Ursinus College

Financial Statements

June 30, 2019 and 2018

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	5
Notes to Financial Statements	6

Independent Auditors' Report

To the Board of Trustees of
Ursinus College

We have audited the accompanying financial statements of Ursinus College (the "College"), which comprise the statements of financial position as of June 30, 2019 and 2018, 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. 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 auditors' 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 Ursinus College as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
October 21, 2019

Ursinus College

Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 6,963,077	$ 2,634,661
Accounts receivable, net	394,110	652,603
Prepaid expenses	810,728	1,304,019
Pledges receivable, net	3,934,885	4,135,397
Student loans receivable, net	1,411,371	1,625,339
Deposits with bond trustees	1,401,418	7,222,358
Investments and funds held in trust by others	157,590,352	169,927,229
Land, buildings and equipment, net	140,000,202	135,509,747
Collections	9,078,443	8,818,901
Other assets	745,839	891,172
Total assets	$ 322,330,425	$ 332,721,426
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 2,741,785	$ 7,923,383
Accrued payroll	1,816,173	1,685,832
Deferred revenues	406,265	408,072
Refundable deposits	800,288	754,230
Postretirement obligations	508,096	573,330
Annuities payable	5,425,543	5,485,632
Conditional asset retirement obligations	1,942,776	1,903,066
Long-term debt, net	61,895,721	61,266,667
U.S. government grants refundable	1,521,488	1,522,886
Total liabilities	77,058,135	81,523,098
Net Assets		
Without donor restrictions	106,818,608	108,572,737
With donor restrictions	138,453,682	142,625,591
Total net assets	245,272,290	251,198,328
Total liabilities and net assets	$ 322,330,425	$ 332,721,426

See notes to financial statements

Ursinus College

Statements of Activities
Year Ended June 30, 2019
(with Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total (Summarized)
Operating Revenue				
Tuition and fees (net of student aid of $45,384,144 in 2019 and $45,578,493 in 2018)	$ 27,295,354	$ -	$ 27,295,354	$ 28,470,402
Room and board	16,711,184	-	16,711,184	17,473,113
Contributions	2,447,031	1,119,057	3,566,088	3,452,530
Government grants and contracts	1,374,959	6,980	1,381,939	1,310,494
Endowment funds used for operations	5,151,250	2,870,821	8,022,071	8,089,591
Other investment income, net	1,190,586	2,921	1,193,507	1,088,637
Other auxiliary enterprises	32,995	-	32,995	18,424
Other income	2,328,462	-	2,328,462	2,010,425
Net realized and unrealized gains (losses)	147,199	-	147,199	(158,012)
Net assets released from restrictions	9,756,855	(9,756,855)	-	-
Total operating revenue	66,435,875	(5,757,076)	60,678,799	61,755,604
Operating Expenses				
Program services:				
Instruction	21,328,119	-	21,328,119	20,503,551
Research	330,921	-	330,921	543,713
Public service	978,623	-	978,623	962,190
Student services	10,734,401	-	10,734,401	10,032,193
Auxiliary enterprises	11,578,689	-	11,578,689	11,034,789
Total program services	44,950,753	-	44,950,753	43,076,436
Supporting services:				
Academic support	7,096,895	-	7,096,895	6,599,443
Management and general	15,426,311	-	15,426,311	14,069,175
Total supporting services	22,523,206	-	22,523,206	20,668,618
Total operating expenses	67,473,959	-	67,473,959	63,745,054
Change in net assets from operations	(1,038,084)	(5,757,076)	(6,795,160)	(1,989,450)
Nonoperating Activities				
Contributions	5,855	3,735,651	3,741,506	3,612,455
Other investment income, net	35,618	207,052	242,670	195,956
Net realized and unrealized gains	413,914	2,230,982	2,644,896	6,014,429
Endowment funds provided to operations	(5,229,022)	-	(5,229,022)	(5,517,220)
Actuarial loss on annuities payable	-	(141,060)	(141,060)	(126,372)
Other expenses	(384,203)	(5,665)	(389,868)	(1,872,435)
Net assets released from restrictions	4,441,793	(4,441,793)	-	-
Change in net assets from nonoperating activities	(716,045)	1,585,167	869,122	2,306,813
Change in net assets	(1,754,129)	(4,171,909)	(5,926,038)	317,363
Net Assets, Beginning	108,572,737	142,625,591	251,198,328	250,880,965
Net Assets, Ending	$ 106,818,608	$ 138,453,682	$ 245,272,290	$ 251,198,328

See notes to financial statements

Ursinus College

Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Tuition and fees (net of student aid of $45,578,493)	$ 28,470,402	$ -	$ 28,470,402
Room and board	17,473,113	-	17,473,113
Contributions	2,464,295	988,235	3,452,530
Government grants and contracts	1,310,494	-	1,310,494
Endowment funds used for operations	8,008,781	80,810	8,089,591
Other investment income, net	1,085,548	3,089	1,088,637
Other auxiliary enterprises	18,424	-	18,424
Other income	2,010,425	-	2,010,425
Net realized and unrealized losses	(158,012)	-	(158,012)
Net assets released from restrictions	762,444	(762,444)	-
Total operating revenue	61,445,914	309,690	61,755,604
Operating Expenses			
Program services:			
Instruction	20,503,551	-	20,503,551
Research	543,713	-	543,713
Public service	962,190	-	962,190
Student services	10,032,193	-	10,032,193
Auxiliary enterprises	11,034,789	-	11,034,789
Total program services	43,076,436	-	43,076,436
Supporting services:			
Academic support	6,599,443	-	6,599,443
Management and general	14,069,175	-	14,069,175
Total supporting services	20,668,618	-	20,668,618
Total operating expenses	63,745,054	-	63,745,054
Change in net assets from operations	(2,299,140)	309,690	(1,989,450)
Nonoperating Activities			
Contributions	974,521	2,637,934	3,612,455
Other investment income, net	24,230	171,726	195,956
Net realized and unrealized gains	188,279	5,826,150	6,014,429
Endowment funds provided to operations	(5,517,220)	-	(5,517,220)
Actuarial loss on annuities payable	-	(126,372)	(126,372)
Other expenses	(1,872,435)	-	(1,872,435)
Net assets released from restrictions	5,488,062	(5,488,062)	-
Change in net assets from nonoperating activities	(714,563)	3,021,376	2,306,813
Change in net assets	(3,013,703)	3,331,066	317,363
Net Assets, Beginning	111,586,440	139,294,525	250,880,965
Net Assets, Ending	$ 108,572,737	$ 142,625,591	$ 251,198,328

See notes to financial statements

Ursinus College

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ (5,926,038)	$ 317,363
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,135,694	4,575,163
Accretion of asset retirement obligations	39,710	37,655
Net realized and unrealized gains on investments	(2,792,095)	(5,856,417)
Bond premium amortization	(84,356)	(117,195)
Amortization of bond issuance costs	59,480	42,429
Actuarial loss on annuities payable	141,060	126,372
Gift in-kind contributions of property and collections	(259,542)	(744,111)
Contributions restricted for long-term investment and annuity contracts	(3,735,651)	(2,637,934)
Changes in assets and liabilities:		
Accounts receivable	258,493	(239,898)
Prepaid expenses	493,291	(130,940)
Pledges receivable	609,742	967,379
Other assets	145,333	(47,847)
Accounts payable and accrued expenses	(3,129,643)	3,688,638
Accrued payroll	130,341	(69,156)
Deferred revenues	(1,807)	(84,145)
Refundable deposits	46,058	(46,982)
Post retirement obligations	(65,234)	(75,827)
U.S. government grants refundable	(1,398)	(93,486)
Net cash used in operating activities	(8,936,562)	(388,939)
Cash Flows from Investing Activities		
Purchases of property, equipment and collections	(11,678,104)	(22,012,035)
Purchases of investments	(65,549,395)	(68,157,743)
Proceeds from sales of investments	80,885,778	72,700,482
Payments on loans receivable	213,968	258,512
Loans issued to students	-	(209,700)
Net cash provided by (used in) investing activities	3,872,247	(17,420,484)
Cash Flows from Financing Activities		
Contributions received restricted for long-term investment	3,326,421	2,196,783
Contributions received restricted for investments in annuity contracts	25,362	264,615
Proceeds from issuance of long-term debt	2,325,386	-
Change in deposits with bond trustee	5,820,940	12,234,996
Payments on long-term debt	(1,475,000)	(1,430,000)
Acquisition of bond issuance costs	(196,456)	(69,026)
Payments to annuitants	(433,922)	(426,775)
Net cash provided by financing activities	9,392,731	12,770,593
Net increase (decrease) in cash and cash equivalents	4,328,416	(5,038,830)
Cash and Cash Equivalents, Beginning	2,634,661	7,673,491
Cash and Cash Equivalents, Ending	$ 6,963,077	$ 2,634,661
Supplemental Disclosures		
Cash paid for interest	$ 2,696,259	$ 1,428,447
Construction related payables	$ 393,074	$ 2,445,029
Refunding of long-term debt	$ 9,900,000	$ -

See notes to financial statements

1. Summary of Significant Accounting Policies

Nature of Operations

Ursinus College (the "College") is an independent, four-year liberal arts college founded in 1869. The mission of the College is to enable students to become independent, responsible, and thoughtful individuals through a program of liberal education. At the start of the 2018-2019 academic year, the College enrolled 1,417 full-time-equivalent day students from 31 states and 20 countries, of which approximately 93 percent live in the College's residence halls.

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, including accounting standards as they relate to financial statements of not-for-profit organizations. The Financial Accounting Standards Board ("FASB") guidance requires the reporting of total assets, liabilities and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents in a statement of cash flows.

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions 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 donor restrictions and reported in the statements of activities as net assets released from restrictions. Additionally, funds received 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.

Cash Equivalents

Cash equivalents represent demand deposits and other investments held by the College with original maturity dates not exceeding 90 days.

Revenue Recognition and Disaggregation of Revenue

Tuition and fee revenue is recognized in the fiscal year in which the academic programs are delivered. Revenue for the majority of auxiliary enterprises, including room, board and other related services, is recognized when the related service is provided. The remainder of auxiliary enterprises revenue is derived from the rental of College meeting rooms, classrooms, residence halls and athletic fields and facilities for classes, conferences, meetings and camp activities, for which revenue is recognized when the service is provided. Tuition, fee and auxiliary enterprise contracts are considered to have a duration of less than one year. Fall and Spring tuition and fees are recognized within the same fiscal year. Summer tuition and fees are recognized in the applicable fiscal year based on the number of weeks in the program period.

Tuition, fees, room and board rates are approved by the Board of Trustees. Institutional financial aid and discounts provided by the College are reflected as a reduction of tuition and fee revenue. The College may also award grants and scholarships to individuals who meet certain academic and financial aid eligibility criteria.

Amounts due for tuition, fees, room and board are due prior to the beginning of each semester. In accordance with the College's refund policy, students who adjust their course load or withdraw completely within the first six weeks of the academic term may receive a full or partial refund. Historically, refunds have been approximately 1.4 percent of the total amount billed and reduce the amount of revenue recognized. Student accounts receivable includes amounts to which the College is unconditionally entitled. In connection with the adoption of the revenue recognition standard in the fiscal period ended June 30, 2019, the College considers such amounts unconditional as of the payment due date.

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

Government grants and contracts are deemed to be non-exchange (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 Revenues

Deferred revenues relate to tuition and matriculation deposits and other payments for the upcoming fall semester that are received prior to fiscal year-end. The following table depicts activities for deferred revenue related to tuition.

Balance at June 30, 2018	Refunds Issued	Revenue Recognized In 2019 Included June 30, 2018 Balance	Cash Received in Advance of Performance	Balance at June 30, 2019
$ 359,739	$ 1,530	$ 358,209	$ 357,932	$ 357,932

The balance of deferred revenue at June 30, 2019, less any refunds issued will be recognized as revenue in the next fiscal year, as services are rendered.

Student Loans Receivable

These loans are made with funds advanced to the College by the federal government under the Perkins Student Loan Program (the "Program"). As of June 30, 2019 and 2018, student loans receivable are stated net of an allowance for doubtful loans. Uncollectible Federal Perkins Loans are not written off until approved for write-off or accepted for assignment by the U.S. Department of Education.

The 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 Department of Education or liquidate their Perkins Loan Revolving Funds due to the wind-down of the Program, however; the College may choose to liquidate at any time in the future. As of June 30, 2019, the College continues to service the Perkins Loan Program.

Allowances for Doubtful Accounts

The allowances for doubtful accounts and pledges receivable are provided based upon management's judgment, including such factors as prior collection history and type of receivable. The College writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the provision for doubtful accounts.

Investments

Investments comprise all classes of investments held and invested by the College's professional portfolio managers. Investments with readily determinable market values are reported in the financial statements at fair value based on quoted market prices. The estimated fair value of alternative investments such as hedge funds and private equity interests are based on net asset value as provided by the external investment managers as a practical expedient for fair value.

Gains or losses on investments other than endowment funds are recognized as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains or losses on endowment investments, not otherwise restricted, are recognized as increases or decreases in net assets without donor restrictions in accordance with Commonwealth of Pennsylvania law (Note 11).

Deposits with Bond Trustees

Deposits with bond trustees consist of short-term investments and are restricted for debt service reserves.

Land, Buildings and Equipment

Land, buildings, and equipment are stated at cost at the date of purchase or fair value at date of donation in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets: 50 years for buildings and certain improvements, 20 years for building improvements, and 5 years for furniture and equipment.

Contributions and Related Expenses

Contributions are recognized as revenue when received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value on the date of donation. Gifts of cash and other noncapital assets are reported as operating revenue if the gifts were received with no donor restrictions or if the specified restrictions have been satisfied within the current fiscal year.

Pledges to be received after one year are recorded at fair value using a discount rate commensurate with the collection period of the gift investment. Amortization of the discount is recorded as additional contribution revenue.

Costs incurred for fund-raising activities are expensed as incurred. Total fund-raising costs, included in management and general expenses, were $3,633,106 and $3,563,198 for the years ended June 30, 2019 and 2018, respectively.

Collections

In 1989, the College opened the Philip and Muriel Berman Museum of Art. The collection contained therein is valued at the fair market value at the date of acquisition or date of gift. Fair market value for gifts of art is determined by independent appraisals.

Gains or losses on the deaccession of collection items are classified on the statements of activities as without donor restrictions or with donor restrictions support depending on donor restrictions, if any, placed on the item at the time of accession. There were no deaccessions of the collections recorded in the year ended June 30, 2019. The College added $259,542 and $732,503 to the collections for the years ended June 30, 2019 and 2018, respectively.

Annuities Payable

Annuities payable represent the net present value of expected future payments to beneficiaries designated under annuity gift agreements, charitable remainder annuity trusts, and charitable remainder unitrusts. Adjustments related to changes in estimates of future payments to beneficiaries and actuarial assumptions are recorded as actuarial gains or losses. Included in annuities payable on the statements of financial position for the years ended June 30, 2019 and 2018 is $2,342,138 and $2,382,356, respectively, as reserves for future payments of annuities payable.

Conditional Asset Retirement Obligations

A conditional asset retirement obligation is a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The College records a liability to perform the asset retirement activity.

Nonoperating Activities

The College considers endowment gifts, capital contributions and grants and related expenditures, net realized and unrealized gains and losses on investments, actuarial gains and losses on annuities payable, gains and losses on the disposition of property and equipment, loss on retirement of debt, revenue and expenses related to loan funds and trusts, net assets released from restrictions, and unusual nonrecurring transactions to be nonoperating activities.

Tax-Exempt Status

Under the provisions of Internal Revenue Code Section 501(c)(3) and the applicable income tax regulations of Pennsylvania, the College is exempt from taxes on income other than unrelated business income.

The College recognizes or derecognizes a tax position based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The College does not believe its financial statements include any material uncertain tax positions.

Management Estimates

The preparation of 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 revenue, expenses, assets, and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts for student accounts, loans and pledges receivable; alternative investment values; useful lives of buildings and equipment; conditional asset retirement obligations; functional expense allocation and annuities payable. Actual results could differ from those estimates.

Concentration of Credit Risk

Cash, cash equivalents and investments are exposed to various risks, such as interest rate, market volatility, and credit. To minimize such risks, the College has a diversified investment portfolio managed by several independent investment managers in a variety of asset classes. The College regularly evaluates its investments including performance thereof. The College maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federal insured limits. The College's cash accounts are placed with high credit quality financial institutions. Due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying financial statements can vary substantially from year to year. It is reasonably possible that changes in investments will occur in the near term and such changes could materially affect amounts reported in the accompanying financial statements.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The College measures its investments and certain split-interest agreements at fair value.

Reclassification of Prior Year Amounts

Certain amounts from the prior year have been reclassified to conform to the current year presentation and did not affect changes in net assets or total net assets.

Accounting Standards Adopted in the Current Year

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* This new accounting guidance outlines a comprehensive model for entities to use in accounting for revenue from contracts with customers. The College adopted this guidance during the year ended June 30, 2019 utilizing the modified retrospective method, and the adoption of this guidance did not have a material impact on the College's business practices, financial condition, or changes in net assets during the fiscal year ended June 30, 2019. The primary impact of adopting the new standard has been expanded disclosures pertaining to revenue recognition with Note 1.

In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The College has adjusted the presentation of the financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, except for the disclosures around analysis of expenses by nature and function and liquidity and availability of resources. Those disclosures have been presented for 2019 only, as allowed by ASU No. 2016-14.

- Unrestricted net assets were renamed net assets without donor restrictions.
- Temporarily and permanently restricted net assets were combined under one category of net assets named net assets with donor restrictions.
- A footnote disclosing the College's expenses by both nature and function was added. See Note 12.
- A footnote discussing the College's liquidity and availability of resources was added. See Note 13.
- Additional disclosures related to underwater endowments. See Note 11.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The College adopted the new standard effective July 1, 2018. The adoption did not have any impact on the College's financial statements.

Recently Issued Accounting Standards not yet Adopted

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statements of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for the College in fiscal 2020. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The College is assessing the impact this standard will have on its financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The ASU applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. The ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for the College in fiscal 2020. The College is assessing the impact this standard will have on its financial statements.

2. Accounts Receivable

Accounts receivable are as follows at June 30:

	2019	2018
Student	$ 33,348	$ 45,613
Employees	19,236	13,478
Research and development grants	143,207	143,575
Other	217,798	480,174
Total accounts receivable	413,589	682,840
Allowance or uncollectible receivables	(19,479)	(30,237)
Total	$ 394,110	$ 652,603

3. Pledges Receivable

The College records unconditional promises to give as pledges receivable. Pledges that were due beyond one year when initiated were discounted at discount rates that range from 1.27 percent to 2.95 percent at June 30:

	2019	2018
Less than one year	$ 1,219,165	$ 1,541,786
One to five years	2,577,154	2,539,835
More than five years	473,324	419,510
Total pledges, net of discount	4,269,643	4,501,131
Allowance or uncollectible pledges	(334,758)	(365,734)
Total	$ 3,934,885	$ 4,135,397

At June 30, 2019 and 2018, the unamortized discounts were $239,227 and $376,929, respectively.

4. Student Loans Receivable

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources.

Student loans consisted of the following at June 30:

	2019	2018
Federal government programs	$ 1,645,415	$ 1,881,552
Institutional programs	1,979	1,834
	1,647,394	1,883,386
Less allowance for doubtful accounts:		
Beginning of year	(258,047)	(235,076)
Decreases (increases)	22,024	(22,971)
End of year	(236,023)	(258,047)
Student loans receivable, net	$ 1,411,371	$ 1,625,339

The College participates in various federal revolving loan programs. The availability of funds for loans under these programs is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of $1,521,488 and $1,522,886 at June 30, 2019 and 2018, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan.

The following amounts were past due under student loan programs at June 30:

	Less Than 240 Days Past Due	240 Days - 2 Years Past Due	2 - 5 Years Past Due	Over 5 Years Past Due	Total Past Due
2019	$ -	$ 104,507	$ 108,315	$ 207,199	$ 420,021
2018	$ 277,560	$ 73,470	$ 102,619	$ 212,929	$ 666,578

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Perkins Loan Program are guaranteed by the government and, therefore, no reserves are placed on any past-due balances under the program.

5. Investments and Fair Value Measurements

There are three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose primary values are observable.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following valuation techniques were used to measure fair value of assets in the table below on a recurring basis:

Cash and money market funds - Cash and money market funds are valued based on stated values. These funds are valued at Level 1.

U.S. government obligations - U.S. government securities are generally valued at the closing price reported in the active market in which the individual security is traded and are Level 1.

Mutual funds - Mutual funds, including equity, fixed income, and international mutual funds, are valued at the closing price of the traded fund at the statements of financial position date. To the extent these mutual funds are actively traded, they are categorized in Level 1 of the fair value hierarchy.

Equity securities, common stocks and commodities - Securities, including common stocks and commodities funds, are traded on a national securities exchange. These securities are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, they are categorized in Level 1 of the fair value hierarchy.

Real estate fund - This fund invests in publicly traded securities of real estate companies. These investments are considered Level 1 as the underlying equities are publicly traded.

Alternative investments - The College has a policy which permits investments that do not have a readily determinable fair value, and as such, has elected to use the net asset value per share (the "NAV") as calculated on the reporting entity's measurement date as the fair value of the investment. The College measures the fair value of an investment that does not have a readily determinable fair value, based on the NAV of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different than the NAV. If the practical expedient NAV is not as of the College's measurement date, then the NAV is adjusted to reflect any significant events that would materially affect the value of the security and the NAV as of the valuation date. In using the NAV as practical expedient, certain attributes of the investment, that may impact the fair value of the investment, are not considered in measuring fair value. Attributes of those investments include the investment strategies of the investees and may also include, but are not limited to, restrictions on the investor's ability to redeem its investments at the measurement date of NAV as well as any unfunded commitments. Investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the investments, at fair value presented in the statements of financial position.

Other - These include an absolute return fund, life insurance policies that support donor charitable gift annuities held by the College and other investments held by the College.

Funds held in trust by others - The College's beneficial interest in trusts held by others is recorded at fair value based on the fair value of the trust's holdings as reported by the trustee or the NAV of the trust or entity.

For assets measured at fair value on a recurring basis, the fair value by level within the fair value hierarchy used are as follows at June 30, 2019:

	Fair Value Investment at June 30, 2019			Fair Value
	Level 1	**Level 2**	**Level 3**	**2019**
Investments:				
Cash and money market funds	$ 14,374,984	$ -	$ -	$ 14,374,984
U.S. government obligations	3,948,933	-	-	3,948,933
Fixed-income mutual funds	31,048,156	-	-	31,048,156
Fixed-income int'l mutual funds	105,495	-	-	105,495
Equity mutual funds	48,891,041	-	-	48,891,041
International equity mutual funds	35,105,533	-	-	35,105,533
Commodities fund	32,484	-	-	32,484
Real estate fund	1,798,485	-	-	1,798,485
Other investments	92,413	659,087	-	751,500
Funds held in trust by others [1]	-	-	11,392,402	11,392,402
Total assets in the fair value hierarchy	135,397,524	659,087	11,392,402	147,449,013
Hedge fund investments measured at NAV				6,331,473
Private equity fund investments measured at NAV				2,388,652
Other investments measured at NAV				1,421,214
Investments measured at NAV				10,141,339
Total assets	$ 135,397,524	$ 659,087	$ 11,392,402	$ 157,590,352

[1] Included in funds held in trust by others (FHITBO) is a 50 percent share of a managed trust fund (equities and REITs), an irrevocable, charitable trust (mutual funds) and a total return trust (mutual funds and partnerships).

For assets measured at fair value on a recurring basis, the fair value by level within the fair value hierarchy used are as follows at June 30, 2018:

	Fair Value Investment at June 30, 2018			Fair Value
	Level 1	**Level 2**	**Level 3**	**2018**
Investments:				
Cash and money market funds	$ 25,838,748	$ -	$ -	$ 25,838,748
U.S. government obligations	3,805,263	-	-	3,805,263
Fixed-income mutual funds	29,982,194	-	-	29,982,194
Fixed-income int'l mutual funds	102,170	-	-	102,170
Common stocks	10,032	-	-	10,032
Equity mutual funds	35,575,252	-	-	35,575,252
International equity mutual funds	43,833,141	-	-	43,833,141
Commodities fund	5,345,848	-	-	5,345,848
Real estate fund	1,941,441	-	-	1,941,441
Other investments	131,754	628,963	-	760,717
Funds held in trust by others (1)	-	-	11,489,489	11,489,489
Total assets in the fair value hierarchy	146,565,843	628,963	11,489,489	158,684,295
Hedge fund investments measured at NAV				6,305,555
Private equity fund investments measured at NAV				2,432,925
Other investments measured at NAV				2,504,454
Investments measured at NAV				11,242,934
Total assets	$ 146,565,843	$ 628,963	$ 11,489,489	$ 169,927,229

(1) Included in funds held in trust by others (FHITBO) is a 50 percent share of a managed trust fund (equities and REITs), an irrevocable, charitable trust (mutual funds) and a total return trust (mutual funds and partnerships).

All investments in the alternative investment category are valued at estimated fair value using NAV per share as a practical expedient. A description of these investments, their liquidity and redemption features are as follows.

Total Return

This fund's objective is to maximize risk-adjusted returns and achieve low correlation to the equity markets by investing in a diversified group of pooled investment vehicles both within and outside the United States. The College may redeem on a quarterly basis with 60 days written notice.

Private Equity

The College has a total capital commitment of $1,870,000 to these funds, of which $210,100 is currently unfunded. The objective of the funds is to realize a long-term total return by investing in a diversified group of pooled investment vehicles. The funds may invest in any of the following strategies: venture, buyout, distressed, real estate, fund of funds and secondaries. These funds are not redeemable, and capital will be returned throughout the life of the funds as investments provide a cash flow stream or are liquidated. The remaining term of these funds is 10 years.

Private Equity, Distressed Debt Funds

The College has a total capital commitment of $4,750,000 to these funds, of which $779,917 is currently unfunded. The funds invest directly and indirectly in the securities of entities which are experiencing financial difficulties. These funds are not redeemable, and capital will be returned to investors through liquidation upon termination of the funds. Remaining lives of the funds are estimated at between 4 and 10 years.

Special Opportunities

The College has a total capital commitment of $7,500,000 to these funds, of which $2,213,338 is currently unfunded. The funds are permitted to make any and all types of investment that may present an attractive investment opportunity at that time. The overall investment horizon for each fund is about 5 to 7 years. Similar to private equity, there are no redemption rights and the investments should be considered illiquid. These totals include a direct commitment of $2,500,000 to Taconic European Credit Dislocation Fund II which is categorized in Special Opportunities.

The schedule below summarizes the funds held in trust activity for investments which have been classified as Level 3 assets for the years ended June 30:

	2019	2018
Beginning balance	$ 11,489,489	$ 11,323,592
Realized and unrealized gains	421,019	697,468
Distributions	(518,106)	(531,571)
Ending balance	$ 11,392,402	$ 11,489,489

Return on the College's cash and investments for the years ended June 30:

	2019	2018
Interest and dividends	$ 4,687,608	$ 4,328,539
Investment fees	(458,382)	(471,575)
Realized gains	2,460,980	4,510,715
Unrealized gains	331,115	1,345,702
Total	$ 7,021,321	$ 9,713,381

The total investment return for the College is shown in the statements of activities is as follows for the years ended June 30:

	2019	2018
Operating activities:		
Endowment funds used for operations	$ 8,022,071	$ 8,089,591
Other investment income	1,193,507	1,088,637
Net realized and unrealized gains (losses)	147,199	(158,012)
Nonoperating activities:		
Endowment funds provided to operations	(5,229,022)	(5,517,220)
Other investment income	242,670	195,956
Net realized and unrealized gains	2,644,896	6,014,429
	$ 7,021,321	$ 9,713,381

6. Land, Buildings, and Equipment

The components of land, buildings, and equipment are as follows at June 30:

	2019	2018
Nondepreciable assets, primarily land	$ 792,618	$ 792,618
Buildings and improvements	208,190,724	177,217,361
Furniture and equipment	12,057,916	10,233,344
Construction in progress	5,076,042	28,247,828
	226,117,300	216,491,151
Less accumulated depreciation	(86,117,098)	(80,981,404)
Total	$ 140,000,202	$ 135,509,747

The College has outstanding commitments on construction contracts of approximately $4,847,000 and $2,026,000 as of June 30, 2019 and 2018, respectively, and will be funded from proceeds of capital gifts and the College's cash resources.

Depreciation expense was $5,135,694 and $4,575,163 for the years ended June 30, 2019 and 2018, respectively.

7. Long Term Debt

Total long term debt consisted of the following at June 30:

	2019	2018
PHEFA College Revenue Bonds - Series of 2012	$ 13,935,000	$ 14,655,000
PHEFA College Revenue Bonds - Series of 2013	10,120,000	10,650,000
PHEFA College Revenue Bonds - Series of 2015	11,175,000	11,400,000
MCHEHA College Revenue Bonds - Series of 2016	13,100,000	23,000,000
MCHEHA College Revenue Bonds - Series of 2019	11,820,000	-
Sustainable Energy Fund Loan	464,250	-
	60,614,250	59,705,000
Plus unamortized bond premium	2,374,526	2,517,745
Less bond issuance costs	(1,093,055)	(956,078)
	$ 61,895,721	$ 61,266,667

The College's principal obligations for all long-term debt are due as follows:

Years ending June 30:	
2020	$ 1,520,000
2021	1,585,000
2022	1,650,000
2023	1,715,000
2024	1,785,000
Thereafter	52,359,250
Total	$ 60,614,250

PHEFA College Revenue Bonds, Series of 2012 (Ursinus College)

In May 2012, the College issued $18,865,000 of revenue bonds as an advanced refunding of a portion of the College's Pennsylvania Higher Educational Facilities Authority ("PHEFA") Series 2003 revenue bonds. These serial bonds began repayment on January 1, 2013, with the final payment due January 1, 2033. Interest rates of these fixed rate revenue bonds range from 2.00 percent to 5.00 percent during the term of the bonds. In accordance with the bond issue, the College must follow the same financial covenants as stipulated with the College's 2003 Series bonds, which they are in compliance with for the years ended June 30, 2019 and 2018.

PHEFA College Revenue Bonds, Series of 2013 (Ursinus College)

In April 2013, the College issued $12,880,000 of revenue bonds as a current refunding of the remaining portion of the College's PHEFA Series 2003 revenue bonds. These serial bonds began repayment on January 1, 2014, with the final payment due January 1, 2033. Interest rates of these fixed rate revenue bonds range from 3.00 percent to 5.00 percent during the term of the bonds. In accordance with the bond issue, the College must follow the same financial covenants as stipulated with the College's 2003 Series bonds, which they are in compliance with for the years ended June 30, 2019 and 2018.

PHEFA College Revenue Bonds, Series of 2015 (Ursinus College)

In April 2015, the College issued $12,160,000 of revenue bonds as a current refunding of the remaining portion of the College's PHEFA Series 2006 revenue bonds. These serial bonds began repayment on January 1, 2016, with the final payment due January 1, 2036. Interest rates of these fixed rate revenue bonds range from 2.00 percent to 4.00 percent during the term of the bonds. In accordance with the bond issue, the College must follow the same financial covenants as stipulated with the College's 2006 Series bonds, which they are in compliance with for the years ended June 30, 2019 and 2018.

MCHEHA Revenue Bonds, Series of 2016 (Ursinus College)

In November 2016, the College issued $23,000,000 of Montgomery County Higher Education and Health Authority ("MCHEHA") revenue bonds as a means of financing the construction of two major buildings on campus. In April 2019, the College issued $11,820,000 of Montgomery County Higher Education and Health Authority ("MCHEHA") revenue bonds as a current refunding of the callable portion of the College's PHEFA Series 2016 revenue bonds, which reduced the principal to $13,100,000. These serial bonds will begin principal repayment on November 1, 2036, with the final payment due November 1, 2042. Interest rates of these fixed rate revenue bonds range from 5.00 percent to 5.50 percent during the term of the bonds. In accordance with the bond issue, the College must follow the same financial covenants as stipulated with the College's existing PHEFA Series 2015 bonds, which they are in compliance with for the years ended June 30, 2019 and 2018.

MCHEHA Revenue Bonds, Series of 2019 (Ursinus College)

In April 2019, the College issued $11,820,000 MCHEHA revenue bonds as a current refunding of the callable portion of the College's PHEFA Series 2016 revenue bonds. These serial bonds will begin principal repayment on November 1, 2043, with the final payment due November 1, 2046. The interest rate of these fixed rate revenue bonds is 4.00 percent during the term of the bonds. In accordance with the bond issue, the College must follow the same financial covenants as stipulated with the College's existing PHEFA Series 2015 bonds, which they are in compliance with for the year ended June 30, 2019.

Sustainable Energy Fund Loan (Ursinus College)

In March 2018, the College entered into a loan agreement in the amount of $1,296,722 with the Sustainable Energy Fund, a Pennsylvania not-for-profit corporation, to update and retrofit fluorescent and CFL bulbs with LED lamps in various locations on the College's campus. Loan advances are recorded as funds are drawn over the initial five year loan term. Outstanding loan advances accrue interest at 4.00 percent over the initial loan term. All loan advances will be taken by December 31, 2019. Monthly interest and principal repayment will commence in January 2020 for a period of 59 months, with an option of a balloon payment or renewal term of installment payments for 60 additional months.

Line of Credit (Ursinus College Working Capital)

The College previously maintained a line of credit with PNC Bank, in the amount of $2,000,000, which expired on February 28, 2019.

Interest

Interest expense in 2019 and 2018 was $1,744,796 and $1,441,146, respectively. Additionally, the College has capitalized interest on borrowings during the construction period of two major capital projects. Capitalized interest is added to the cost of the underlying assets being constructed, and is amortized over the useful lives of the assets. For the years ended June 30, 2019 and 2018, the College capitalized interest costs of $609,800 and $1,186,762, respectively.

Collateral

The bond agreements contain certain restrictive covenants, which, among other restrictions require the pledge of certain revenues as collateral for repayment and the maintenance of a minimum level of aggregate expendable funds and a maximum level of debt service. In addition, the College is required to maintain deposits with an outside trustee for the purpose of meeting scheduled debt service requirements of the respective outstanding bonds until they become due. All outstanding bond issues are collateralized by a general interest in the College's revenue.

8. Net Assets

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

	2019	2018
Undesignated	$ 11,400,822	$ 10,901,811
Board-designated endowment	15,911,887	16,205,488
Property and equipment, less debt	79,505,899	81,465,438
Total net assets without donor restriction	$ 106,818,608	$ 108,572,737

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

	2019	2018
Time restricted for future periods:		
Pledges	$ 3,328,269	$ 3,328,268
Annuity and life income funds	4,366,854	4,264,399
Purpose restricted:		
Unexpended gifts for instruction, scholarships and capital expenditures	10,322,666	13,834,616
Endowment, accumulated realized and unrealized investment gains unexpended for instruction, scholarships and capital expenditures (Note 11)	26,217,516	28,507,575
Restricted in perpetuity:		
Annuity and life income funds	2,355,652	2,534,897
Student loans	1,897,772	1,748,573
Endowment principal:		
General endowment	39,151,781	38,231,892
Scholarship and prizes	33,406,972	33,166,674
Endowed chairs	16,295,900	15,706,527
Pledges	615,260	807,130
Endowment, accumulated realized and unrealized investment gains	495,040	495,040
	$ 138,453,682	$ 142,625,591

9. Net Assets Released from Restrictions and Endowment Spending Rule

The composition of net assets released from restrictions on the statements of activities were as follows as of June 30:

	2019	2018
Net assets released from restrictions:		
Donor restrictions met	$ 8,969,626	$ 733,286
Endowment gains under spending rule (see Note 11)	5,229,022	5,517,220
Total	$ 14,198,648	$ 6,250,506

The total used from endowment is composed of endowment investment interest and dividends, less fees, and accumulated gains to the extent necessary to meet the approved spending rate. The composition of the total used is as follows as of June 30:

	2019	2018
Endowment funds (including funds functioning) used for operations:		
Endowment interest and dividends	$ 2,793,049	$ 2,572,371
Accumulated realized and unrealized investment gains	5,229,022	5,517,220
Total	$ 8,022,071	$ 8,089,591

10. Postretirement Benefit Plans

Emeriti Program

In July 2005, the College revised its postretirement healthcare program for other than existing retirees receiving benefits under the plan. The College joined Emeriti Retirement Health Solution, a consortium of colleges and universities organized to address retiree healthcare needs. The College deposits a set amount for each employee who is 40 years of age or older into a Voluntary Employee Benefits Associations account in the employee's name. Employees will have access to these funds to use for their postretirement healthcare needs. Because the College is prefunding retiree healthcare costs in a defined contribution account, it will have no future obligation for these costs when active employees retire. Current retirees' healthcare benefits will continue to be funded through the plan in place prior to June 30, 2005. Total College contributions to the Emeriti plan were $108,175 and $135,856 for the years ended June 30, 2019 and 2018, respectively.

Postretirement Benefits Other Than Pensions

The cost of postretirement benefits other than pensions included interest costs totaling $19,375 and $18,362 for the years ended June 30, 2019 and 2018, respectively.

The following schedules show the status of the postretirement medical and life insurance benefits plan for existing retirees, the components of the cost of postretirement benefits other than pensions, and assumptions at June 30, 2019 and 2018:

Reconciliation of the funded status is as follows:

	2019	2018
Accumulated postretirement benefit obligation (APBO):		
Retirees	$ 508,096	$ 573,330
Active employees fully eligible	-	-
Active employees not yet fully eligible	-	-
Total	508,096	573,330
Fair value of plan assets	-	-
APBO in excess of plan assets	508,096	573,330
Unrecognized net gain	-	-
Total	$ 508,096	$ 573,330

The assumed healthcare cost trend rate for fiscal year 2019 is 5.5 percent, grading down to an ultimate level of 3.8 percent. Increasing the healthcare trend rate by 1 percent each year would increase the accumulated postretirement benefit obligation by $25,037 as of June 30, 2019, and the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost for the year by $1,049. Decreasing the healthcare trend rate by 1 percent each year would decrease the accumulated postretirement benefit obligation by $22,976 as of June 30, 2019, and the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost for the year by $962.

The discount rate used in determining the accumulated postretirement benefit obligation was 3.7 percent at June 30, 2019 and 2018.

The benefits paid under this plan were $60,843 and $75,827 for the years ended June 30, 2019 and 2018, respectively.

The College's expected future benefit payments for future service are as follows:

Years ending June 30:	
2020	$ 60,289
2021	57,100
2022	53,717
2023	50,202
2024	46,572
2025-2029	178,407

Defined Contribution Plan

The College also has a defined contribution retirement plan for eligible faculty, administration and staff employees. The plan is fully funded, and participant interests are fully vested. Employees are required to contribute at least 4 percent of their annual base salary. The College's contributions, based on 7 percent of salaries, were $1,769,232 in 2019 and $1,702,378 in 2018.

11. Endowments

The College's endowment consists of approximately 1,030 individual funds including annuity funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

Pennsylvania law permits the board of trustees to make an election to annually appropriate for expenditure a selected percentage between 2 percent and 7 percent of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three or more preceding years, provided the board has determined that such percentage is consistent with the long-term preservation of the real value of such assets.

Return Objectives and Risk Parameters

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 organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to achieve a long-term total return on the endowment assets that exceeds spending rate of the endowment and inflation, so as to preserve for perpetuity the real, inflation adjusted, purchasing power of the assets. The College expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from that amount.

Spending Policy

In accordance with state law, net realized and unrealized gains on restricted investments are included as net assets with donor restrictions, even absent donor restrictions on the use of gains. Commonwealth of Pennsylvania law permits the College to adopt a spending policy for endowment earnings, subject to certain limitations. The College follows the total return concept of endowment investment and spending. Under this concept, a prudent amount of appreciation earned on the investments may be spent in the event that the interest and dividends earned are insufficient to meet that period's spending rate. The College's spending rate is annually approved by the board of trustees, and for the years ended June 30, 2019 and 2018, the rate was 7 percent of the 20 quarter moving average market value of the pooled endowment.

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law. At June 30, 2019, 42 donor-restricted funds with original gift values of approximately $4,215,989, fair values of approximately $4,091,035 and deficiencies of $124,954 were reported in net assets with donor restrictions. Management has interpreted state law to permit prudent spending from underwater endowments.

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

	2019		
	Board Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 16,205,488	$ 122,575,642	$ 138,781,130
Reclassification of underwater endowments	124,954	(124,954)	-
Investment return, net	711,879	5,127,668	5,839,547
Contributions	100,450	1,792,257	1,892,707
Actuarial loss on annuity liabilities	-	(135,583)	(135,583)
Operating appropriation of endowment assets for expenditure	(375,722)	(2,417,327)	(2,793,049)
Non-operating appropriation of endowment assets for expenditure	(787,229)	(4,441,793)	(5,229,022)
Net assets released from restrictions	-	(371,464)	(371,464)
Other changes	(67,933)	(32,857)	(100,790)
Endowment net assets, end of year	$ 15,911,887	$ 121,971,589	$ 137,883,476

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

	2018		
	Board Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 15,957,715	$ 120,813,442	$ 136,771,157
Investment return, net	2,549,120	5,814,542	8,363,662
Gift of new annuity	-	47,784	47,784
Board designations	219,372	-	219,372
Contributions	-	1,606,913	1,606,913
Actuarial loss on annuity liabilities	-	(126,372)	(126,372)
Appropriation of endowment assets for expenditure	(2,491,561)	(5,517,220)	(8,008,781)
Net assets released from restrictions	-	(23,463)	(23,463)
Other changes	(29,158)	(39,984)	(69,142)
Endowment net assets, end of year	$ 16,205,488	$ 122,575,642	$ 138,781,130

12. Expenses by Both Nature and Function

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. These expenses include depreciation and amortization, interest, employee benefits, and facilities operation and maintenance. Depreciation is allocated based on square footage. Operations, maintenance and interest is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort.

	Program Services					Supporting Services			
	Instruction	Research	Public Service	Student Services	Auxiliary Enterprises	Academic Support	Management and General	2019 Total	2018 Total
Salaries	$ 14,145,067	$ 199,176	$ 384,266	$ 4,614,345	$ 2,839,822	$ 2,423,268	$ 7,092,340	$ 31,698,284	$ 29,906,301
Employee benefits	3,371,626	8,675	98,563	1,373,156	394,334	630,884	2,007,974	7,885,212	7,384,370
Depreciation and amortization	1,509,010	-	120,567	630,976	2,045,847	299,855	551,883	5,158,138	4,612,818
Interest	1,177,449	-	-	446,235	-	117,274	3,838	1,744,796	1,441,146
Occupancy, utilities and maintenance	3,910,472	-	-	22,863	3,359	715	154,227	4,091,636	3,999,410
Services, supplies and other	2,849,733	123,070	146,194	2,604,235	2,676,713	3,116,332	5,379,616	16,895,893	16,401,009
	26,963,357	330,921	749,590	9,691,810	7,960,075	6,588,328	15,189,878	67,473,959	63,745,054
Allocation	(5,635,238)	-	229,033	1,042,591	3,618,614	508,567	236,433	-	-
	$ 21,328,119	$ 330,921	$ 978,623	$ 10,734,401	$ 11,578,689	$ 7,096,895	$ 15,426,311	$ 67,473,959	$ 63,745,054

13. Liquidity and Availability of Resources

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

		2019
Cash and cash equivalents	$	6,963,077
Accounts receivable, net		394,110
Short-term investments		6,625,582
Financial assets available to meet cash needs for general expenditures within one year	$	13,982,769

The College's endowment funds consist of donor-restricted endowments and a board-designated endowment. Income from donor-restricted endowments, not restricted for specific purposes, is available for general expenditure. Annually the College can appropriate up to 7 percent of the endowment, based on a 20 quarter rolling average, at the end of the fiscal year. $8,151,000 (7 percent) of appropriations from the endowment will be available within the next 12 months.

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. The College has a board-designated endowment of $15,911,887. 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 College 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.

14. Commitments and Contingencies

The College is party to certain claims and litigation arising in the ordinary course of business. In the opinion of management, the resolution of such claims and litigation will not materially affect the College's financial position.

15. Concentrations of Credit Risk and Title IV Requirements

During the years ended June 30, 2019 and 2018, the College maintained cash balances at high credit quality financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation. Depository balances at year end exceed the insured limits.

Amounts received and expended by the College under various federal and state programs are subject to audit by governmental entities. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the College.

The College participates in Government Student Financial Assistance Programs ("Title IV") administered by the U.S. Department of Education ("ED") for the payment of student tuition. Portions of the revenue and collection of accounts receivable as of June 30, 2019 and 2018 are dependent upon the College's continued participation in the Title IV programs.

Institutions participating in Title IV programs are also 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 1.5 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 June 30, 2019 and 2018, and for the years then ended, the College's composite score exceeded 1.5.

16. Subsequent Events

In connection with the preparation of the financial statements, the College evaluated subsequent events after the statements of financial position date of June 30, 2019 through October 21, 2019, which is the date the financial statements were issued. The College is not aware of any subsequent events that would require recognition or disclosure in the financial statements.