assumptions. There were no transfers or purchases during the year.

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:

	2021	2021
Interest and dividend income	$ 812,704	$ 573,058
Investment fees	(244,951)	(228,990)
Net interest and dividend income	567,753	344,068
Net realized gain on investments	4,531,245	1,789,217
Unrealized (loss) gain on investments	(12,386,339)	8,761,592
Net unrealized (loss) gain on investments	(7,855,094)	10,550,809
Net investment (loss) gain	$ (7,287,341)	$ 10,894,877

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 2.0 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, 2022 and 2021. The line of credit expires on June 30, 2023.

6. Long-Term Debt

	2022	2021
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.	$ 6,910,000	$ 7,405,000
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 an indicative tax-exempt fixed rate of 2.10% through final maturity.	5,985,000	6,415,000
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.	4,250,000	4,495,000
Total	17,145,000	18,315,000
Less unamortized note issuance costs	(126,877)	(144,790)
Total	17,018,123	18,170,210
Current portion	(1,200,000)	(1,170,000)
Long-term portion	$ 15,818,123	$ 17,000,210

The aggregate future principal payments on notes payable at June 30, 2022, is as follows:

Years ending June 30:	
2023	$ 1,200,000
2024	1,235,000
2025	1,270,000
2026	1,050,000
2027	1,095,000
Thereafter	11,295,000
Total	$ 17,145,000

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:	
2023	$ 229,681
2024	152,743
2025	78,959
2026	18,197
Total	479,580
Interest amount	3,579
Present value of future minimum lease payments	483,159
Current portion	(231,919)
Long-term	$ 251,240

Equipment acquired under capital leases is summarized as follows at June 30, 2022 and 2021:

	2022	2021
Equipment under capital lease, at cost	$ 1,077,161	$ 1,290,039
Accumulated amortization	(495,797)	(734,378)
Equipment under capital lease, net	$ 581,364	$ 555,661

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:

	2022	2021
Unrestricted	$ 17,052,295	$ 14,732,315
Board-designated endowment	2,843,080	3,392,283
Net investment in plant	14,177,158	15,083,055
Total net assets without donor restrictions	$ 34,072,533	$ 33,207,653

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

	2022	2021
Investments, primarily accumulated change in market value of investments in excess of the Pennsylvania trust limitation and unexpended assets for other designated purposes	$ 28,283,410	$ 27,989,978
Accumulated endowment income	2,239,825	9,678,455
Term endowment fund	1,097,736	1,016,046
Total endowment fund (Note 9)	31,620,971	38,684,479
Beneficial interest in remainder trust	6,844,105	7,727,967
Educational and general programs	760,677	413,147
Assets held in charitable remainder trust	3,289,060	3,291,594
Contributions receivable	1,370,703	137,162
Pooled income funds	67,029	76,920
Total	$ 43,952,545	$ 50,331,269

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, 2022 and 2021, respectively:

	2022	2021
Endowment spending	$ 1,476,092	$ 1,294,450
Restricted grants and scholarships	$ 143,196	$ 108,415
Capital expenditures	86,661	143,470
Contributions received	190,504	137,935
Releases of time and purpose restriction	$ 420,361	$ 389,820

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 GAAP, 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 2022, 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, 2022 and 2021:

	Board Designated	Donor Restrictions	Total
Endowment net assets, July 1, 2020	$ 2,678,019	$ 30,214,674	$ 32,892,693
Investment return:			
Investment income	24,139	302,075	326,214
Net realized and unrealized gain	740,747	8,688,420	9,429,167
Total investment return	764,886	8,990,495	9,755,381
Contributions	-	543,744	543,744
Appropriation of endowment assets for expenditure	(9,895)	(1,294,450)	(1,304,345)
Changes in due to/from	(40,727)	230,016	189,289
Change	714,264	8,469,805	9,184,069
Endowment net assets, June 30, 2021	3,392,283	38,684,479	42,076,762
Investment return:			
Investment income	39,198	486,677	525,875
Net realized and unrealized loss	(551,762)	(6,450,430)	(7,002,192)
Total investment loss	(512,564)	(5,963,753)	(6,476,317)
Contributions	-	659,032	659,032
Appropriation of endowment assets for expenditure	(13,342)	(1,476,092)	(1,489,434)
Changes in due to/from	(23,297)	(282,695)	(305,992)
Change	(549,203)	(7,063,508)	(7,612,711)
Endowment net assets, June 30, 2022	$ 2,843,080	$ 31,620,971	$ 34,464,051

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 $582,434 and $544,565 for the years ended June 30, 2022 and 2021, respectively.

11. Income Taxes

The IRS 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 at June 30, 2022 and 2021.

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

12. 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.

In April 2020, the College received proceeds in the amount of $3,953,000 under the PPP which was established as part of the CARES Act and is administered through the Small Business Administration (SBA). The College met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness on March 31, 2021. Legal release was received on June 10, 2021. The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan is forgiven or repaid in full and to provide that documentation to the SBA upon request.

13. Related Party Transactions

Contributions made by non-compensated members of the Board of Trustees totaled approximately $430,283 and $312,037 for the years ended June 30, 2022 and 2021, respectively. Outstanding contribution receivables from members of the Board of Trustees total $447,750 and $154,125 at June 30, 2022 and 2021, respectively.

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, 2022:

	Education and General							
	Instructional	Academic Support	Student Services	Public Service	Institutional Support	Student Aid	Auxiliary	Total
Salaries	$ 9,300,794	$ 277,560	$ 2,597,106	$ 393,493	$ 3,682,706	$ -	$ -	$ 16,251,659
Other	1,920,951	744,527	3,461,921	620,099	1,659,749	127,794	2,626,862	11,161,903
Benefits	2,282,625	61,855	648,491	86,413	950,023	-	-	4,029,407
Depreciation	885,970	108,954	307,257	325,821	1,306,535	-	956,289	3,890,826
Equipment and maintenance	152,193	11,140	81,917	18,304	1,008,321	-	-	1,271,875
Professional fees	113,734	192,169	566,851	27,210	232,729	-	-	1,132,693
Interest	102,371	12,589	35,503	34,913	142,571	-	110,496	438,443
Total	$ 14,758,638	$ 1,408,794	$ 7,699,046	$ 1,506,253	$ 8,982,634	$ 127,794	$ 3,693,647	$ 38,176,806

Expenses by natural classification for the year ended June 30, 2021:

	Education and General							
	Instructional	Academic Support	Student Services	Public Service	Institutional Support	Student Aid	Auxiliary	Total
Salaries	$ 9,605,997	$ 257,945	$ 2,750,307	$ 315,698	$ 3,348,150	$ -	$ -	$ 16,278,097
Other	480,885	634,695	1,708,782	541,457	1,793,817	128,023	2,458,004	7,745,663
Benefits	2,491,565	69,932	744,886	93,423	1,069,033	-	-	4,468,839
Depreciation	978,479	115,249	331,212	330,590	1,334,499	-	1,011,540	4,101,569
Equipment and maintenance	148,947	12,134	40,426	12,144	947,299	-	-	1,160,950
Professional fees	82,035	169,016	431,010	-	174,981	-	-	857,042
Interest	109,950	13,681	39,318	37,941	155,496	-	120,078	476,464
Total	$ 13,897,858	$ 1,272,652	$ 6,045,941	$ 1,331,253	$ 8,823,275	$ 128,023	$ 3,589,622	$ 35,088,624

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:

	2022	2021
Cash and cash equivalents	$ 8,167,684	$ 8,263,319
Short-term investments	365,467	580,955
Student receivables, net	1,242,943	1,564,886
Other receivables	4,335,844	1,993,263
Contributions receivable, current portion (without donor restrictions)	246,486	67,798
Planned appropriation of endowment	2,100,000	2,000,000
Long-term investments available for current use	6,732,957	5,642,347
Financial assets available to meet cash needs for general expenditures within one year	$ 23,191,381	$ 20,112,568

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, 2022 and 2021. In addition, the College has a Board-designated endowment of $2,843,080 and $3,392,283 at June 30, 2022 and 2021, 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, 2019. 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. The following table provides a breakdown of property and equipment, net, at June 30, 2022:

Pre-implementation:	
Property and equipment, net	$ 26,654,229
Post-implementation:	
Property and equipment, net, with outstanding debt for original purchase	1,010,276
Property and equipment, net, without outstanding debt for original purchase	3,917,386
Construction in progress	416,022
Total property and equipment, net, without outstanding debt for original purchase	4,333,408
Total property and equipment, net, at June 30, 2022	$ 31,997,913

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, 2022:

Pre-implementation:	
Long-term debt for long-term purposes	$ 17,104,916
Capital leases for long-term purposes	13,971
Less current year repayments and amortization	(1,088,968)
Long-term debt for long-term purposes, pre-implementation	16,029,919
Post-implementation:	
Long-term debt for long-term purposes	1,065,294
Capital leases for long-term purposes	458,572
Capital lease additions	294,297
Less current year repayments and amortization	(346,800)
Long-term debt and capital leases for long-term purposes, post-implementation	1,471,363
Total capital leases and notes payable at June 30, 2022	$ 17,501,282

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*

Independent Auditors' Report

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, 2022, 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 November 16, 2022, except for Note 16 as to which the date is January 13, 2023.

Report on 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) as a basis for designing 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. 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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

Allentown, Pennsylvania
November 16, 2022, except for Note 16 as to which the date is January 13, 2023

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

Independent Auditors' Report

To the Board of Trustees of
Cedar Crest College

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cedar Crest College's (the College) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal controls over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures the College's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Allentown, Pennsylvania
January 13, 2023

Financial Statement and Line Name or Note Location			
Primary Reserve Ratio			
	Expendable Net Assets		
Statement of Financial Position	Net assets without donor restrictions	$	34,072,533
Statement of Financial Position	Net assets with donor restrictions		43,952,545
Note 8, Total endowment fund less accumulated endowment income	Net assets with donor restrictions - restricted in perpetuity		29,381,146
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		14,571,399
Note 13	Unsecured related party receivable		447,750
Note 16	Property, plant and equipment - pre-implementation		26,654,229
Note 16	Property, plant and equipment - post-implementation with outstanding debt for original purchase		1,010,276
Note 16	Property, plant and equipment - post-implementation without outstanding debt for original purchase		3,917,386
Statement of Financial Position	Construction in progress		416,022
Statement of Financial Position	Total property, plant and equipment, net (including CIP)		31,997,913
Note 16	Long-term debt for long-term purposes - pre-implementation		16,029,919
Note 16	Long-term debt for long-term purposes - post implementation		1,471,363
	Total Expenses and Losses Without Donor Restrictions		
Statement of Activities	Total expenses without donor restrictions	$	38,176,806
Statement of Activities, Net investment loss	Nonoperating and net investment loss		1,353,333
Equity Ratio			
	Modified Net Assets		
Statement of Financial Position	Net assets without donor restrictions	$	34,072,533
Statement of Financial Position	Net assets with donor restrictions		43,952,545
Note 13	Unsecured related party receivables		447,750
	Modified Assets		
Statement of Financial Position	Total assets	$	102,627,983
Note 13	Unsecured related party receivables		447,750
Net Income Ratio			
Statement of Activities	**Change in Net Assets Without Donor Restrictions**	$	864,880
	Total Revenues and Gains Without Donor Restrictions		
Statement of Activities, Total operating revenues	Total operating revenue and other additions (gains)	$	40,408,361
Note 9	Investment return appropriated for spending		13,342

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing 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		$ 86,598
Federal Work-Study Program	84.033		101,229
Federal Perkins Loan Program	84.038		341,662
Federal Pell Grant Program	84.063		1,934,455
Federal Direct Student Loans	84.268		13,574,531
Total U.S. Department of Education			16,038,475
U.S. Department of Health and Human Services:			
Nursing Student Loans	93.364		577,781
Total Student Financial Assistance Cluster			16,616,256
Other Programs			
U.S. Department of Education:			
COVID-19 - Education Stabilization Fund:			
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Student Portion	84.425E		2,004,060
COVID-19 - HEERF - Institutional Portion	84.425F		1,966,588
COVID-19 - HEERF - Strengthening Institutions Program	84.425M		149,359
Total COVID-19 - Education Stabilization Fund			4,120,007
U.S. Department of Education of Health and Human Services:			
Health Resources and Services Administration, Nurse Anesthetist Traineeships	93.124		12,270
Total expenditures of federal awards			$ 20,748,533

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, 2022. 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 the 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, 2022 totaled $305,839 and $527,789, 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?	X yes	____ 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 200.516(a)?	X yes	____ no

Identification of major federal programs:

Assistance Listing 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
84.425	COVID-19 - Education Stabilization Fund

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

Finding 2022-001 - 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, 2022

Criteria: Title IV regulations (34 CFR 685.309(b)) require that upon receipt of an enrollment report from the Secretary, institutions must update all information included in the report and return the report to the Secretary: (i) in the manner and format prescribed by the Secretary; and (ii) within the timeframe prescribed by the Secretary. Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, an institution must notify the Secretary within 30 days after the date the institution discovers that: (i) a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the institution, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or (ii) a student who is enrolled at the institution and who received a loan under Title IV of the Act has changed his or her permanent address.

Condition/Context: The change in student status for 6 of 25 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. A statistical sample was not used.

Cause: The College failed to follow its procedures for reporting student status changes.

Effect: The accuracy of Title IV student loan records depends heavily on the accuracy of the enrollment information reported by institutions. If an institution does not review, update, and verify student enrollment statuses, effective dates of the enrollment status, and the anticipated completion dates, then the Title IV student loan records will be inaccurate in NSLDS.

Questioned Costs: None.

Recommendation: The College should review its policy on enrollment reporting to NSLDS to ensure that all enrollment status changes are updated accurately and reported within the required timeframe.

Views of Responsible Officials and Planned Corrective Actions:

Graduated Student Reporting:

After submitting the end of term enrollment file for semester, the Registrar's Office (Assistant Registrar) 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 will report 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 (SSCR).

Withdrawal Students Reporting:

Formal withdrawals during the semester are reported on the next subsequent of term enrollment file that is sent to NSC. Students who formally withdraw between semesters, are reported manually to the NSC website. The clearinghouse will pass the withdrawn status along to NSLDS on the next SSCR.

While the above procedures were in place for the 2021-22 fiscal year, staff turnover in the Registrar's Office made it difficult to maintain and submit the appropriate files and manual entries to NSC. Management does not foresee this to be an issue moving forward. New staff members have been hired and trained on the appropriate procedures to ensure these internal controls are in place and effective for the required enrollment reporting. If the Assistant Registrar position would become vacant in the future, the Registrar would be responsible for NSC submissions until the position could be filled.

Section IV - Summary of Prior Audit Findings

None.