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Juniata College

Financial Statements

May 31, 2020 and 2019

Independent Auditors' Report

To the Board of Trustees of
Juniata College

We have audited the accompanying financial statements of Juniata College, which comprise the statements of financial position as of May 31, 2020 and 2019, and the related statements of activities, functional expenses 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 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 Juniata College as of May 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP

Baker Tilly US, LLP
(formerly known as Baker Tilly Virchow Krause, LLP)
State College, Pennsylvania
October 22, 2020

Juniata College

Statements of Financial Position
May 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 5,696,109	$ 5,462,461
Accounts receivable:		
Student, net	701,070	768,605
Governmental agencies	908,378	195,564
Other	77,385	191,548
Unconditional promises to give	7,092,721	7,560,077
Inventory	312,748	302,667
Prepaid expenses	2,392,842	536,604
Investments	106,116,958	105,252,103
Real estate investments	3,523,506	3,633,138
Cash surrender value life insurance	6,246,061	5,803,769
Student loans receivable	925,511	1,096,519
Funds held in trust by others	3,827,004	4,101,054
Collections	1,656,432	1,656,432
Other assets, net	645,076	750,202
Plant assets, net	80,534,010	83,114,106
Total assets	$ 220,655,811	$ 220,424,849
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 2,873,844	$ 503,931
Accrued payroll and related liabilities	3,717,218	3,838,164
Student deposits and prepayments	410,713	422,499
Deferred summer tuition	858,852	1,020,848
Deferred grant revenue	688,574	640,198
Funds held in custody for others	263,416	139,789
Bonds and notes payable	58,018,934	59,246,091
Obligations under capital leases	236,816	103,210
Postretirement benefits	6,658,170	6,310,069
Annuities payable	4,362,850	3,078,501
Advance from federal government for student loans	477,849	616,795
Total liabilities	78,567,236	75,920,095
Net Assets		
Without donor restrictions	37,976,550	41,929,198
With donor restrictions	104,112,025	102,575,556
Total net assets	142,088,575	144,504,754
Total liabilities and net assets	$ 220,655,811	$ 220,424,849

See notes to financial statements

Juniata College

Statement of Activities
Year Ended May 31, 2020
(With Comparative Totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenues				
Tuition and fees, net	$ 23,231,939	$ -	$ 23,231,939	$ 24,418,032
Federal, state and local grants and contracts	1,940,016	7,063	1,947,079	1,197,793
Private gifts, grants and bequests	2,573,768	4,207,787	6,781,555	7,772,262
Investment income, net	511,140	1,522,898	2,034,038	1,738,858
Endowment return, designated for operations	3,099,794	5,027,457	8,127,251	7,812,537
Other income	594,940	23,765	618,705	704,879
Auxiliary enterprises	11,862,254	-	11,862,254	14,659,699
Transfer from nonoperating to support current operating activities	-	-	-	2,165,753
Net assets released from restrictions:				
Satisfaction of program restrictions	573,305	(573,305)	-	-
Appropriation from donor endowment	5,027,457	(5,027,457)	-	-
Total operating revenues	49,414,613	5,188,208	54,602,821	60,469,813
Operating Expenses				
Educational and general:				
Program expenses:				
Instructional	17,540,733	-	17,540,733	19,897,996
Research and public service	1,883,449	-	1,883,449	1,756,055
Academic support	5,122,756	-	5,122,756	5,577,357
Student services	9,995,140	-	9,995,140	10,924,603
Student aid	437,200	-	437,200	-
Institutional support:				
Management and general	6,310,674	-	6,310,674	7,565,505
Development	1,602,770	-	1,602,770	1,874,323
Total educational and general	42,892,722	-	42,892,722	47,595,839
Auxiliary enterprises	7,749,470	-	7,749,470	9,452,078
Total operating expenses	50,642,192	-	50,642,192	57,047,917
Change in net assets from operating activities	(1,227,579)	5,188,208	3,960,629	3,421,896
Nonoperating Activities				
Endowment investment loss, net of amount designated for operations	(2,724,349)	(3,093,984)	(5,818,333)	(8,478,051)
Loss on funds held in trust by others	-	(274,050)	(274,050)	(41,691)
Transfer of nonoperating funds to support current operating activities	-	-	-	(2,165,753)
Change in valuation of split-interest agreements	(720)	(283,705)	(284,425)	(479,348)
Change in net assets from nonoperating activities	(2,725,069)	(3,651,739)	(6,376,808)	(11,164,843)
Change in net assets	(3,952,648)	1,536,469	(2,416,179)	(7,742,947)
Net Assets, Beginning	41,929,198	102,575,556	144,504,754	152,247,701
Net Assets, Ending	$ 37,976,550	$ 104,112,025	$ 142,088,575	$ 144,504,754

See notes to financial statements

Juniata College

Statement of Activities
Year Ended May 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Tuition and fees, net	$ 24,418,032	$ -	$ 24,418,032
Federal, state and local grants and contracts	1,197,793	-	1,197,793
Private gifts, grants and bequests	2,038,021	5,734,241	7,772,262
Investment (loss) income, net	(8,087)	1,746,945	1,738,858
Endowment return, designated for operations	2,603,345	5,209,192	7,812,537
Other income	668,515	36,364	704,879
Auxiliary enterprises	14,659,699	-	14,659,699
Transfer from nonoperating to support current operating activities	2,165,753	-	2,165,753
Net assets released from restrictions:			
Satisfaction of program restrictions	1,025,273	(1,025,273)	-
Appropriation from donor endowment	5,209,192	(5,209,192)	-
Total operating revenues	53,977,536	6,492,277	60,469,813
Operating Expenses			
Educational and general:			
Program expenses:			
Instructional	19,897,996	-	19,897,996
Research and public service	1,756,055	-	1,756,055
Academic support	5,577,357	-	5,577,357
Student services	10,924,603	-	10,924,603
Institutional support:			
Management and general	7,565,505	-	7,565,505
Development	1,874,323	-	1,874,323
Total educational and general	47,595,839	-	47,595,839
Auxiliary enterprises	9,452,078	-	9,452,078
Total operating expenses	57,047,917	-	57,047,917
Change in net assets from operating activities	(3,070,381)	6,492,277	3,421,896
Nonoperating Activities			
Endowment investment return (loss), net of amount designated for operations	276,467	(8,754,518)	(8,478,051)
Loss on funds held in trust by others	-	(41,691)	(41,691)
Reclassification due to change in donor intent	2,165,753	(2,165,753)	-
Transfer of nonoperating funds to support current operating activities	(2,165,753)	-	(2,165,753)
Change in valuation of split-interest agreements	(234)	(479,114)	(479,348)
Change in net assets from nonoperating activities	276,233	(11,441,076)	(11,164,843)
Change in net assets	(2,794,148)	(4,948,799)	(7,742,947)
Net Assets, Beginning	44,723,346	107,524,355	152,247,701
Net Assets, Ending	$ 41,929,198	$ 102,575,556	$ 144,504,754

See notes to financial statements

	Program Expenses					Institutional Support			Facilities,	
	Instruction	Research and Public Service	Academic Support	Student Services	Student Aid	Management and General	Development	Auxiliary Enterprises	Operations and Maintenance	Total
Operating Expenses										
Compensation:										
Salaries and wages	$ 9,673,688	$ 726,287	$ 1,883,363	$ 3,969,616	$ -	$ 2,426,004	$ 872,264	$ 749,393	$ 859,768	$ 21,160,383
Benefits	3,429,267	160,814	704,005	1,391,100	-	1,102,426	328,052	184,781	652,471	7,952,916
Depreciation and amortization	1,326,094	222,320	479,519	861,580	-	235,724	-	977,479	279,749	4,382,465
Auxiliary cost of sales	-	-	-	-	-	-	-	2,839,175	-	2,839,175
Other	34,898	57,832	101,677	649,280	437,200	608,169	101,214	286,268	528,535	2,805,073
Software, office and instructional supplies	325,113	246,590	475,378	815,609	-	542,504	86,688	42,785	31,053	2,565,720
Professional services	217,967	279,533	820,016	516,041	-	651,661	7,594	-	1,752	2,494,564
Interest on indebtedness	1,016,286	-	-	259,477	-	-	-	562,200	324,346	2,162,309
Utilities	-	20,278	-	-	-	-	-	564,417	767,201	1,351,896
Travel	228,812	96,512	180,990	524,771	-	68,548	44,787	-	212	1,144,632
Equipment repair and maintenance	89,832	68,010	9,223	85,859	-	450,155	21,473	5,054	113,886	843,492
Student employees	98,971	124,953	79,175	403,635	-	6,721	22,184	-	3,683	739,322
Programming	12,836	1,906	33,196	20,878	-	12,915	118,514	-	-	200,245
	16,453,764	2,005,035	4,766,542	9,497,846	437,200	6,104,827	1,602,770	6,211,552	3,562,656	50,642,192
Allocation of facilities, operations and maintenance	1,086,969	(121,586)	356,214	497,294	-	205,847	-	1,537,918	(3,562,656)	-
Total operating expenses	$ 17,540,733	$ 1,883,449	$ 5,122,756	$ 9,995,140	$ 437,200	$ 6,310,674	$ 1,602,770	$ 7,749,470	$ -	$ 50,642,192

Juniata College

Statement of Functional Expenses

Year Ended May 31, 2019

	Program Expenses				Institutional Support			Facilities,	
	Instruction	Research and Public Service	Academic Support	Student Services	Management and General	Development	Auxiliary Enterprises	Operations and Maintenance	Total
Operating Expenses									
Compensation:									
Salaries and wages	$ 10,004,945	$ 522,162	$ 1,876,210	$ 3,936,862	$ 2,935,417	$ 1,020,187	$ 949,866	$ 1,046,444	$ 22,292,093
Benefits	4,751,391	171,325	947,984	1,863,701	1,405,718	483,061	409,094	760,945	10,793,219
Depreciation and amortization	1,242,518	219,503	342,180	846,640	530,035	-	954,628	374,156	4,509,660
Auxiliary cost of sales	-	-	-	-	-	-	3,586,637	-	3,586,637
Software, office and instructional supplies	497,256	333,316	536,824	824,845	616,810	89,834	18,973	38,488	2,956,346
Interest on indebtedness	410,121	185,045	782,307	704,841	511,767	25,851	1,160	3,887	2,624,979
Professional services	12,382	101,018	215,331	622,620	260,685	98,498	381,172	501,484	2,193,190
Other	1,008,673	-	-	257,533	-	-	557,989	321,639	2,145,834
Travel	404,813	137,202	287,307	606,696	124,292	81,676	-	1,401	1,643,387
Utilities	-	24,619	-	-	-	-	685,226	931,415	1,641,260
Equipment repair and maintenance	152,836	78,651	27,523	164,558	686,236	17,435	150,535	153,817	1,431,591
Student employees	102,894	124,581	100,827	498,385	6,755	28,105	-	4,145	865,692
Programming	30,679	3,175	41,942	12,967	245,590	29,676	-	-	364,029
	18,618,508	1,900,597	5,158,435	10,339,648	7,323,305	1,874,323	7,695,280	4,137,821	57,047,917
Allocation of facilities, operations and maintenance	1,279,488	(144,542)	418,922	584,955	242,200	-	1,756,798	(4,137,821)	-
Total operating expenses	$ 19,897,996	$ 1,756,055	$ 5,577,357	$ 10,924,603	$ 7,565,505	$ 1,874,323	$ 9,452,078	$ -	$ 57,047,917

See notes to financial statements

Juniata College

Statements of Cash Flows
Years Ended May 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	$ (2,416,179)	$ (7,742,947)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,498,118	4,509,660
Realized and unrealized (gain) loss on investments	(2,308,918)	665,514
Loss on funds held in trust by others	274,050	41,691
Loss on disposal of plant assets	27,050	99,199
Private gifts restricted for long-term investment	(1,693,340)	(2,010,214)
Private gifts restricted for purchase of property and equipment	(1,809,436)	(3,724,137)
Change in valuation of split-interest agreements	284,725	479,348
Changes in assets and liabilities:		
Accounts receivable	(531,116)	3,144,229
Unconditional promises to give	338,424	(439,170)
Inventory	(10,081)	30,329
Prepaid expenses	(1,856,238)	447,308
Accounts payable	2,369,913	(1,394,949)
Accrued payroll and related liabilities	(120,946)	(205,824)
Deferred revenue	(113,620)	654,894
Funds held in custody for others	123,627	(47,107)
Student deposits and prepayments	(11,786)	(7,646)
Postretirement benefits	348,101	(107,895)
Net cash used in operating activities	(2,607,652)	(5,607,717)
Cash Flows From Investing Activities		
Proceeds from sales of investments	15,690,346	29,750,459
Purchases of investments	(14,246,283)	(23,328,357)
Increase in cash surrender value of life insurance	(442,292)	(938,944)
Proceeds from sale of plant assets	88,312	-
Purchases of plant assets	(1,518,996)	(2,464,809)
Student loans collected	230,308	214,031
Student loans advanced	(59,300)	(51,000)
Net cash (used in) provided by investing activities	(257,905)	3,181,380
Cash Flows From Financing Activities		
Proceeds from notes payable	-	1,000,000
Payments on bonds, notes payable and capital leases	(1,393,181)	(1,242,940)
Proceeds from contributions restricted for long-term investments	1,988,146	1,345,189
Proceeds from contributions restricted for purchase of property and equipment	1,643,562	2,383,852
Repayments to federal government for student loans	(138,946)	-
Proceeds from annuity obligations	2,120,000	-
Payments of annuity obligations	(1,120,376)	(371,922)
Net cash provided by financing activities	3,099,205	3,114,179
Net change in cash and cash equivalents	233,648	687,842
Cash and Cash Equivalents, Beginning	5,462,461	4,774,619
Cash and Cash Equivalents, Ending	$ 5,696,109	$ 5,462,461
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 2,162,309	$ 2,145,834
Supplemental Disclosure of Noncash Operating, Investing and Financing Activities		
Assets acquired under capital leases	$ 306,000	$ 126,386

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Juniata College (the College), which is a not-for-profit educational institution organized under the laws of the Commonwealth of Pennsylvania, located in Huntingdon, Pennsylvania, was established in 1876 to provide higher education to students. The College awards grants-in-aid and scholarships from its net assets with and without donor restrictions to individuals who meet the College's academic standards. The amounts of such awards are determined primarily based upon the academic performance and financial needs of each applicant. Additional financial aid is provided to students from federal and state programs in which the College participates and from monies contributed to the College by alumni and friends.

During the years ended May 31, 2020 and 2019, the College provided student financial aid from internal resources of approximately $36,740,000 and $32,784,000, respectively, which represented 58 percent and 55 percent of gross tuition and fee revenue each year, respectively. During the years ended May 31, 2020 and 2019, the College provided student financial aid from monies contributed to the College by alumni and friends of approximately $2,311,000 and $2,837,000, respectively.

The College evaluated subsequent events for recognition or disclosure through October 22, 2020, the date the financial statements were available to be issued.

Basis of Presentation

The financial statements of the College have been prepared in conformity 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 restriction or with donor restriction 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. The Board of Trustees has earmarked $30,681,118 and $32,849,956, as of May 31, 2020 and 2019, respectively, as designated for endowment.

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 restriction are reclassified to net assets without 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.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. Donor restrictions on gifts to acquire long-lived assets are considered met in the period in which assets are placed in service. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as contributions without donor restrictions.

Use of 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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments, with original maturities of three months or less, that are not held for endowment or other long-term purposes. The College maintains its cash accounts in various financial institutions. Portions of the College's cash balances may exceed FDIC insurance coverage at various times throughout the year. Management considers these excesses to be normal business risks.

Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts receivable are not collateralized. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts.

Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in private gifts, grants and bequests. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Conditional promises to give are promises for which donor-imposed conditions specify future and uncertain events of which occurrence or failure to occur release the donors from the obligation to transfer assets in the future. If and when such conditions have been substantially met, these promises cease to be conditional, and revenues are recorded, as appropriate.

Investments

Equity securities with readily determinable fair values and debt securities are valued at fair value based on quoted market prices as reported by the College's investment custodians. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statements of activities.

Investments received as gifts are recorded at fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in fair value of investments, and all income from investments, are reported as changes in net assets without restrictions unless their use is restricted by explicit donor-imposed stipulations, or by law.

Alternative investments, representing ownership in debt and equity funds, private partnerships and other alternative investments, are based on the Net Asset Values (NAVs) provided by external investment managers or on audited financial statements when available. The NAVs provided by external investment managers are based on estimates, assumptions and methods that are reviewed by management.

Real estate investments are stated primarily at net book value. Net book value is determined in accordance with the College's policy for plant assets described below.

Investment-related fees are expensed when incurred and are netted against investment income in the statements of activities. For the years ended May 31, 2020 and 2019, investment-related fees amounted to $502,889 and $554,788, respectively.

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.

Funds Held in Trust by Others

Funds held in trust by others represent the College's share of these funds based on the terms of various irrevocable trusts. These funds are not in the possession of the College. Such terms provide that the College is to receive annually a certain percentage of the income earned by the funds which are held in trust. The College does not have access to the principal. The present values of the estimated future cash flows from the trusts are recognized as assets and contribution revenues at the dates the trusts are established. Distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in the estimates of future receipts. Because of the irrevocable right of the College to its share of the trusts' earnings, the College reports its share of these trusts on its financial statements as "funds held in trust by others," which are classified as net assets with donor restrictions.

Collections

The College considers its collection of works of art and rare books as inexhaustible because they have cultural, aesthetic or historical value that will be preserved and, therefore, does not depreciate those assets.

Other Assets

Branding and logo costs are considered other assets and are amortized on a straight-line basis over 10 years. For the years ended May 31, 2020 and 2019, the College incurred amortization expense of $105,126.

Plant Assets

Plant assets are stated at cost, if purchased, or fair market value at the date of gift, if donated, less accumulated depreciation, computed on a straight-line basis over their estimated useful lives: buildings (40 years); land improvements (20 years); equipment (5-10 years); capital leases (lease term). Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized.

Life Income Agreements

The College's life income agreements with donors consist of charitable remainder trusts, charitable gift annuities and pooled income fund agreements for which the College serves as trustee. Assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording annuities payable for the present value of the estimated future payments to be made to the donors and/or other beneficiaries.

Advance From Federal Government for Student Loans

The College is a participant in the Perkins Loan federal program, which makes student loans available to eligible participants. This program is funded by both the federal government and the College, with the portion estimated to be allocable to the federal government recorded as a liability in the statements of financial position, and the portion allocable to the College included in net assets without donor restrictions.

The Extension Act amended Section 461 of the Higher Education Act to end the College's authority to make new Perkins Loans after May 31, 2018. The College is not required to assign the outstanding Perkins Loans to the U.S. Department of Education or liquidate their Perkins Loan revolving funds due to the wind-down of the Perkins Loan Program; however, the College may choose to liquidate at any time in the future. As of May 31, 2020, the College continues to service the Perkins Loan Program.

Nonoperating Activities

The statements of activities include a performance measure of operations labeled as "change in net assets from operating activities". In addition to revenues and expenses generated from the College's operations, this measure also includes net assets released from restrictions, endowment investments designated for operations and other transfers of nonoperating funds to support current operating activities. These other transfers reflect the amount of previous years restricted contributions where the donor changed the intent of the gift to unrestricted in the current year. These transfers, which amounted to $2,165,753 in 2019, are recorded as a reclassification between the nonoperating and operating sections of the change in net assets without donor restrictions in the statements of activities. There were no transfers in 2020. Excluded from this measure are endowment investment returns, net of the amount designated for operations, gains and losses on funds held in trust by others and change in the valuation of split-interest agreements.

Revenue Recognition

Tuition and fees revenue is recognized in the fiscal year in which the academic programs 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 or performed. Tuition and fees and auxiliary enterprise contracts are considered to have a duration of less than one year.

Transaction prices for tuition, fees, room and board are determined based on applicable College pricing schedules. Institutional financial aid and discounts provided by the College are reflected as a reduction of tuition and fees revenue with the exception of specifically identified auxiliary discounts such as room grants, which are reflected as a reduction in auxiliary 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 financial needs and/or merit of each applicant.

Amounts are due for tuition, fees, room and board at the beginning of each semester. In accordance with the College's refund policies, undergraduate students may receive a full or partial refund until 60 percent of the semester has expired. Student accounts receivable includes amounts to which the College is unconditionally entitled. In connection with the adoption of the revenue recognition standard in fiscal 2019, the College considers such amounts as unconditional based on the payment due date.

Deferred summer tuition for billed services not yet performed totaled $858,852 and $1,020,848 at May 31, 2020 and 2019, respectively, and consists primarily of amounts related to summer sessions. The deferred summer tuition at May 31, 2020 will be recognized as revenue in fiscal 2021 as academic services are provided. The deferred summer tuition at May 31, 2019 was recognized in full as revenue in 2020.

Student deposits and prepayments totaled $410,713 and $422,499 at May 31, 2020 and 2019, respectively, and represent matriculation deposits paid to the College by students upon enrollment in order to secure their place in the class. A portion of the deposit is recognized as revenue in the year in which the student initially registers for coursework. The remainder is held as a security deposit that may be applied to any unpaid fees or fines upon the student's separation from the College. Matriculation deposits recognized as revenue in fiscal years 2020 and 2019 were $13,833 and $63,030, respectively.

Tuition and Fees, Net

Tuition and fees are presented net of grants-in-aid, scholarships funded from internal resources and private contributions.

A discount to tuition and fees results when the College reduces the obligation of a student by granting financial aid. The following details the gross and net amounts of tuition and fees for the years ended May 31:

	2020	2019
Tuition and fees	$ 62,283,312	$ 60,039,454
Less scholarship allowances	(39,051,373)	(35,621,422)
Tuition and fees, net	$ 23,231,939	$ 24,418,032

Government Grants and Contracts

Operating funds designated by government funding agencies for particular operating purposes are deemed to be earned and reported as revenues when the College has incurred expenditures in compliance with the contract.

Advertising Costs

Advertising costs are expensed as incurred and amounted to approximately $250,000 in 2020 and $252,000 in 2019.

Fund-Raising Costs

Fund-raising costs are expensed as incurred and amounted to approximately $1,733,000 in 2020 and $2,124,000 in 2019, and are included in institutional support in the statements of activities.

Donor-Restricted Gifts

All contributions are considered to be available without restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as gifts with restrictions that increase that net asset classification. When a donor restriction expires, net assets with restrictions are reclassified as net assets without restrictions and reported in the statements of activities as net assets released from restrictions.

For contributed property and equipment, and contributions restricted by donors for purchases of property and equipment, the contributions are recorded as restricted support. In the absence of such stipulations, these types of contributions are recorded as gifts without restrictions.

Cash Flows

For the purposes of the statements of cash flows, the College considers all highly liquid financial instruments with original maturities of three months or less, that are not held for endowment or other long-term purposes, to be cash equivalents.

Coronavirus Disease (COVID-19) and Emergency Relief Funding

In January 2020, an outbreak of a new strain of the coronavirus disease, COVID-19, was identified. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. Currently, no vaccine has been made available to the public. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. On March 16, 2020, following guidance from Pennsylvania Governor Tom Wolf, students, staff and faculty were transitioned to remote operations. For the fiscal year ended May 31, 2020, the COVID-19 outbreak has had an adverse impact on the College's operations. While this disruption is anticipated to be temporary, with full operations and services resuming in the near future, the exact timing of a return to normal is uncertain. Furthermore, the extent of the impact of COVID-19 on the College's operational and financial performance will depend on the developments of COVID-19, including the duration and spread of the outbreak, development of a vaccine, impact on customers, employees and vendors, all of which are uncertain and cannot be reasonably predicted at the current time. The Board of Trustees and the College's management are monitoring the outbreak and potential financial impact, which are currently uncertain.

As a result of closing the majority of on campus operations in response to the Governor's order, in April 2020, the College issued refunds to students for room and board of $1,981,894 and $1,612,115, respectively. Refunds issued reduce the amount of auxiliary enterprises revenue recognized in the statement of activities for the year ended May 31, 2020. The College implemented a number of internal measures to address the negative financial impact of COVID-19. The measures included a freeze on non-essential hiring and operating expenses.

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

The College was awarded $1,082,356 of HEERF funding. Institutions may recognize the institutional portion of the grant to the extent the grant was expended on student relief as of May 31, 2020. As of May 31, 2020, $437,200 of the student relief portion of the grant was expended and recognized as federal grants revenue and student aid expense and $437,200 of the institutional portion of the grant was expended and recognized as federal grants and contracts revenue and offset auxiliary enterprises revenue. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions.

Below is a summary of the approximate financial impact of the College's response to COVID-19 for the year ended May 31, 2020.

Room and board refunds	$ 3,594,000
Personal protective equipment	63,000
Information technology costs	12,000
Total refunds and expenses	3,669,000
Less:	
CARES Act - Institutional HEERF	(437,000)
Food service contract adjustment	(945,000)
Total	$ 2,287,000

Functional Expenses

Certain operating and maintenance area expenses, primarily interest and depreciation expense, are allocated based on building square footage by functional area (i.e. instruction, academic support, student services, institutional support and auxiliary enterprises) as a percentage of total square footage of all buildings/area campus wide. In addition, expenses related to conferences and events are allocated based on the nature of the event related to the functional areas of the College.

Income Taxes

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The College accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold at May 31, 2020 and 2019.

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

Title IV Requirements

The College participates in Government Student Financial Assistance Programs (Title IV) administered by the U.S. Department of Education (DOE) for the payment of student tuitions. Substantial portions of the revenue and collection of ending accounts receivable as of May 31, 2020 and 2019 are dependent upon the College's continued participation in the Title IV programs.

Institutions participating in the Title IV programs are also required by DOE to demonstrate financial responsibility. DOE determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in the 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 May 31, 2020 and 2019 and for the years then ended, the College's composite score exceeded 1.5.

New Accounting Standards Not Yet Adopted

During February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 is intended to improve financial reporting about leasing transactions by requiring organizations that lease assets, referred to as "lessees", recognize on the statements of financial position the assets and liabilities for the rights and obligations created by those leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Since 2018, the FASB issued several amendments to Topic 842, which among other things, deferred the effective date of implementation for certain entities. Topic 842 (as amended) is effective for the College for the fiscal year beginning June 1, 2020. Early adoption is permitted. The College is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows.

2. Accounts Receivable, Student

Student accounts receivable represent amounts due for tuition, fees and room and board from currently enrolled and former students. The College extends unsecured credit to students and parents of dependent students in connection with their studies.

Student accounts receivable consists of the following at May 31:

	2020	2019
Accounts receivable, student	$ 1,012,529	$ 1,088,267
Allowance for doubtful accounts	(311,459)	(319,662)
Total	$ 701,070	$ 768,605

3. Unconditional Promises to Give

Unconditional promises to give are recognized as revenue when the donor's commitment is received. Unconditional promises to be received after one year are recognized at the estimated present value of future cash flows, net of allowances (fair value). A significant percentage of the outstanding contributions receivable are from current or past board members of the College.

Unconditional promises to give at May 31 are as follows:

	2020	2019
In one year or less	$ 2,641,739	$ 2,152,745
Between one year and five years	4,489,760	4,970,266
Thereafter	884,163	1,651,342
Less:		
Discount	(549,640)	(816,377)
Allowance for doubtful accounts	(373,301)	(397,899)
Total	$ 7,092,721	$ 7,560,077

The net present value of these cash flows was determined by using risk-adjusted discount rates between .08 percent and 6.38 percent to account for the time value of money for 2020 and 2019.

Management believes the College's allowance for doubtful accounts at May 31, 2020 and 2019 is adequate based upon information currently known. However, events impacting donors can occur in subsequent years that may cause a material change in the allowance for doubtful accounts.

Conditional pledges and bequest intentions totaling approximately $82,924,000 in 2020 and $79,345,000 in 2019 have been excluded from unconditional promises to give and are not recorded in the financial statements due to the fact that they are conditional. Restrictions on these conditional pledges and bequest intentions are as follows:

	2020	2019
Buildings	$ 4,614,000	$ 4,634,000
Budget relief	29,964,000	29,751,000
Programming	13,480,000	13,230,000
Unrestricted	33,374,000	30,538,000
Unknown	1,492,000	1,192,000
Total	$ 82,924,000	$ 79,345,000

4. Student Loans Receivable

Student loans receivable are carried at estimated net realizable value. Student loans receivable reflected on the statements of financial position includes $425,497 and $538,160 of Perkins Loans and $526,481 and $587,746 of College-provided loans, less an allowance for doubtful accounts of $26,467 and $29,387 at May 31, 2020 and 2019, respectively. Loans receivable are carried at the original amount less an estimate made for doubtful collections based on a review of all outstanding amounts on a periodic basis. Management determines this allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Loans that are 30 days or more past due are assessed late fees. Interest and late fees are recorded when received. 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.

Student loans were made, in part, with funds advanced to the College by the federal government under the Perkins Loan program (the Program). In the event that the College no longer participates in the Program, the amounts are refundable to the federal government. The federal government's portion of these funds at May 31, 2020 and 2019 was $477,849 and 616,795, respectively.

5. Fair Value Measurements, Investments and Other Financial Instruments

The College measures its funds held in trust by others and investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. 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. The framework that the authoritative guidance established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined 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 May 31, 2020 and 2019 by caption on the statements of financial position by the valuation hierarchy defined above:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Assets Reported at Fair Value:				
U.S. Treasury obligations	$ -	$ 3,805,241	$ -	$ 3,805,241
Corporate and foreign bonds	-	1,219,860	-	1,219,860
International fixed income funds	390,418	-	-	390,418
Taxable fixed income funds	7,706,988	-	-	7,706,988
Non-taxable fixed income funds	-	71,610	-	71,610
Equity securities	51,337,404	-	-	51,337,404
Domestic mutual funds	9,606,733	-	-	9,606,733
Balanced equity mutual funds	12,328,759	-	-	12,328,759
International mutual funds	12,086,558	-	-	12,086,558
Total investments by valuation hierarchy	$ 93,456,860	$ 5,096,711	-	98,553,571
Alternative investments reported at net asset value				7,563,387
Total investments				106,116,958
Funds held in trust by others			3,827,004	3,827,004
Total assets			$ 3,827,004	$ 109,943,962

	2019			
	Level 1	Level 2	Level 3	Total Fair Value
Assets Reported at Fair Value:				
U.S. Treasury obligations	$ -	$ 803,810	$ -	$ 803,810
U.S. Agency obligations	-	567,762	-	567,762
Corporate and foreign bonds	-	7,759,170	-	7,759,170
Municipal bonds	-	495,311	-	495,311
International fixed income funds	127,674	-	-	127,674
Taxable fixed income funds	10,855,307	-	-	10,855,307
Non-taxable fixed income funds	69,755	-	-	69,755
Equity securities	49,939,195	-	-	49,939,195
Domestic mutual funds	11,107,219	-	-	11,107,219
Balanced equity mutual funds	6,176,327	-	-	6,176,327
International mutual funds	10,734,491	-	-	10,734,491
Total investments by valuation hierarchy	$ 89,009,968	$ 9,626,053	-	98,636,021
Alternative investments reported at net asset value				6,616,082
Total investments				105,252,103
Funds held in trust by others			4,101,054	4,101,054
Total assets			$ 4,101,054	$ 109,353,157

The Level 3 reconciliation is as follows:

	Funds Held in Trust by Others
Balance at May 31, 2018	$ 4,142,745
Net loss (realized and unrealized, net of distributions of $89,447 reported as contributions in the statements of activities)	(41,691)
Balance at May 31, 2019	4,101,054
Net loss (realized and unrealized, net of distributions of $330,010 reported as contributions in the statements of activities)	(274,050)
Balance at May 31, 2020	$ 3,827,004

Valuation Methodologies

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used at May 31, 2020 and 2019.

Investments: The valuation methodology of utilizing closing prices in an active exchange market, which are considered Level 1 inputs, was applied to mutual funds, fixed income funds and equity securities. U.S. Treasury and Agency obligations and corporate, foreign and municipal bonds are valued based on quoted prices of similar assets, with similar terms, in actively traded markets and are measured using Level 2 inputs.

Alternative Investments: The College measures the fair value for these alternative investments based on the NAVs 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, the NAVs are 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 the NAVs, 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 measured at fair value using the NAV per share (or its equivalent) as practical and expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The College may redeem shares in whole or in part per the investment's offering memorandum which typically requires up to a 90 days prior written notice as of the last business day of each quarter. There are various hold back provisions which lapse after audited financial statements are issued ranging from 5 percent to 10 percent.

The College has the following unfunded commitments:

	2020	2019
Patriot Financial Partners II	$ 68,966	$ 218,966
Praesidian Capital	292,394	292,394
RECAP Opportunity Fund III	528,517	-
LEM Multifamily Fund V	2,100,000	-
Commonfund Capital Partners	2,175,000	-

The alternative investments represent investments that pursue multiple strategies to diversify risks and reduce volatility. The alternative investments pursue multiple strategies as follows:

- Grosvenor Institutional Partners - Grosvenor is a multi-strategy hedge fund-of-funds manager based in Chicago, Illinois. Grosvenor invests with approximately 40 underlying managers in several strategies, including relative value, distressed debt, event driven and others. The investment team of 38 professionals builds the portfolio with the idea of creating an investment that is uncorrelated to traditional asset classes. The College has monies invested in this alternative investment for fiscal years 2020 and 2019.

- Patriot Financial Partners II - Patriot is a Philadelphia based firm specializing in regional banks, both privately and publicly traded. The over $300 mm fund has invested in 24 portfolio companies to date. This fund attempts to identify small financial institutions that require capital for expansion or current operations. The fund's general partner will typically take a board seat to better identify opportunities for efficiencies or growth in an attempt to increase operating margins and price-to-book metrics for later sale, either in the public markets or as a takeover by another institution. The College has monies invested in this alternative investment for fiscal years 2020 and 2019 and has an unfunded commitment as disclosed above.

- Praesidian Capital - Praesidian is a private mezzanine debt fund. The firm is based out of New York, NY and focuses solely on private debt offerings to small-to-mid sized businesses in need of financing capital for either: growth and acquisition financing, management and sponsored buyouts or recapitalizations and refinancings. A typical loan will either have first lien and/or equity options as well as a high current coupon. The College has monies invested in this alternative investment for fiscal years 2020 and 2019 and has an unfunded commitment as disclosed above.

- RECAP Opportunity Fund III - RECAP is a New York, NY based manager of private real estate partnerships. The partnership has raised $192 mm in total commitments to acquire well-leased, well-located rental apartments with the goal of generating current returns to the investors with stable quarterly distributions. The fund is currently fully invested in eight operating rental apartment properties. The College has monies invested in this alternative investment for fiscal years 2020 and 2019 and has an unfunded commitment as disclosed above.

- Commonfund Capital Partners - Commonfund is based out of Wilton, CT with a focus on generating long-term capital appreciation. The firm along with its partners invests in small and mid-size companies with a focus on Venture Capital, Private Equity, Global Private Equity and Natural Resources. The $66 mm fund has approximately 12 percent of funds committed. The College has monies invested in this alternative investment for fiscal years 2020 and 2019 and has an unfunded commitment as disclosed above.

- LEM Multifamily Fund V - LEM is a Philadelphia-based firm that invests in suburban Class B value-add multifamily properties in primary and secondary US markets. This is their fifth fund and they have roughly $330mm raised for investment. The College has monies invested in this alternative investment for fiscal year 2020 and has an unfunded commitment as disclosed above.

- RCP Fund XIV - Chicago-based RCP works with buyout fund managers with funds between $250 million and $1 billion in committed capital. These fund managers seek to invest in lower middle sized companies - typically, with $10 million to $250 million in enterprise value. Investments are generally in existing businesses located in North American. RCP aims to diversify underlying investments across industry focus, fund size, geography, strategy and manager experience. The College has monies invested in this alternative investment for fiscal year 2020.

Funds Held in Trust by Others: The fair value is based on the College's interest in the earnings of the trust applied to the fair value of the underlying assets in the trust, which approximates the present value of the estimated cash flows expected from the trust in perpetuity.

Investment Return

The College's total investment return is comprised of the following components at May 31:

	2020	2019
Interest and dividend income	$ 2,536,927	$ 2,293,646
Investment fees	(502,889)	(554,788)
Net realized gain on investments	2,975,986	6,206,417
Net investment income	5,010,024	7,945,275
Unrealized loss on investments	(667,068)	(6,871,931)
Net investment return	$ 4,342,956	$ 1,073,344

The College's total investment return is reported in the statements of activities as follows at May 31:

	2020	2019
Operating activities:		
Investment income, net	$ 2,034,038	$ 1,738,858
Endowment return, designated for operations	8,127,251	7,812,537
Nonoperating activities:		
Endowment investment loss, net of amount designated for operations	(5,818,333)	(8,478,051)
Net investment return	$ 4,342,956	$ 1,073,344

6. Plant Assets

The composition of plant assets was as follows at May 31:

	2020	2019
Land	$ 3,008,978	$ 3,020,496
Buildings	125,632,566	124,612,205
Equipment	23,181,452	22,538,796
Land improvements	2,976,546	2,832,923
Construction in progress	644,415	1,518,224
Total	155,443,957	154,522,644
Less accumulated depreciation	(74,909,947)	(71,408,538)
Total	$ 80,534,010	$ 83,114,106

The College provides for depreciation using the straight-line method based on lives, which, in the opinion of management, is adequate to allocate asset costs over their productive years. Depreciation expense was approximately $4,277,000 in 2020 and $4,291,000 in 2019.

In addition to these assets, the College's endowment owns investments in real estate as follows:

	2020	2019
Land	$ 900,863	$ 900,863
Rental properties	4,236,923	4,224,533
Total	5,137,786	5,125,396
Less accumulated depreciation	(1,614,280)	(1,492,258)
Total	$ 3,523,506	$ 3,633,138

Depreciation expense on these rental properties was approximately $122,000 in 2020 and 2019.

Non-depreciable assets, such as collections, totaled $1,656,432 as of May 31, 2020 and 2019.

7. Cash Surrender Value of Life Insurance

The following table summarizes the activities for the years ended May 31:

	2020	2019
Beginning balance	$ 5,803,769	$ 4,864,825
Changes in cash surrender values	442,292	938,944
Ending balance	$ 6,246,061	$ 5,803,769

The changes in the cash surrender value is reported on the statements of activities and statements of functional expenses as a reduction of the life insurance premium expense under management and general expenses.

8. Bonds and Notes Payable

Bonds and notes payable at May 31 are comprised of the following:

	2020	2019
Revenue Note, Series 2004 (issued through Huntingdon County General Authority), due in varying annual installments through May 2024, fixed interest at 2.65%. Collateralized by the gross revenues of the College.	$ 2,967,000	$ 3,602,000
Revenue Bonds, Series 2016 OO2 (issued through Huntingdon County General Authority), due in varying annual installments beginning May 2033 through May 2046, fixed interest ranging from 3.0% to 5.0%. Collateralized by the gross revenues of the College.	33,305,000	33,305,000
Revenue Note, Series 2016 U1 (issued through Huntingdon County General Authority), due in varying annual installments beginning May 2017 through May 2029, at fixed interest at 2.46% through May 2023 and, for the remainder of the term, a variable interest rate equal to the LIBOR rate plus 170 basis points converted to a bank qualified tax-exempt rate. The variable rate is determined by the lender monthly. Collateralized by the gross revenues of the College.	3,557,118	3,952,353
Revenue Note Series 2016 U2 (issued through Huntingdon County General Authority), due in varying annual installments beginning May 2027 through May 2032, fixed interest at 2.6% through May 2023 and, for the remainder of the term, a variable interest rate equal to the LIBOR rate plus 170 basis points converted to a non-bank qualified tax-exempt rate. The variable rate is determined by the lender monthly. Collateralized by the gross revenues of the College.	7,690,000	7,690,000
Revenue Bonds, Series 2018 QQ1 (issued through Huntingdon County General Authority), due in varying annual installments beginning April 2025 through April 2039, interest rates ranging from 3% to 4%. Collateralized by the gross revenues of the College.	8,125,000	8,125,000
Unsecured note, for food service operation and equipment, interest rate at 4.00%, payable in monthly installments of $11,395, due June 2028.	1,029,365	1,134,061
Unsecured note, for food service operation and equipment, interest rate at 4.00%, payable in monthly installments of $9,345, due June 2028.	844,128	929,984
	57,517,611	58,738,398
Deferred financing costs	(539,355)	(571,423)
Unamortized bond premium	1,040,678	1,079,116
Total	$ 58,018,934	$ 59,246,091

The aggregate future scheduled principal payments on bonds and notes payable at May 31, 2020 is as follows:

Years ending May 31:		
2021	$	1,234,552
2022		1,241,632
2023		1,451,043
2024		1,463,795
2025		1,047,905
Thereafter		51,078,684
Total	$	57,517,611

Interest expense was approximately $2,162,000 in 2020 and $2,146,000 in 2019. The College capitalizes interest incurred on the cost of property, plant and equipment constructed for its own use along with related loan fees and costs. No interest was capitalized during 2020 and 2019.

The College is required to meet certain financial covenants under the debt agreements. The College was in compliance with all covenants at May 31, 2020.

9. Capital Leases

The College leases computer equipment under capital leases, which expire in 2022. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. The assets are included in plant assets and are amortized over the lease terms. Amortization of assets under capital leases is included in depreciation expense.

The cost and accumulated amortization of equipment under capital leases were as follows at May 31, 2020:

Cost of equipment under capital leases	$	464,656
Accumulated amortization		(227,837)
Total	$	236,819

Minimum future lease payments under capital leases as of May 31, 2020 are as follows:

Years ending May 31:		
2021	$	198,151
2022		55,899
Total minimum lease payments		254,050
Amount representing interest		17,234
Present value of minimum lease payments	$	236,816

Interest rates on the capital leases as of May 31, 2020 range from 6.7 percent to 8.3 percent, which are imputed based upon the lower of the College's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

10. Operating Leases

The College leases office equipment and vehicles under operating leases having non-cancelable lease terms exceeding one year at May 31, 2020 and 2019. Total rents paid under these operating leases approximated $222,000 and $225,000 for the years ended May 31, 2020 and 2019, respectively. Future minimum rental payments required under these leases by year and in the aggregate at May 31, 2020 follow:

Years ending May 31:	
2021	$ 229,520
2022	218,266
2023	91,744
2024	20,810
Total	$ 560,340

11. Pension Plan

The College sponsors a defined contribution pension plan. Pension expense related to this plan was approximately $1,844,000 in 2020 and $2,018,000 in 2019.

12. Postretirement Benefits

The College provides postretirement benefits for early retirees. For medical and prescription drug coverage, the College's share of premium is 2.5 percent for each year of service up to 50 percent. If a member was less than age 50 as of January 1, 1997, the member's years of service was frozen as of January 1, 1999. For individuals past age 65, the College continues to pay the same percentage of premium as pre-65 for a Medicare Supplement Plan provided by the College. In addition, the College pays $30/month for retirees to select their own Medicare Part D Plan. For grandfathered retirees, the College pays the full premium of the Medicare Supplement Plan and the Medicare Part D Plan. For three retirees and the spouse of another, the College pays the full premium of Medicare Supplement Plan.

The postretirement benefit obligations relate to the following categories of participants at May 31, 2020 and 2019:

	2020	2019
Retirees	$ 4,888,918	$ 4,319,759
Actives fully eligible	1,665,908	1,805,979
Actives not fully eligible	103,344	184,331
Total	$ 6,658,170	$ 6,310,069

Net periodic postretirement benefit cost consists of the following at May 31, 2020 and 2019:

	2020	2019
Service cost	$ 3,418	$ 3,963
Interest cost	233,776	242,649
Amortization of net actuarial loss	207,645	198,574
Total	$ 444,839	$ 445,186
Actual cost (cash flow)	$ 351,466	$ 328,635

The estimated future benefit payments over the next five fiscal years are as follows:

Years ending May 31:		
2021	$	367,922
2022		382,848
2023		388,514
2024		401,399
2025		409,454

There are no contributions in excess of expected benefits scheduled to be paid during the next five fiscal years.

The measurement date used to determine the benefit obligation information was May 31, 2020 and 2019.

The following table sets forth the change in benefit obligation and the amounts recognized in the statements of financial position at May 31, 2020 and 2019:

	2020	2019
Change in accumulated postretirement benefit obligation:		
Benefit obligation, beginning of year	$ 6,310,069	$ 6,417,964
Service cost	3,418	3,963
Interest cost	233,776	242,649
Change due to change in experience	114,069	(173,719)
Change in actuarial assumptions	348,304	147,847
Benefits paid	(351,466)	(328,635)
Accumulated postretirement benefit obligation, end of year	$ 6,658,170	$ 6,310,069
Change in plan assets:		
Fair value of plan assets, beginning of year	$ -	$ -
Fair value of plan assets, end of year	-	-
Funded status	(6,658,170)	(6,310,069)
Accumulated postretirement benefit cost	$ (6,658,170)	$ (6,310,069)

The discount rate used to determine the accumulated postretirement benefit obligation and the net periodic postretirement benefit cost was 2.75 percent and 3.75 percent in 2020 and 2019, respectively.

The assumed health care cost trend rates at May 31, 2020 and 2019 were as follows, based on the Society of Actuaries Long-Run Medical Cost Trend Model:

	2020	2019
Health care cost trend rate assumed for next year	5.50 %	5.50 %
Rate to which the cost trend rate is assumed to decline	3.50	3.80
Year that the rate reaches the ultimate trend rate	2075	2075

Sensitivity to Health Care Cost Trend Rate

The following is a sensitivity analysis of the annual net periodic postretirement benefits cost and the accumulated postretirement benefits obligation to changes in the health care cost trend rate. The table below presents the annual net periodic postretirement benefits cost and the accumulated postretirement benefits obligation calculated using the health care cost trend rate of 5.5 percent as well as what the annual net periodic postretirement benefits cost and the accumulated postretirement benefits obligation would be if it were to be calculated using a health care cost trend rate that is 1 percentage point lower (4.50 percent) or 1 percentage point higher (6.50 percent) than the current rate:

	2020		
	1% Decrease (4.50%)	Current Rate (5.50%)	1% Increase (6.50%)
Annual net periodic postretirement benefits cost	$ 422,915	$ 444,839	$ 471,028
Accumulated postretirement benefits obligation	6,020,447	6,658,170	7,421,394

	2019		
	1% Decrease (4.50%)	Current Rate (5.50%)	1% Increase (6.50%)
Annual net periodic postretirement benefits cost	$ 422,191	$ 445,186	$ 472,674
Accumulated postretirement benefits obligation	5,705,031	6,310,069	7,033,502

The following were other significant assumptions used in the valuations as of May 31:

	2020	2019
Rates of Retirement	2% at ages 55-61; 35% at age 62; 25% at ages 63-64; 40% at ages 65-69; and 100% at age 70	2% at ages 55-61; 35% at age 62; 25% at ages 63-64; 40% at ages 65-69; and 100% at age 70
Mortality	Pre-2012 Total Mortality Table, incorporated into the table are rates projected generationally using Scale MP-2019 to reflect mortality improvement.	Adjusted RP-2014 Total Mortality Table, incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

Employer contributions which are equivalent to benefits paid under the Plan were approximately $351,000 in 2020 and $329,000 in 2019.

13. Net Assets

Net assets without donor restrictions are available for the following purposes as of May 31, 2020 and 2019:

	2020	2019
Investment in plant	$ 13,037,360	$ 14,901,409
Board-designated for endowment funds	30,681,118	32,849,956
Undesignated	(5,741,928)	(5,822,167)
Total net assets without donor restrictions	$ 37,976,550	$ 41,929,198

Net assets with restrictions are related to, or restricted for, the following as of May 31, 2020 and 2019:

	2020	2019
Gifts available for capital purposes	$ 5,783,678	$ 4,892,494
Gifts available for scholarship and other academic purposes	4,128,862	3,600,288
Accumulated income and gains on donor endowment funds	14,430,772	16,601,868
Investments held in perpetuity by donor stipulations and Pennsylvania law, the income from which is generally available for scholarships	69,546,180	67,822,340
Funds held in trust by others	3,827,004	4,101,054
Loan funds held in perpetuity	1,382,639	1,457,725
Seed money	1,143,567	1,134,888
Gift annuity, pooled income and charitable trusts	3,869,323	2,964,899
Total net assets with donor restrictions	$ 104,112,025	$ 102,575,556

Net assets are released from 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 for the years ended May 31, 2020 and 2019:

	2020	2019
Endowment spending policy	$ 5,027,457	$ 5,209,192
Scholarships, academics and grants	573,305	1,025,273
Total net assets released from restrictions	$ 5,600,762	$ 6,234,465

Included in donor-restricted net assets as of May 31, 2020 and 2019 are $14,430,772 and $16,601,868, respectively, of accumulated gains on investments of donor-restricted funds held in the endowment which have not been used in operations.

During the course of the year, net assets whose use by the College was subject to donor-imposed restrictions were fulfilled by actions of the College pursuant to those restrictions, the expiration of time or the designation of law. These assets are shown in the statements of activities as a release of net assets from donor restrictions.

The Board of the College has several standing board policies that affect the presentation of board designations on net assets. Bequests without donor restrictions are designated for long-term investment (quasi-endowment). The quasi-endowment fund balance totaled $30,681,118 and $32,849,956 at May 31, 2020 and 2019, respectively.

14. Endowment Funds

The College's endowment consists of 589 donor-restricted individual funds established primarily for scholarships. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees, to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Investments restricted by the donor for endowment purposes are recorded as net assets with donor restrictions based on the original amount of the gift. Dividends, interest and gains on such endowed assets are reflected as an increase in net assets with or without donor restrictions based on the intention stipulated by the donor.

In the event the College's Board designates certain non-donor funds as board-designated, those respective funds are classified as "without donor restrictions" and the returns on those funds are used to support the general program expenses of the College.

The Board of Trustees of the College has interpreted Pennsylvania 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 net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted 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 purposes 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 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. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Callan Associates Median Balanced Fund Database while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide an average rate of return of approximately 7.0 percent net of fees annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Commonwealth of Pennsylvania law permits the College to allocate to income each year a portion of endowment return. The law allows not-for-profit organizations to spend a percentage of the market value of their endowment funds, including realized and unrealized gains. The percentage, which by law must be between 2 percent and 7 percent, is elected annually by the Board of Trustees. The endowment market value is determined based on an average spanning three years. The College's policy for fiscal years 2020 and 2019 allowed for a payout no larger than 6 percent of the average of the past 12 calendar quarters of the endowment's closing market values. In establishing this policy, the College considered the long-term expected return on its endowment.

Changes in endowment net assets for the fiscal years ended May 31:

	Board-Designated	Donor-Restricted	2020 Total
Endowment net assets, beginning of year	$ 32,849,956	$ 84,424,208	$ 117,274,164
Investment return, net	930,956	2,888,036	3,818,992
Contributions	-	1,692,165	1,692,165
Appropriation of endowment assets for expenditure	(3,099,794)	(5,027,457)	(8,127,251)
Endowment net assets, end of year	$ 30,681,118	$ 83,976,952	$ 114,658,070

	Board-Designated	Donor-Restricted	2019 Total
Endowment net assets, beginning of year	$ 30,373,155	$ 92,166,788	$ 122,539,943
Investment return, net	2,876,138	(2,061,463)	814,675
Contributions	38,255	1,693,828	1,732,083
Reclassification due to change in donor intent	2,165,753	(2,165,753)	-
Appropriation of endowment assets for expenditure	(2,603,345)	(5,209,192)	(7,812,537)
Endowment net assets, end of year	$ 32,849,956	$ 84,424,208	$ 117,274,164

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law. At May 31, 2020 and 2019, 92 and 74 donor-restricted funds with original gift values of $13,411,601 and $10,588,132, respectively, fair values of $11,846,140 and $8,759,488, respectively, and deficiencies of $1,565,461 and $1,828,644, respectively, were reported in net assets with donor restrictions. Management has interpreted state law to permit prudent spending from underwater endowments.

	Without Donor Restrictions	With Donor Restrictions		Total Funds May 31, 2020
		Original Gift	Accumulated Gain (Losses)	
Board-designated funds	$ 30,681,118	$ -	$ -	$ 30,681,118
Donor-restricted funds:				
Underwater funds	-	13,411,601	(1,565,461)	11,846,140
Other funds	-	56,134,579	15,996,233	72,130,812
Total	$ 30,681,118	$ 69,546,180	$ 14,430,772	$ 114,658,070

	Without Donor Restrictions	With Donor Restrictions		Total Funds May 31, 2019
		Original Gift	Accumulated Gain (Losses)	
Board-designated funds	$ 32,849,956	$ -	$ -	$ 32,849,956
Donor-restricted funds:				
Underwater funds	-	10,588,132	(1,828,644)	8,759,488
Other funds	-	57,234,208	18,430,512	75,664,720
Total	$ 32,849,956	$ 67,822,340	$ 16,601,868	$ 117,274,164

15. Government Grants and Student Aid

The government grants and student aid amounts reported do not include funds credited to students under various federal and state grant programs, including the Pennsylvania Higher Education Assistance Agency Program and the Pell Grants Program. These grants are similar to agency funds as the College acts only as custodian and disbursing agent. Had these amounts been included, revenues and expenses would have increased by approximately $3,219,000 in 2020 and $3,116,000 in 2019.

16. Commitments and Contingencies

The nature of the educational industry is such that, from time to time, claims will be presented against the College on account of alleged negligence, acts of discrimination, breach of contract or disagreements arising from the interpretation of laws and regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services. Management of the College believes that these claims and their resolution will not have a significant impact on the College's financial position.

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 owns properties constructed prior to the passage of the Clean Air Act that contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe manner prior to demolition or renovation of the property. The College has not recognized the asset retirement obligation for asbestos removal in its financial statements because it currently has no plans to demolish or renovate these properties and as such, cannot reasonably estimate the fair value of the obligation. If plans change with respect to the use of any of the properties and sufficient information becomes available to estimate the liability it will be recognized at that time.

17. Lines of Credit

The College had a $3,000,000 unsecured demand line of credit available from a bank that matured in January 2020. At May 31, 2019, no amount was outstanding under this line of credit.

The College obtained a $5,000,000 secured revolving line of credit available from a bank in May 2020. Interest is paid monthly at one-month London Interbank Offered Rate (LIBOR) plus 2.75 percent (2.93 percent at May 31, 2020), collateralized by the gross revenues of the College. At May 31, 2020, no amount was outstanding under this line of credit.

18. Liquidity and Availability of Resources

The following reflects the College's financial assets as of May 31, 2020 and 2019, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for general expenditure in the following year.

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 5,696,109	$ 5,462,461
Accounts receivable and unconditional promises to give	8,779,554	8,715,794
Investments, real estate and cash surrender value of life insurance policies	115,886,525	114,689,010
Financial assets at year end	130,362,188	128,867,265
Less those unavailable for general expenditure within one year, due to:		
Contribution and accounts receivable collectible beyond one year	(5,373,923)	(6,621,608)
Gifts available for capital purposes	(5,783,678)	(4,892,494)
Gifts available for scholarship and other academic purposes	(4,128,862)	(3,600,288)
Board-designated endowments	(30,681,118)	(32,849,956)
Perpetual and term endowments and accumulated earnings	(83,976,952)	(84,424,208)
Add back appropriations schedule for next year from:		
Perpetual and term endowments and accumulated earnings	5,789,807	5,680,346
Investments in board-designated endowments	2,031,820	1,753,651
Financial assets available to meet cash needs for general expenditures within one year	$ 8,239,282	$ 3,912,708

The College has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Including the $30,681,118 and $32,849,956 of board-designated investments, which it could use, the College had $38,920,400 and $36,762,664 available for general expenditure and unanticipated liquidity needs as of May 31, 2020 and 2019, respectively. To help manage unanticipated liquidity needs, the College had available lines of credit in the amounts of $5,000,000 and $3,000,000, at May 31, 2020 and 2019, respectively, which it could draw upon (Note 17).

19. Subsequent Event

Effective July 1, 2020, a donor changed the intent of a prior year restricted gift to without donor restrictions of approximately $4,257,000.