Cedar Crest College

Financial Statements and
Supplementary Information

June 30, 2021 and 2020

Cedar Crest College

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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, 2021 and 2020, 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, 2021 and 2020, 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.

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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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the 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 20, 2021 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
October 20, 2021, except for Note 16 as to which the date is March 24, 2022

Cedar Crest College

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 8,263,319	$ 5,524,924
Short-term investments	580,955	484,581
Student receivables, net	1,564,886	1,840,572
Other receivables	1,993,263	300,563
Contributions receivable, net	107,428	204,812
Prepaid expenses	260,969	198,707
Total current assets	12,770,820	8,554,159
Noncurrent Assets		
Student loans receivable	868,720	914,616
Contributions receivable, net	29,734	53,818
Long-term investments	47,719,109	36,746,895
Assets under split-interest agreements:		
Assets held in charitable remainder trust	5,995,000	5,095,000
Beneficial interest in charitable remainder trust	7,727,967	6,319,697
Assets of pooled income fund	94,850	85,598
Total noncurrent assets	62,435,380	49,215,624
Property and Equipment		
Land	751,331	751,331
Land improvements	3,327,769	3,314,166
Buildings and building improvements	56,644,714	55,913,242
Equipment, furniture and fixtures	22,934,077	22,085,028
Library materials and collections	10,070,802	9,782,315
Construction in progress	116,094	58,470
Accumulated depreciation	(60,047,694)	(56,039,060)
Total property and equipment	33,797,093	35,865,492
Total assets	$ 109,003,293	$ 93,635,275

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Current portion notes payable	$ 1,170,000	$ 1,145,000
Current portion capitalized lease obligations payable	228,046	198,987
Agency funds	244,651	185,036
Accounts payable and accrued expenses	545,435	215,956
Accrued payroll and related items	405,825	617,297
Accrued interest payable	107,439	126,681
Student deposits	140,795	116,239
Deferred revenues	1,812,122	1,698,853
Refundable advance from federal government	-	3,953,000
Total current liabilities	4,654,313	8,257,049
Noncurrent Liabilities		
Liabilities under split-interest agreements:		
Liability to life beneficiary	2,703,406	2,398,672
Deferred revenue, pooled income fund	16,914	16,231
Capitalized lease obligations payable	244,497	242,614
Notes payable	17,000,210	18,151,147
Refundable advance from federal government for student loans	845,031	892,029
Total noncurrent liabilities	20,810,058	21,700,693
Total liabilities	25,464,371	29,957,742
Net Assets		
Without donor restrictions	33,207,653	23,701,266
With donor restrictions	50,331,269	39,976,267
Total net assets	83,538,922	63,677,533
Total liabilities and net assets	$ 109,003,293	$ 93,635,275

See notes to financial statements

Cedar Crest College

Statements of Activities
Year Ended June 30, 2021 (With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Operating Revenues				
Tuition and fees (net of scholarship allowances $17,385,662 in 2021 and of $17,189,837 in 2020)	$ 23,864,705	$ -	$ 23,864,705	$ 25,065,530
Federal grants and contracts	8,464,466	-	8,464,466	1,693,272
State and local grants	592,688	-	592,688	411,123
Private gifts, grants and bequests	3,072,148	1,846,091	4,918,239	2,959,760
Endowment interest and dividend income, net	41,993	302,075	344,068	493,801
Facilities rental	385,659	-	385,659	403,975
Other income	471,831	25	471,856	704,905
Auxiliary enterprises	4,217,543	-	4,217,543	4,398,115
Interest on loans receivable	552	-	552	1,923
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	36,132,404
Operating Expenses				
Education and general:				
Instructional	13,897,858	-	13,897,858	15,460,580
Academic support	1,272,652	-	1,272,652	1,425,548
Student services	6,045,941	-	6,045,941	6,577,507
Public service	1,331,253	-	1,331,253	1,478,082
Institutional support	8,823,275	-	8,823,275	9,330,031
Student aid	128,023	-	128,023	140,806
Total educational and general	31,499,002	-	31,499,002	34,412,554
Auxiliary enterprises	3,589,622	-	3,589,622	3,565,791
Total operating expenses	35,088,624	-	35,088,624	37,978,345
Change in net assets from operating activities	7,707,231	463,921	8,171,152	(1,845,941)
Nonoperating Activities				
Realized gain on long-term investments	306,256	1,482,961	1,789,217	2,901,034
Unrealized gain (loss) on investments	1,492,900	7,268,692	8,761,592	(3,051,543)
Change in the valuation of split-interest agreements	-	1,139,428	1,139,428	(77,990)
Change in net assets from nonoperating activities	1,799,156	9,891,081	11,690,237	(228,499)
Change in net assets	9,506,387	10,355,002	19,861,389	(2,074,440)
Net Assets, Beginning	23,701,266	39,976,267	63,677,533	65,751,973
Net Assets, Ending	$ 33,207,653	$ 50,331,269	$ 83,538,922	$ 63,677,533

See notes to financial statements

Cedar Crest College

Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Tuition and fees (net of scholarship allowances of $17,189,837)	$ 25,065,530	$ -	$ 25,065,530
Federal grants and contracts	1,693,272	-	1,693,272
State and local grants	411,123	-	411,123
Private gifts, grants and bequests	1,087,615	1,872,145	2,959,760
Endowment interest and dividend income	75,696	418,105	493,801
Facilities rental	403,975	-	403,975
Other income	704,881	24	704,905
Auxiliary enterprises	4,398,115	-	4,398,115
Interest on loans receivable	1,923	-	1,923
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	36,140,401	(7,997)	36,132,404
Operating Expenses			
Educational and general:			
Instructional	15,460,580	-	15,460,580
Academic support	1,425,548	-	1,425,548
Student services	6,577,507	-	6,577,507
Public service	1,478,082	-	1,478,082
Institutional support	9,330,031	-	9,330,031
Student aid	140,806	-	140,806
Total educational and general	34,412,554	-	34,412,554
Auxiliary enterprises	3,565,791	-	3,565,791
Total operating expenses	37,978,345	-	37,978,345
Change in net assets from operating activities	(1,837,944)	(7,997)	(1,845,941)
Nonoperating Activities			
Realized gain on long-term investments	509,694	2,391,340	2,901,034
Unrealized loss on investments	(561,169)	(2,490,374)	(3,051,543)
Change in the valuation of split-interest agreements	-	(77,990)	(77,990)
Change in net assets from nonoperating activities	(51,475)	(177,024)	(228,499)
Change in net assets	(1,889,419)	(185,021)	(2,074,440)
Net Assets, Beginning	25,590,685	40,161,288	65,751,973
Net Assets, Ending	$ 23,701,266	$ 39,976,267	$ 63,677,533

See notes to financial statements

Cedar Crest College

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	$ 19,861,389	$ (2,074,440)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,101,569	4,251,754
Amortization	19,063	20,183
Unrealized (gain) loss on investments	(8,761,592)	3,051,543
Realized gain on investments	(1,789,217)	(2,901,034)
Contributions received for long-term investment	(1,335,000)	(1,402,370)
Changes in split-interest agreements	(2,012,105)	(230,510)
Changes in operating assets and liabilities:		
Student accounts receivable	275,686	(596,319)
Other receivables	(1,692,700)	60,582
Contributions receivable	912,724	320,222
Prepaid expenses	(62,262)	36,026
Agency funds	59,615	64,151
Accounts payable and accrued expenses	300,059	(468,519)
Accrued payroll and related items	(211,472)	209,092
Accrued interest payable	(19,242)	(10,671)
Student deposits	24,556	(57,950)
Deferred revenues	113,269	(19,397)
Refundable advance from federal government	(3,953,000)	3,953,000
Net cash provided by operating activities	5,831,340	4,205,343
Cash Flows From Investing Activities		
Acquisition of property and equipment	(1,707,315)	(2,362,040)
Purchases of investments	(5,971,326)	(12,484,722)
Proceeds from maturities/sales of investments	5,453,547	11,879,294
Proceeds from disposal of property and equipment	2,947	-
Student loans advanced	(57,750)	(96,500)
Student loans collected	99,968	101,832
Other changes in student loans	3,678	1,129
Net cash used in investing activities	(2,176,251)	(2,961,007)
Cash Flows From Financing Activities		
Payment of debt principal	(1,145,000)	(1,105,000)
Payment of capital lease obligations	(268,440)	(292,709)
Proceeds from debt	-	1,127,124
Proceeds from long-term contributions	543,744	1,159,882
Other changes in government loan funds	(46,998)	(41,815)
Net cash (used in) provided by financing activities	(916,694)	847,482
Net increase in cash and cash equivalents	2,738,395	2,091,818
Cash and Cash Equivalents, Beginning	5,524,924	3,433,106
Cash and Cash Equivalents, Ending	$ 8,263,319	$ 5,524,924
Supplemental Disclosures		
Interest paid	$ 476,804	$ 539,409
Supplemental Disclosure of Noncash Operating and Investing Activities		
Property and equipment in accounts payable	$ 29,420	$ 18,066
Equipment acquired under capital lease	$ 299,382	$ 305,202

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 10:1 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 20, 2021, 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 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 $17,385,662 and $17,189,837 in 2021 and 2020, 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, 2020	Refunds Issued	Revenue Recognized Included in June 30, 2020 Balance	Cash Received in Advance of Performance	Balance at June 30, 2021
Tuition and fees, net	$ 1,346,673	$ 98,819	$ 1,247,854	$ 1,531,638	$ 1,531,638
Room and board, net	-	-	-	11,920	11,920
Total	$ 1,346,673	$ 98,819	$ 1,247,854	$ 1,543,558	$ 1,543,558

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 $367,098 and $327,233 at June 30, 2021 and 2020, 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, 2021 and 2020 was $845,031 and $892,029, 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, 2021, 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, 2021 and 2020.

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, 2021 and 2020, 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, 2021 and 2020, 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 $794,494 in 2021 and $708,839 in 2020.

Fundraising Costs

Fundraising costs are expensed as incurred and were $804,466 in 2021 and $949,034 in 2020. 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 August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. The amendments are based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*, which the Board finalized on August 28, 2018. ASU No. 2018-13 was adopted by the College in fiscal 2021 and was applied retrospectively to all periods presented in Note 4 by updating the disclosures related to fair value measurements for Level 3 investments.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit-Entities (Topic 958): Updating the Definition of Collections*. ASU No. 2019-03 modifies the definition of the term 'collections' and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned. ASU No. 2019-03, 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 No. 2019-03 is effective for the College in fiscal 2021 and is to be applied on a prospective basis. There were no material changes to the financial statements as a result of adoption of ASU No. 2019-03.

New Accounting Standards 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.

During September 2020, the FASB issued ASU No. 2020-07, *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, including additional disclosure requirements for recognized contributed services. ASU No. 2020-07 is effective for the College in fiscal 2022 and is to be applied on a retrospective basis. The College is currently assessing the effect that ASU No. 2020-07 will have on its financial statements.

Reclassifications

Certain 2020 amounts have been reclassified to conform to the 2021 presentation.

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

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. In response, various governmental agencies had 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.

Over the course of the summer 2020, restrictions began to lift and the College planned for a Hy-Flex delivery of courses for the fall and spring terms. Residential living was modified and students were housed in pods to comply with the Center for Disease Control and Department of Health regulations. Social distancing in classrooms and common areas was required and limited classroom capacities. Governmental mandates remained in place throughout the academic year as vaccine rollouts were prioritized first to high risk populations and elderly. The majority of students were able to receive the vaccine in late April 2021 when the vaccine became more widely available statewide. Facility rentals were severely impacted during this time due to statewide mandates. The Board of Trustees and the College's Cabinet are monitoring the pandemic carefully and have dedicated resources to a task force that closely reviewed all revenues and expenses and made adjustments to align expenditures with available resources. While the pandemic appeared to ease at the end of the 2021 fiscal year, it is again surging across the country and in the Commonwealth of Pennsylvania. The ongoing impact remains uncertain.

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 CARES, the College 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. Institutions may recognize the institutional portion of the grant to the extent the grant was expended on student emergency aid. The College received $1,526,417 of funding under CARES and recognized $678,577 of the student emergency aid as federal grants and contracts revenue and student services expense as of June 30, 2020. The institutional portion of the grant totaling $678,577 was expended and recognized as federal grants and contract revenue as of June 30, 2020. As restrictions were met in the same period, the grants were reported as changes in net assets without donor restrictions

As of June 30, 2021, the remaining $84,632 of the student emergency aid under CARES was expended and recognized as federal grants and contracts revenue and student services expense and $84,631 of the institutional portion of the grant was expended and recognized as federal grants and contract revenue. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions.

Under CRRSA, institutions received one grant comprised of two parts. Institutions were required to spend an equal amount on student emergency aid as they spent under CARES. The remaining portion was to be used 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 received $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. As restrictions were met in the same period, the grants were reported as changes in net assets without donor restrictions.

Under ARP, institutions 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. At June 30, 2021, the College has not spent any ARP funding, therefore no revenue was recorded.

Paycheck Protection Program (PPP)

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 PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. The College initially recorded the funds as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived.

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, therefore, the College recorded forgiveness income of $3,953,000 within its statement of activities for the year ended June 30, 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.

Employee Retention Credit (ERC)

The ERC, which was included as part of the CARES Act and amended by the CRRSAA and ARPA, 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 on timely filed forms 941 which are included in federal grants and contracts revenue in the statement of activities for the year ended June 30, 2021. As of June 30, 2021, the College had an ERC receivable of $1,723,924 and is recorded as other receivables in the statement of financial position.

3. Contributions Receivable

Included in contributions receivable at June 30, 2021 and 2020 are the following unconditional promises to give:

	2021	2020
Contributions receivable, gross	$ 140,665	$ 264,277
Discount	(866)	(2,347)
Allowance for uncollectibles	(2,637)	(3,300)
Contributions receivable, net	$ 137,162	$ 258,630
Current portion of contributions receivable	$ 107,428	$ 204,812
Long-term contributions receivable	29,734	53,818
Total	$ 137,162	$ 258,630

Contributions due in future years are as follows:

Years ending June 30:	
Less than one year	$ 109,915
One to two years	10,500
Three to four years	20,250
Total	$ 140,665

Contributions are discounted to their present value over the period they are to be collected at risk-adjusted rates ranging from .06 percent to 2.73 percent.

Management believes the College's allowance for doubtful collections at June 30, 2021 and 2020 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, 2021 and 2020 by caption on the statements of financial position by the valuation hierarchy defined above:

	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

	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

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 and 2020:

	2021	2020
Interest and dividend income	$ 573,058	$ 702,879
Investment fees	(228,990)	(209,078)
Net interest and dividend income	344,068	493,801
Net realized gain on investments	1,789,217	2,901,034
Unrealized gain (loss) on investments	8,761,592	(3,051,543)
Net unrealized gain (loss) on investments	10,550,809	(150,509)
Net investment gain	$ 10,894,877	$ 343,292

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, 2021 and 2020. The line of credit expires on June 30, 2022.

6. Long-Term Debt

	2021	2020
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.	$ 7,405,000	$ 7,890,000
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.	6,415,000	6,835,000
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.	4,495,000	4,735,000
Total	18,315,000	19,460,000
Less unamortized note issuance costs	(144,790)	(163,853)
Total	18,170,210	19,296,147
Current portion	(1,170,000)	(1,145,000)
Long-term portion	$ 17,000,210	$ 18,151,147

The aggregate future principal payments on notes payable at June 30, 2021, is as follows:

Years ending June 30:	
2022	$ 1,170,000
2023	1,200,000
2024	1,235,000
2025	1,270,000
2026	1,050,000
Thereafter	12,390,000
Total	$ 18,315,000

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:	
2022	$ 226,701
2023	156,858
2024	79,920
2025	6,136
Total	469,615
Interest amount	2,928
Present value of future minimum lease payments	472,543
Current portion	(228,046)
Long-term	$ 244,497

Equipment acquired under capital leases is summarized as follows at June 30, 2021 and 2020:

	2021	2020
Equipment under capital lease, at cost	$ 1,290,039	$ 990,657
Accumulated amortization	(734,378)	(476,591)
Equipment under capital lease, net	$ 555,661	$ 514,066

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:

	2021	2020
Unrestricted	$ 14,732,315	$ 4,999,067
Board-designated endowment	3,392,283	2,678,019
Net investment in plant	15,083,055	16,024,180
Total net assets without donor restrictions	$ 33,207,653	$ 23,701,266

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

	2021	2020
Investments, primarily accumulated change in market value of investments in excess of the Pennsylvania trust limitation and unexpended assets for other designated purposes	$ 27,989,978	$ 27,386,188
Accumulated endowment income	9,678,455	1,815,981
Term endowment fund	1,016,046	1,012,505
Total endowment fund (Note 9)	38,684,479	30,214,674
Beneficial interest in remainder trust	7,727,967	6,319,697
Educational and general programs	413,147	418,642
Assets held in charitable remainder trust	3,291,594	2,696,328
Contributions receivable	137,162	258,630
Pooled income funds	76,920	68,296
Total	$ 50,331,269	$ 39,976,267

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, 2021 and 2020, respectively:

	2021	2020
Endowment spending	$ 1,294,450	$ 1,348,591
Restricted grants and scholarships	$ 108,415	$ 645,744
Capital expenditures	143,470	105,151
Contributions received	137,935	198,785
Releases of time and purpose restriction	$ 389,820	$ 949,680

9. Endowment Funds

The College's endowment consists of 323 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 2021, 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, 2021 and 2020:

	Board Designated	Donor Restrictions	Total
Endowment net assets, July 1, 2019	$ 2,759,844	$ 29,768,631	$ 32,528,475
Investment return:			
Investment income	35,476	418,105	453,581
Net realized and unrealized loss	(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	225,536
Change	(81,825)	446,043	364,218
Endowment net assets, June 30, 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

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 $544,565 and $589,092 for the years ended June 30, 2021 and 2020, 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, 2021:

	Education and General							
	Instructional	Academic Support	Student Services	Public Service	Intuitional 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

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	1,786,539	494,219	1,785,109	140,806	2,374,888	8,444,031
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	$ 6,577,507	$ 1,478,082	$ 9,330,031	$ 140,806	$ 3,565,791	$ 37,978,345

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:

	2021	2020
Cash and cash equivalents	$ 8,263,319	$ 5,524,924
Short-term investments	580,955	484,581
Student receivables, net	1,564,886	1,840,572
Other receivables	1,993,263	300,563
Contributions receivable, current portion (without donor restrictions)	67,798	135,880
Planned appropriation of endowment	2,000,000	1,800,000
Long-term investments available for current use	5,642,347	3,494,208
Financial assets available to meet cash needs for general expenditures within one year	$ 20,112,568	$ 13,580,728

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, 2021 and 2020. In addition, the College has a Board-designated endowment of $3,392,283 and $2,678,019 at June 30, 2021 and 2020, 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, 2021:

Pre-implementation:	
Property and equipment, net	$ 29,578,865
Post-implementation:	
Property and equipment, net, with outstanding debt for original purchase	1,203,205
Property and equipment, net, without outstanding debt for original purchase	2,898,929
Construction in progress	116,094
Total property and equipment, net, without outstanding debt for original purchase	3,015,023
Total property and equipment, net, at June 30, 2021	$ 33,797,093

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, 2021:

Pre-implementation:	
Long-term debt for long-term purposes	$ 18,169,023
Capital leases for long-term purposes	136,399
Less current year repayments	(1,186,535)
Long-term debt for long-term purposes, pre-implementation	17,118,887
Post-implementation:	
Long-term debt for long-term purposes	1,065,294
Capital leases for long-term purposes	458,572
Long-term debt and capital leases for long-term purposes, post-implementation	1,523,866
Total capital leases and notes payable at June 30, 2021	$ 18,642,753

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, 2021, 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 20, 2021 except for Note 16 as to which the date is March 24, 2022.

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 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. 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 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*.

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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
October 20, 2021 except for Note 16 as to which the date is March 24, 2022

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, 2021. 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, 2021.

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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

Allentown, Pennsylvania
March 24, 2022

Primary Reserve Ratio

	Expendable Net Assets		
Statement of Financial Position	Net assets without donor restrictions	$	33,207,653
Statement of Financial Position	Net assets with donor restrictions		50,331,269
Note 8, Total endowment fund less accumulated endowment income	Net assets with donor restrictions - restricted in perpetuity		29,006,024
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		21,325,245
Note 16	Property, plant and equipment - pre-implementation		29,578,865
Note 16	Property, plant and equipment - post-implementation with outstanding debt for original purchase		1,203,205
Note 16	Property, plant and equipment - post-implementation without outstanding debt for original purchase		2,898,929
Statement of Financial Position	Construction in progress		116,094
Statement of Financial Position	Total property, plant and equipment, net (including CIP)		33,797,093
Note 16	Long-term debt for long-term purposes - pre-implementation		17,118,887
Note 16	Long-term debt for long-term purposes - post implementation		1,523,866
	Total Expenses and Losses Without Donor Restrictions		
Statement of Activities	Total expenses without donor restrictions	$	35,088,624

Equity Ratio

	Modified Net Assets		
Statement of Financial Position	Net assets without donor restrictions	$	33,207,653
Statement of Financial Position	Net assets with donor restrictions		50,331,269
	Modified Assets		
Statement of Financial Position	Total assets	$	109,003,293

Net Income Ratio

Statement of Activities	**Change in Net Assets Without Donor Restrictions**	$	9,506,387
	Total Revenues and Gains Without Donor Restrictions		
Statement of Activities, Total operating revenues, realized gains on long-term investments, unrealized gain on investments	Total operating revenue and other additions (gains)	$	44,595,011
Note 9	Investment return appropriated for spending		9,895

Cedar Crest College

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal 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		$ 152,423
Federal Work-Study Program	84.033		49,301
Federal Perkins Loan Program	84.038		373,210
Federal Pell Grant Program	84.063		1,940,243
Federal Direct Student Loans	84.268		12,542,521
Total U.S. Department of Education			15,057,698
U.S. Department of Health and Human Services:			
Nursing Student Loans	93.364		576,917
Total Student Financial Assistance Cluster			15,634,615
Other Programs			
U.S. Department of Education:			
COVID-19 - Education Stabilization Fund:			
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Student Portion	84.425E		847,841
COVID-19 - HEERF - Institutional Portion	84.425F		1,540,941
COVID-19 - HEERF - Strengthening Institutions Program	84.425M		100,837
Total COVID-19 - Education Stabilization Fund			2,489,619
U.S. Department of Treasury:			
Passed through the Commonwealth of Pennsylvania Department of Education Institutional Assistance Grants	21.019	N/A	49,041
U.S. Department of Education of Health and Human Services:			
Health Resources and Services Administration, Nurse Anesthetist Traineeships	93.124		4,291
Total Expenditures of Federal Awards			$ 18,177,566

See notes to schedule of expenditures of federal awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes federal award activity of Cedar Crest College (College) under programs of the federal government for the year ended June 30, 2021. 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, 2021 totaled $341,662 and $527,058, 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:

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

None.

Section IV - Summary of Prior Audit Findings

None.