

Lock Haven University Foundation

Financial Statements
As of and for the Years Ended
June 30, 2022 and 2021

Lock Haven University Foundation

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Independent Auditors' Report

To the Board of Directors
Lock Haven University Foundation
300 Foundation Dr., Suite 212
Lock Haven, Pennsylvania

We have audited the financial statements of the Lock Haven University Foundation (the Foundation), a nonprofit organization, which comprise the Statements of Financial Position as of June 30, 2022 and 2021, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Urish Popeck + Co., LLC

State College, Pennsylvania
September 9, 2022

Lock Haven University Foundation

Statements of Financial Position

| <i>June 30,</i> | 2022 | 2021 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 1,184,330 | \$ 1,921,457 |
| Accounts receivable | 15,048 | 15,281 |
| Prepaid expenses | 24,259 | 13,675 |
| Promises to give, net | 134,622 | 119,991 |
| Investments held with trustees | 1,613,065 | 1,339,330 |
| Total current assets | 2,971,324 | 3,409,734 |
| Other assets | | |
| Restricted cash | 1,839,185 | 1,882,813 |
| Student loans receivable | 39,077 | 40,222 |
| Investments held with trustees-debt service reserve | 1,173,400 | 1,173,400 |
| Long-term promises to give, net | 193,512 | 161,365 |
| Investments, at fair value | 14,611,712 | 17,613,881 |
| Interest rate swap agreement | 82 | - |
| Cash surrender value of life insurance policies | 89,214 | 95,161 |
| Total other assets | 17,946,182 | 20,966,842 |
| Collections | 270,635 | 270,635 |
| Property and equipment - at cost, less accumulated depreciation of \$12,121,495 and \$11,465,523 | 6,465,841 | 7,034,472 |
| Total assets | \$ 27,653,982 | \$ 31,681,683 |

The accompanying notes are an integral part of these financial statements.

Lock Haven University Foundation

Statements of Financial Position (continued)

| <i>June 30,</i> | 2022 | 2021 |
|--|----------------------|----------------------|
| Current Liabilities | | |
| Accounts payable | \$ 196,316 | \$ 688,969 |
| Other accrued expenses | 24,687 | 22,230 |
| Accrued interest | 213,972 | 224,772 |
| Deferred revenue | 41,907 | 21,904 |
| Long-term debt-current portion | 275,149 | 394,962 |
| Revenue bonds-current portion | 745,000 | 720,000 |
| Total current liabilities | 1,497,031 | 2,072,837 |
| Long-term liabilities | | |
| Liability for split-interest agreements | 372,505 | 396,712 |
| Interest rate swap agreement | - | 1,710 |
| Long-term debt | 1,277,794 | 1,645,970 |
| Revenue bonds | 10,096,292 | 10,814,511 |
| Other long-term liabilities | 419,592 | 441,407 |
| Total long-term liabilities | 12,166,183 | 13,300,310 |
| Total liabilities | 13,663,214 | 15,373,147 |
| Net Assets | | |
| Without donor restrictions | | |
| Investment in property and equipment - net of related debt | (5,928,312) | (6,542,681) |
| Board designated for split-interest agreements | 205,698 | 310,940 |
| Without donor restrictions | (904,554) | (202,538) |
| Total (deficit) without donor restrictions | (6,627,168) | (6,434,279) |
| With donor restrictions | 20,617,936 | 22,742,815 |
| Total net assets | 13,990,768 | 16,308,536 |
| Total liabilities and net assets | \$ 27,653,982 | \$ 31,681,683 |

The accompanying notes are an integral part of these financial statements.

Lock Haven University Foundation

Statement of Activities
Year Ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total 2022 |
|---|-------------------------------|----------------------------|----------------------|
| Revenue, gains, and other support | | | |
| Contributions | \$ 81,444 | \$ 1,091,038 | \$ 1,172,482 |
| Special events | 7,844 | 411,148 | 418,992 |
| Rental income | 1,861,471 | - | 1,861,471 |
| Other income | 208,668 | 52,656 | 261,324 |
| Investment return | 47,222 | (1,769,868) | (1,722,646) |
| Changes in value of interest rate swap agreements | - | 1,792 | 1,792 |
| Changes in value of liability for split-interest agreements | - | (94,680) | (94,680) |
| Net assets released from restrictions - satisfaction of program restrictions | 1,816,965 | (1,816,965) | - |
| Total revenue and support | 4,023,614 | (2,124,879) | 1,898,735 |
| Functional expenses | | | |
| Program services | 3,744,427 | - | 3,744,427 |
| Supporting services | | | |
| Management and general | 405,741 | - | 405,741 |
| Fundraising | 66,335 | - | 66,335 |
| Total functional expenses | 4,216,503 | - | 4,216,503 |
| Changes in net assets | (192,889) | (2,124,879) | (2,317,768) |
| Net (deficit) assets, beginning of year | (6,434,279) | 22,742,815 | 16,308,536 |
| Net (deficit) assets, end of year | \$ (6,627,168) | \$ 20,617,936 | \$ 13,990,768 |

The accompanying notes are an integral part of these financial statements.

Lock Haven University Foundation

Statement of Activities
Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total 2021 |
|---|-------------------------------|----------------------------|----------------------|
| Revenue, gains, and other support | | | |
| Contributions | \$ 65,175 | \$ 1,035,242 | \$ 1,100,417 |
| Special events | 2,626 | 91,352 | 93,978 |
| Rental income | 2,130,020 | - | 2,130,020 |
| Other income | 262,264 | 6,183 | 268,447 |
| Investment return | 78,479 | 4,410,585 | 4,489,064 |
| Changes in value of interest rate swap agreements | - | 2,305 | 2,305 |
| Changes in value of liability for split-interest agreements | - | 52,314 | 52,314 |
| Net assets released from restrictions - satisfaction of program restrictions | 2,338,138 | (2,338,138) | - |
| Total revenue and support | 4,876,702 | 3,259,843 | 8,136,545 |
| Functional expenses | | | |
| Program services | 3,561,404 | - | 3,561,404 |
| Supporting services | | | |
| Management and general | 396,420 | - | 396,420 |
| Fundraising | 155,425 | - | 155,425 |
| Total functional expenses | 4,113,249 | - | 4,113,249 |
| Changes in net assets | 763,453 | 3,259,843 | 4,023,296 |
| Net (deficit) assets, beginning of year | (7,197,732) | 19,482,972 | 12,285,240 |
| Net (deficit) assets, end of year | \$ (6,434,279) | \$ 22,742,815 | \$ 16,308,536 |

The accompanying notes are an integral part of these financial statements.

Lock Haven University Foundation

Statement of Functional Expenses Year Ended June 30, 2022

| | Program Services | Supporting Services | | Total 2022 |
|---|---------------------|---------------------------|------------------|---------------------|
| | | Management and General | Fundraising | |
| Functional expenses | | | | |
| Rental expenses | \$ 2,186,102 | \$ - | \$ - | \$ 2,186,102 |
| Scholarships, awards, gifts and donations | 1,014,975 | - | - | 1,014,975 |
| Salaries, benefits, and taxes | 21,105 | 294,254 | - | 315,359 |
| Camp expenses | - | - | - | - |
| Gifts and donations | 7,755 | - | 3,822 | 11,577 |
| Special events | 121,231 | - | 11,100 | 132,331 |
| Equipment and supplies | 153,769 | 2,522 | 1,117 | 157,408 |
| Athletic events and sales | 42,280 | - | - | 42,280 |
| Housing, meals, and transportation | 67,693 | - | 11,471 | 79,164 |
| Depreciation and amortization | 4,096 | 76 | - | 4,172 |
| Professional fees and honorariums | 56,755 | 68,604 | 17,986 | 143,345 |
| Other expenses | 43,928 | 15,776 | 12,932 | 72,636 |
| Insurance | 5,193 | 23,334 | - | 28,527 |
| Printing | 1,136 | 846 | 83 | 2,065 |
| Marketing and advertising | 1,321 | - | 159 | 1,480 |
| Postage | 9 | 329 | 7,665 | 8,003 |
| Conferences and meetings | 2,426 | - | - | 2,426 |
| Bad debt expense | 14,653 | - | - | 14,653 |
| Total functional expenses | \$ 3,744,427 | \$ 405,741 | \$ 66,335 | \$ 4,216,503 |

The accompanying notes are an integral part of these financial statements.

Lock Haven University Foundation

Statement of Functional Expenses Year Ended June 30, 2021

| | Program Services | Supporting Services | | Total 2021 |
|---|---------------------|---------------------------|-------------------|---------------------|
| | | Management and General | Fundraising | |
| Functional expenses | | | | |
| Rental expenses | \$ 2,236,076 | \$ - | \$ - | \$ 2,236,076 |
| Scholarships, awards, gifts and donations | 1,030,322 | - | - | 1,030,322 |
| Salaries, benefits, and taxes | 48,802 | 284,541 | - | 333,343 |
| Camp expenses | 1,135 | - | - | 1,135 |
| Gifts and donations | 3,569 | - | 5,510 | 9,079 |
| Special events | 35,413 | - | 7,909 | 43,322 |
| Equipment and supplies | 71,421 | 3,257 | - | 74,678 |
| Contributed services and rent | - | - | - | - |
| Interest expense | - | - | - | - |
| Athletic events and sales | 29,467 | - | - | 29,467 |
| Housing, meals, and transportation | 3,854 | - | 36,874 | 40,728 |
| Depreciation and amortization | 5,444 | - | - | 5,444 |
| Professional fees and honorariums | 25,644 | 70,287 | 95,511 | 191,442 |
| Other expenses | 25,917 | 24,202 | 2,664 | 52,783 |
| Insurance | 2,049 | 13,162 | - | 15,211 |
| Printing | 102 | 494 | 39 | 635 |
| Marketing and advertising | 2,750 | - | 982 | 3,732 |
| Postage | 140 | 477 | 5,936 | 6,553 |
| Conferences and meetings | 1,676 | - | - | 1,676 |
| Bad debt expense | 37,623 | - | - | 37,623 |
| Total functional expenses | \$ 3,561,404 | \$ 396,420 | \$ 155,425 | \$ 4,113,249 |

The accompanying notes are an integral part of these financial statements.

Lock Haven University Foundation

Statements of Cash Flows

| <i>Years Ended June 30,</i> | 2022 | 2021 |
|--|------------------|----------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ (2,317,768) | \$ 4,023,296 |
| Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | 655,972 | 656,097 |
| Amortization | 31,091 | 32,441 |
| Net realized and unrealized loss (gain) | 2,050,938 | (4,315,582) |
| Changes in value of cash value surrender value of life insurance policies | 5,947 | (5,176) |
| Changes in value of interest rate swap agreements | (1,792) | (2,305) |
| Changes in value of liability for split-interest agreements | 70,473 | 36,153 |
| Paycheck Protection Program loan forgiveness | (207,875) | (218,500) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 233 | 26,775 |
| Prepaid expenses | (10,584) | (4,775) |
| Promises to give | (46,778) | 214,180 |
| Accounts payable | (492,653) | 569,469 |
| Other accrued expenses | (19,358) | (20,786) |
| Accrued interest | (10,800) | (10,500) |
| Deferred revenue | 20,003 | (8,955) |
| Liability for split-interest agreements | (94,680) | (52,314) |
| Net cash (used in) provided by operating activities | (367,631) | 919,518 |

The accompanying notes are an integral part of these financial statements.

Lock Haven University Foundation

Statements of Cash Flows (continued)

| <i>Years Ended June 30,</i> | 2022 | 2021 |
|--|---------------------|---------------------|
| Cash flows from investing activities | | |
| Collection of student loans receivable | 1,145 | 11,589 |
| Purchases of investments with trustees | (4,309,683) | (6,055,726) |
| Proceeds from sales of investments with trustees | 4,035,948 | 5,953,045 |
| Purchases of investments | (8,474,914) | (7,121,296) |
| Proceeds from sales of investments | 9,426,146 | 6,994,305 |
| Proceeds from sale of property and equipment | - | 250,131 |
| Construction or purchases of property and equipment | (87,340) | (105,443) |
| Net cash provided by (used in) investing activities | 591,302 | (73,395) |
| Cash flows from financing activities | | |
| Proceeds from long-term debt | - | 207,875 |
| Repayments of long-term debt | (284,426) | (255,602) |
| Repayments of revenue bonds | (720,000) | (700,000) |
| Net cash used in financing activities | (1,004,426) | (747,727) |
| Net (decrease) increase in cash and restricted cash | (780,755) | 98,396 |
| Cash and restricted cash, beginning of year | 3,804,270 | 3,705,874 |
| Cash and restricted cash, end of year | \$ 3,023,515 | \$ 3,804,270 |
| Supplemental Disclosures | | |
| Interest paid | \$ 474,154 | \$ 498,490 |

The accompanying notes are an integral part of these financial statements.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Lock Haven University Foundation's (the Foundation) mission is to generate and manage resources for the benefit of Lock Haven University (the University) and its students. The Foundation accomplishes this mission by soliciting, receiving, and administering contributions, in cash or in-kind, from alumni or friends of the University and distributing those contributions and the income therefrom for the benefit of the University with the primary focus on direct student scholarship grants. In addition, the Foundation developed and manages the Lock Haven University Foundation Evergreen Commons Student Housing Project (Evergreen Commons), Foundation Village Student Housing at Clearfield, and the Durrwachter Alumni Conference Center. Additionally, the Foundation developed and managed the Lock Haven University Foundation Fairview Suites Student Housing Project (Fairview Suites). During the year ended June 30, 2017, the Foundation donated Fairview Suites to the University. The Foundation is supported primarily through donor contributions, investments, events, and rental income.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions in accordance with ASU 2016-14, “*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.” In addition, the Foundation is required to present the Statement of Cash Flows. Under the provisions of ASU 2016-14, net assets and changes therein are classified and reported, based on the existence or absence of donor-imposed stipulations as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed stipulations. Such stipulations may be temporary, as they will be met either by action of the Foundation and/or the passage of time, or maintained permanently. When a restriction expires, net assets are reclassified to net assets without donor restrictions and reported on the Statement of Activities as net assets released from restrictions.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

1. Nature of Activities and Summary of Significant Accounting Policies (cont.)

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenue and support are recognized when earned and expenses are recognized when incurred.

Reclassifications

Certain amounts in the financial statements of prior year periods have been reclassified to conform to the current period's presentation.

Cash and Cash Equivalents

Cash consists of currency on hand, demand deposits, money market accounts, and certificates of deposit with minimal penalty and withdrawal restrictions. The Foundation considers all highly-liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. The Foundation considers all cash and cash equivalents held with an investment advisor to be investments.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at outstanding balances, less an allowance for doubtful accounts. The Foundation provides the allowance equal to the estimated uncollectible amounts, historical collection experience, and a review of the current status of accounts receivable. It is reasonably possible that the Foundation's estimate of the allowance for doubtful accounts will change.

Promises to Give

Promises to give are recognized when the Foundation is notified of the promise and, if conditional, after the imposed conditions are met. Promises to give are stated at outstanding balances, less amounts estimated to be uncollectible. Amounts promised to be contributed after one year are recorded at fair value. For promises to give cash, the fair value is determined at initial recognition using a present value of expected future cash flows.

Restricted Cash

In accordance with the memorandum of understanding for the donation of Fairview Suites to the University, moneys are held by the Foundation to cover unexpected future costs related to the property for the six-year period ending September 7, 2022. At the end of the six-year period, remaining funds will be equally divided between the University and the Foundation. A liability for \$419,592 and \$441,407, representing the payable to the University for half of the funds held by the Foundation as of June 30, 2022 and 2021, is included in Other Long-term Liabilities in the Statements of Financial Position.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

1. Nature of Activities and Summary of Significant Accounting Policies (cont.)

In accordance with the terms of the \$3,000,000 note payable with Clinton County Industrial Development Authority and The Jersey Shore State Bank (see Note 13), \$1,000,000 of cash is restricted and is included in Restricted Cash in the Statements of Financial Position as of June 30, 2022 and 2021.

The following table provides a reconciliation of cash and restricted cash reported on the statements of financial position to the cash and restricted cash shown in the statements of cash flows:

| <i>June 30,</i> | 2022 | 2021 |
|---|---------------------|--------------|
| Cash and cash equivalents | \$ 1,184,330 | \$ 1,921,457 |
| Restricted cash | 1,839,185 | 1,882,813 |
| Cash, cash equivalents, and restricted cash | \$ 3,023,515 | \$ 3,804,270 |

Student Loans Receivable

From a fund established by a donor, the Foundation extends interest-bearing loans to students of the University, which encourages those students to remain in Clinton County or a contiguous county to live or work. The receivable is stated at the amount management expects to collect from each loan's outstanding balance. The Foundation considers a loan to be delinquent when scheduled payments are ninety days or more past due and places the loan on nonaccrual status.

Loans are evaluated for impairment when management believes, after considering economic conditions, business conditions, and collection efforts that the collection of principal or interest payments, in accordance with the contractual terms, is doubtful. Interest income for loans on nonaccrual status is recognized only to the extent cash payments are received. The Foundation considers the outstanding loans and accrued interest to be fully collectible. Based on management's assessment of the student's ability to meet contractual terms, their current financial position, and the value of any collateral, it has concluded that no allowance for credit losses is considered necessary at June 30, 2022 and 2021. If collection of a loan or previously accrued interest becomes doubtful, an allowance will be established or the loan and accrued interest will be written off based upon management's assessment.

Investments Held with Trustees

In accordance with the terms of the trust indentures securing the revenue bonds, moneys are held in various funds, segregated for specific use and for the security of the bondholders, and are maintained by an independent trustee.

Investments

In accordance with ASC No. 958-320, "Not-for-Profit Entities Investments - Debt and Equity Securities," investments in debt and equity securities, with readily determinable fair values, are reported at the fair value. Any unrealized gain (loss) is reported as an increase or decrease in net assets without donor restrictions, unless their use is restricted by explicit donor-imposed stipulations or by law. Any realized gain (loss) on the sale or disposal of investments, if any, are computed on a specific identification basis and included as an increase or decrease in net assets without donor restrictions, unless their use is restricted by explicit donor-imposed stipulations or by law.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

1. Nature of Activities and Summary of Significant Accounting Policies (cont.)

Cash Surrender Value of Life Insurance Policies

The Foundation is the beneficiary of life insurance policies on certain donors. As beneficiary, the Foundation receives the cash surrender value, if the policy is terminated, or upon death of the insured, receives all benefits payable. The cash surrender value of the life insurance policies is reported in the financial statements at fair value. The cash surrender values of life insurance policies are measured using Level 2 valuation inputs (see Note 15).

Collections

Collections consist mainly of paintings, sculptures, etchings, and engravings donated to the Foundation, which have been capitalized since inception of the Foundation. Donated works of art are stated at the estimated fair value, at the time of donation, using an appropriate valuation technique.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded as contributions at their estimated fair value using an appropriate valuation technique. Such donations are reported as unrestricted contributions, unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit donor-imposed restrictions regarding their use and contributions of cash, which must be used to acquire property and equipment, are reported as restricted contributions. Absent donor-imposed stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor-imposed stipulations when the donated or acquired assets are placed in service, unless otherwise instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation has been provided on the straight-line method of accounting over the useful lives of the assets. The cost of maintenance and repairs is charged to expense as incurred and significant renewals and betterments are capitalized and depreciated over the estimated useful lives. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is reflected in support and revenue for the period.

Asset Impairment

The Foundation accounts for long-lived assets, to be held and used, in accordance with the provisions of ASC No. 360, "*Property, Plant, and Equipment*." This statement requires that long-lived assets, to be held and used, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset, to be held and used, is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Management has made no adjustments to the carrying value of long-lived assets.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

1. Nature of Activities and Summary of Significant Accounting Policies (cont.)

Deferred Revenue

Deferred revenue represents amounts received in advance for rental payments.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized, until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value using an appropriate valuation technique. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved, and was 4.75% and 3.25% as of June 30, 2022 and 2021. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

In-Kind Contributions

In-kind contributions represent the estimated fair value of assets donated. On a recurring basis, the Foundation determines the fair value using market compensation for individuals with identical skills for services received.

Revenue

The Foundation owns and operates various student housing projects, under which students of the University are obligated under lease agreements. All leases between the projects and the students are one-year operating leases. Rental income is recognized as rentals are due.

Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis on the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Marketing and Advertising

Marketing and advertising are expensed as incurred.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

1. Nature of Activities and Summary of Significant Accounting Policies (cont.)

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 and disclosures. Actual results could materially differ from these estimates.

2. Concentration of Credit and Other Risks

The Foundation's cash balances consist of cash maintained at various banking institutions and highly-liquid investments having a maturity of three months or less when purchased. The Foundation maintains certain of its cash and cash equivalents in non-interest bearing accounts that are insured by the Federal Deposit Insurance Company up to \$250,000. The Foundation's deposits may, from time to time, exceed the \$250,000 limit; however, management believes that there is no unusual risk present, as the Foundation places its cash with financial institutions which management considers being of high quality.

3. Promises to Give

Promises to give consist of the following at June 30:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Receivable in less than one year | \$ 134,622 | \$ 119,991 |
| Receivable in one to five years | 259,003 | 217,501 |
| Total promises to give | \$ 393,625 | \$ 337,492 |
| Less: allowance for uncollectible promises | (28,825) | (35,142) |
| Less: discounts to present value | (36,666) | (20,994) |
| | 328,134 | 281,356 |
| Less: current portion | (134,622) | (119,991) |
| Long-term promises to give-net | \$ 193,512 | \$ 161,365 |

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

4. Student Loans Receivable

At June 30, 2022 and 2021, the Foundation has 14 and 17 unsecured student loans outstanding, respectively, with original principal balances ranging from \$550 to \$4,700 and \$29 to \$4,700, respectively, and bearing a fixed rate of interest of 5.0 percent.

The Foundation evaluates the credit risk of the students and classifies the student loans as performing when management believes it is probable that the students can meet the contractual terms. Based on management's assessment, all outstanding student loans are considered performing and have not been placed on nonaccrual status. For each of the years ended June 30, 2022 and 2021, no impairment losses have been recognized.

5. Investments Held With Trustees

Investments held with trustees consist of the following funds, specific to respective bond series, at June 30:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Debt service fund | \$ 959,341 | \$ 944,817 |
| Replacement reserve fund | 200,968 | 118,228 |
| Surplus fund | 452,756 | 276,285 |
| Debt service reserve fund | 1,173,400 | 1,173,400 |
| Total | 2,768,465 | 2,512,730 |
| Less: current portion | (1,613,065) | (1,339,330) |
| Investments held with trustees-debt service reserve | \$ 1,173,400 | \$ 1,173,400 |

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

5. Investments Held With Trustees (cont.)

The following is a summary of investments held with trustees at June 30:

| | 2022 | | 2021 | |
|---------------------------|---------------------|---------------------|---------------------|---------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Cash and cash equivalents | <u>\$ 2,768,465</u> | <u>\$ 2,768,465</u> | <u>\$ 2,512,730</u> | <u>\$ 2,512,730</u> |

For the years ended June 30, 2022 and 2021, the investment return from the investments held with trustees is reported as rental income on the Statements of Activities, comprised only of interest income of \$1,245 and \$204, respectively.

6. Investments

The following is a summary of investments at June 30. Classes of investments that represent ten percent or more of the Foundation's net assets are separately identified with an asterisk (*) in the following table:

| | 2022 | | 2021 | |
|---------------------------|---------------------|----------------------|---------------------|----------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Cash and cash equivalents | \$ 1,097,836 | \$ 1,097,836 | \$ 903,695 | \$ 903,695 |
| Fixed income mutual funds | 1,493,377 | 1,366,127 | 1,843,630 | 1,890,641* |
| Equity mutual funds | 10,574,812 | 11,652,399* | 10,496,586 | 14,140,215* |
| Common stocks | 683,206 | 495,350 | 667,141 | 679,330 |
| Total | <u>\$13,849,231</u> | <u>\$ 14,611,712</u> | <u>\$13,911,052</u> | <u>\$ 17,613,881</u> |

The Foundation is the trustee and beneficiary of two charitable remainder trusts. At June 30, 2022 and 2021, investments totaling \$281,626 and \$370,712, respectively, are held in these trusts (see Note 11). The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and such changes could materially affect the amounts reported.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

6. Investments (cont.)

Investment return is comprised of the following for the years ended June 30:

| | 2022 | 2021 |
|--------------------------------|-----------------------|---------------------|
| Interest and dividend income | \$ 365,962 | \$ 336,504 |
| Investment management fees | (79,989) | (57,826) |
| Realized gains | 765,508 | 844,665 |
| Unrealized (loss) gain | (2,774,127) | 3,233,757 |
| Total investment return | \$ (1,722,646) | \$ 4,357,100 |

7. Endowment

The Foundation's endowment consists of various individual funds established primarily for scholarships and to support specific departments and projects.

Interpretation of Relevant Law - As a Pennsylvania organization, the Foundation is governed by the applicable Pennsylvania statutes and has interpreted these statutes as requiring the long-term preservation of the endowment's value. As a result, the Foundation classifies all activity of the endowment, including investment income and contributions, as net assets with donor restrictions. The percentage of the endowment fund's value, appropriated for expenditure, is reclassified to net assets without donor restrictions, based on the existence or absence of donor-imposed stipulations. At June 30, 2022 and 2021, the Foundation's endowment was \$11,475,729 and \$13,934,731, respectively.

Endowment Investment Policy - The long-term goals of the Foundation's investment and spending policy is to (1) protect the assets of the Foundation and strive to maximize the total return to the extent possible without assuming excessive risk; (2) provide a relatively predictable, stable, and inflation adjusted pay-out stream for operations and other periodic expenditures; (3) maintain a balance between operational or other spending and protect the real value of the Foundation's assets; (4) maintain a position, which permits the budgeting and expenditure of prior year income rather than anticipated income; and (5) adhere to a spending rule consistent with the donor's gift instrument, if specified, within the Foundation's policy guidelines. This is accomplished by an investment policy that has an objective to achieve an annualized total return that, at a minimum, will grow the assets by the rate of inflation, after having allowed for operating expenses and expenditures. This is accomplished through using a total return strategy, where the long-term return may come from both market value increases and/or from a current yield. The board of directors may elect to change the current asset allocation guidelines, at any time, which currently includes a heavier concentration in equities, with the remainder of the portfolio in fixed income and cash equivalents. The Foundation has identified prohibited investments in order to control the risk of the endowment's assets.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

7. Endowment (cont.)

Endowment Spending Policy - Under Pennsylvania statutes, the Foundation has elected to calculate the annual permissible expenditures from its endowment, based on the endowment's total fair market value. These statutes provide the Foundation with the option of appropriating, not less than 2.0 percent and not more than 7.0 percent, the fair market value of the endowment assets, determined at least annually and averaged over a period of three or more preceding years. In June 2020, Pennsylvania House Bill 2484 was approved that temporarily allows for appropriation of not more than 10.0 percent for the calendar years 2020, 2021, and 2022 or for the Foundation's fiscal years that end during those calendar years. During the years ended June 30, 2022 and 2021, the Foundation elected to appropriate 4.5 and 10.0 percent, respectively. This percentage is applied to the three-year average of the endowed funds' fair value as of the distribution date.

Underwater Endowments - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature have a total original gift value of \$2,517,590, a fair value of \$1,950,394, and a deficiency of \$567,196 as of June 30, 2022 and a total original gift value of \$2,248,296, a fair value of \$1,936,852, and a deficiency of \$311,444 as of June 30, 2021. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the board of directors. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

The endowment net assets are designated for the following purposes at June 30:

| | 2022 | 2021 |
|--|---------------|---------------|
| Scholarships | \$ 6,504,757 | \$ 8,124,189 |
| Progress of designated departments or projects | 4,363,097 | 5,151,645 |
| Charitable gifts payable in future periods | 443,286 | 467,180 |
| Student loans | 164,589 | 191,717 |
| Endowment net assets | \$ 11,475,729 | \$ 13,934,731 |

The following are the changes in the endowment net assets for the years ended June 30:

| | 2022 | 2021 |
|----------------------------------|---------------|---------------|
| Endowment net assets – beginning | \$ 13,934,731 | \$ 10,126,595 |
| Contributions | 194,231 | 690,343 |
| Investment return, net | (2,653,233) | 3,117,793 |
| Endowment net assets - ending | \$ 11,475,729 | \$ 13,934,731 |

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

8. Property and Equipment

Property and equipment consist of the following at June 30:

| | <u>Useful Lives</u> | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|---------------------|
| Evergreen Commons | 3 – 28 Years | \$ 15,924,163 | \$ 15,790,140 |
| Foundation Village | 5 – 28 Years | 1,329,944 | 1,325,388 |
| Durrwachter Alumni Conference Center | 7 – 30 Years | 565,720 | 565,720 |
| Land - McGhee School Property | | 404,406 | 404,406 |
| Beth Yehuda Synagogue | 15 – 40 Years | 276,059 | 276,059 |
| Steinway pianos | 40 Years | 57,665 | 57,665 |
| Other assets | 5-7 Years | 29,379 | 29,379 |
| Construction-in-progress | | - | 51,238 |
| Total property and equipment | | <u>18,587,336</u> | <u>18,499,995</u> |
| Less: accumulated depreciation | | <u>(12,121,495)</u> | <u>(11,465,523)</u> |
| Net book value | | <u>\$ 6,465,841</u> | <u>\$ 7,034,472</u> |

During 2005, the Foundation committed to make non-refundable cash gifts to the University to sufficiently fund the construction of the Durrwachter Alumni Conference Center. The Foundation secured a \$7,000,000 construction loan to partially fund this commitment, which was later refinanced (see Note 13). The total cost of the project was \$9,958,613 of which \$9,390,895 was donation expense to the University. At June 30, 2022 and 2021, the Foundation only has right to \$565,720 of furniture, fixtures, and equipment within the Durrwachter Alumni Conference Center.

Depreciation expense for the years ended June 30, 2022 and 2021 was \$655,972 and \$656,097, respectively.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

9. Loan Origination Fees

Loan origination fees are amortized using the effective interest method of accounting over the term of the respective notes payable and consist of the following at June 30:

| | 2022 | | | |
|-----------------------------------|-----------------------|------------------|-----------------------|-----------|
| | Foundation Village | McGhee School | Durrwachter Alumni | Total |
| Loan origination fees | \$ 19,634 | \$ 5,126 | \$ 60,267 | \$ 85,027 |
| Less: accumulated amortization | (18,816) | (4,738) | (38,791) | (62,345) |
| Total loan origination fees – net | \$ 818 | \$ 388 | \$ 21,476 | \$ 22,682 |
| | 2021 | | | |
| | Foundation Village | McGhee School | Durrwachter Alumni | Total |
| Loan origination fees | \$ 19,634 | \$ 5,126 | \$ 60,267 | \$ 85,027 |
| Less: accumulated amortization | (17,834) | (4,271) | (35,929) | (58,034) |
| Total loan origination fees – net | \$ 1,800 | \$ 855 | \$ 24,338 | \$ 26,993 |

Amortization expense related to loan origination fees for the years ended June 30, 2022 and 2021 was \$4,311. Estimated annual amortization is as follows at June 30:

| | Foundation Village | McGhee School | Durrwachter Alumni | Total |
|------------|-----------------------|------------------|-----------------------|-----------|
| 2023 | \$ 818 | \$ 388 | \$ 2,865 | \$ 4,071 |
| 2024 | - | - | 2,865 | 2,865 |
| 2025 | - | - | 2,865 | 2,865 |
| 2026 | - | - | 2,865 | 2,865 |
| 2027 | - | - | 2,865 | 2,865 |
| Thereafter | - | - | 7,151 | 7,151 |
| Total | \$ 818 | \$ 388 | \$ 21,476 | \$ 22,682 |

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

9. Loan Origination Fees (cont.)

In accordance with ASU 2015-03, “*Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*,” unamortized loan origination fees of \$22,682 and \$26,993 as of June 30, 2022 and 2021 were included in long-term debt on the Statements of Financial Position.

10. Bond Issuance Costs

Bond issuance costs are amortized using the effective interest rate method of accounting over the term of the bonds, unless the bonds series are issued with a variable rate of interest, then the costs are amortized using the straight-line method of accounting over the term of the bonds. Bond issuance costs consist of the following at June 30:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|------------------|------------------|
| Bond issuance costs | \$ 212,133 | \$ 212,133 |
| Less: accumulated amortization | <u>(135,369)</u> | <u>(122,812)</u> |
| Total bond issuance costs - net | <u>\$ 76,764</u> | <u>\$ 89,321</u> |

In accordance with ASU 2015-03, “*Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*,” unamortized bond issuance costs of \$76,764 and \$89,321 as of June 30, 2022 and 2021 were included in revenue bonds on the Statements of Financial Position.

Amortization expense related to bond issuance costs for the years ended June 30, 2022 and 2021 was \$12,557 and \$13,191, respectively.

Estimated future amortization expense is as follows at June 30:

| <u>Years ending June 30,</u> | <u>Amount</u> |
|------------------------------|------------------|
| 2023 | \$ 11,874 |
| 2024 | 11,145 |
| 2025 | 10,217 |
| 2026 | 9,249 |
| 2027 | 8,245 |
| Thereafter | <u>26,034</u> |
| Total | <u>\$ 76,764</u> |

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

11. Liability for Split-Interest Agreements

Donors may provide contributions to the Foundation under various split-interest agreements, such as gift annuities and charitable remainder trusts. No new agreements were entered into during the years ended June 30, 2022 and 2021.

Under these agreements, distributions are paid to the designated beneficiaries, over the term of the agreements. At the date of the gift, the Foundation determines the fair value of the obligation to the donor, based on the terms of the agreement, using the present value of the estimated future payments, calculated on the applicable discount rate and mortality tables. Annually, the Foundation reviews the need to re-evaluate the liability to make distributions to the designated beneficiaries, based on actuarial assumptions. However, the discount rate is not changed. The revaluation is reflected on the Foundation's Statements of Activities as changes in value of split-interest agreements.

The fair value of the assets either designated or held in trust and the corresponding liability, under split-interest agreements, is as follows at June 30:

| | 2022 | | |
|-----------------------------|----------------------------------|-------------------------------------|---------------------|
| | Assets Held or Designated | Liabilities to Beneficiaries | Net Position |
| Charitable gift annuities | \$ 205,698 | \$ 78,598 | \$ 127,100 |
| Charitable remainder trusts | \$ 281,626 | <u>293,907</u> | \$ (12,281) |
| Total | | <u>\$ 372,505</u> | |

| | 2021 | | |
|-----------------------------|----------------------------------|-------------------------------------|---------------------|
| | Assets Held or Designated | Liabilities to Beneficiaries | Net Position |
| Charitable gift annuities | \$ 310,940 | \$ 94,809 | \$ 216,131 |
| Charitable remainder trusts | \$ 370,712 | <u>301,903</u> | \$ 68,809 |
| Total | | <u>\$ 396,712</u> | |

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

12. Interest Rate Swap Agreement

The Foundation primarily uses an interest rate swap agreement with financial institutions to manage risks associated with rising interest rates, which allow the Foundation to predict, with greater certainty, the expected cash flows required to service its debt obligations.

The Foundation uses an interest rate swap agreement to convert a debt obligation with an original interest rate, which is variable based on the London InterBank Offered Rate (LIBOR), to a fixed rate. At the end of each thirty-day period, the Foundation or the counterparty make the appropriate payments to settle the differences between the variable and fixed rates.

When the variable rate exceeds the fixed rate, the counterparty will pay the difference between the rates for the appropriate notional amount. Conversely, when the fixed rate exceeds the variable rate, the Foundation will pay the counterparty.

The Foundation records the fair value of the financial instrument on a recurring basis, based on valuation methodologies of the counterparty. Generally, the counterparty's valuation methodologies include a present value of expected future cash flows, based upon various assumptions including, but not limited to, current and projected interest rates and credit risk, which are determined by quoted or observable market data. The fair value of the interest rate swap agreement has been classified as Level 2 valuation inputs (see Note 15). The use of different valuation methodologies or assumptions may have a material effect on the estimated fair value amounts.

The obligation, under the Foundation's interest rate swap agreement associated with the Foundation Village Note Payable (see Note 13), is as follows as of and for the years ended June 30:

| 2022 | | | | | |
|-----------------|---------------|------------|---------------|------------|------------------|
| Notional Amount | Maturity Date | Fixed Rate | Floating Rate | Fair Value | Changes in Value |
| \$ 66,994 | 4/3/2023 | 2.40% | 1.830% | \$ 82 | \$ 1,792 |

| 2021 | | | | | |
|-----------------|---------------|------------|---------------|------------|------------------|
| Notional Amount | Maturity Date | Fixed Rate | Floating Rate | Fair Value | Changes in Value |
| \$ 145,679 | 4/3/2023 | 2.40% | 1.160% | \$ (1,710) | \$ 2,305 |

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

13. Long-Term Debt

Long-term debt consists of the following at June 30:

| | 2022 | 2021 |
|---|--------------|--------------|
| a. Foundation Village note payable | \$ 85,946 | \$ 164,631 |
| b. Durrwachter Alumni Conference Center note payable | 1,464,784 | 1,621,852 |
| c. McGhee Property note payable | 24,895 | 73,567 |
| d. Paycheck Protection Program notes payable | - | 207,875 |
| Total | 1,575,625 | 2,067,925 |
| Less: current portion | (275,149) | (394,962) |
| Less: loan origination fees, net | (22,682) | (26,993) |
| Total long-term debt | \$ 1,277,794 | \$ 1,645,970 |

- a. During April 2003, the Foundation entered into a \$1,200,000 note payable with Lawrence Township Wolf Run Industrial Park Authority and Santander Bank, as the lender, for the Foundation Village at Clearfield. This twenty-year note has a variable rate of interest, 65.0 percent of LIBOR, plus 170 basis points. The Foundation entered into an interest rate swap agreement to lock into a fixed rate of 4.05 percent for a ten-year period, which expired during May 2013. At that time, the Foundation entered into a new interest rate swap agreement, locking into a fixed rate of 2.40 percent for the remaining ten-year period (see Note 12). The note is collateralized by a first mortgage on real estate located in Clearfield, Pennsylvania known as Foundation Village.
- b. On January 11, 2010, the Foundation entered into a \$3,000,000 note payable with Clinton County Industrial Development Authority and The Jersey Shore State Bank, as the lender, to partially refinance an existing note payable with Santander Bank. Through the term of the note, the interest rate and monthly payments are fixed in five-year increments, until maturity during 2030. The initial five-year increment had an interest rate of 4.65 percent and required a monthly payment of \$19,223. On April 13, 2015, The Jersey Shore State Bank agreed to a loan modification, which reduced the interest rate to 3.37 percent, with an interest rate floor of 3.25 percent. Monthly payments were \$17,652. On March 11, 2020, the loan was further modified to set the interest rate at 3.95 percent through February 2025 and require monthly payments of \$18,193. Thereafter, the interest rate will reset at the bank's then prime rate, with a minimum rate of 3.25 percent and a maximum rate of 15.0 percent. The monthly installments will be adjusted to fully amortize the note by the maturity date.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

13. Long-Term Debt (cont.)

- c. On May 14, 2012, the Foundation entered into a note payable with The Jersey Shore State Bank for a maximum of \$600,000 to purchase, abate, and demolish the McGhee Elementary School located in Lock Haven, Pennsylvania and the subsequent construction of a stone lot. From inception through June 14, 2013, which was the end of the interest-only period, the Foundation drew a total of \$409,096 to complete this project. The note is due immediately upon the lender's demand. However, if no demand is made, the note requires monthly installments of \$4,252, including interest at 4.50 percent, until maturity during May 2023. The note is collateralized by a first mortgage on the real property, known as McGhee School Property and the assignment of its future rents and leases.
- d. On April 8, 2020 and February 26, 2021, the Foundation entered into \$218,500 and \$207,875 loan agreements, respectively, with First National Bank that included terms and conditions related to the forgiveness of the loans and the guaranty by the U.S. Small Business Administration ("SBA"), an agency of the Government of the United States, under the Paycheck Protection Program. Interest on the loans is charged at 1% and principal and interest payments are to begin ten months from the date of the loans. The indebtedness may be forgiven, pursuant to and subject to, the terms of the Paycheck Protection Program (15 U.S.C. § 636(a)(36)), and the guidance issued in relation thereto by the SBA and/or the U.S. Department of Treasury. In May 2021, the Foundation received notification from the SBA that \$210,144 of the \$218,500 loan was forgiven and the remaining outstanding principal balance was repaid by the Foundation. In January 2022, the Foundation received notification from the SBA that the \$207,875 loan was fully forgiven.

As of June 30, 2022, the future aggregate principal maturities of long-term debt in accordance with the original scheduled maturities is as follows:

| <i>Years ending June 30,</i> | Amount |
|------------------------------|---------------------|
| 2023 | \$ 275,149 |
| 2024 | 170,918 |
| 2025 | 177,792 |
| 2026 | 184,944 |
| 2027 | 192,383 |
| Thereafter | 574,439 |
| Total | \$ 1,575,625 |

Interest expense on the long-term debt for the years ended June 30, 2022 and 2021 was \$66,513 and \$70,887, respectively.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

14. Revenue Bonds

Revenue bonds consist of the following at June 30:

| | 2022 | 2021 |
|--|----------------------|---------------|
| Evergreen Commons – Revenue refunding bonds, Series 2013A serial bonds, maturity during July 2033, interest payable semi-annually at a fixed rate | \$ 11,005,000 | \$ 11,725,000 |
| Less: discount | (86,944) | (101,167) |
| Less: bond issuance costs, net | (76,764) | (89,321) |
| Less: current portion | (745,000) | (720,000) |
| Total revenue bonds | \$ 10,096,292 | \$ 10,814,512 |

Evergreen Commons

On May 29, 2013, the Pennsylvania Higher Educational Facilities Authority (PHEFA) issued tax-exempt revenue refunding bonds, Series 2013A, with a principal amount of \$16,115,000 and taxable revenue refunding bonds, Series 2013B, with a principal amount of \$120,000 (2013 Bonds). Evergreen Commons entered into a loan agreement with the Authority for the proceeds of the 2013 Bonds issue, which was assigned to the trustee, Regions Bank. The proceeds were used to provide funds to effect a refunding of the remaining outstanding balance of the revenue bonds, Series 2003A totaling \$16,150,000, fund current reserves, and pay the costs of issuing the 2013 Bonds. During the year ended June 30, 2015, the Series 2013B Serial Bonds were fully redeemed.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

14. Revenue Bonds (cont.)

The issuance of the 2013 Bonds resulted in proceeds of \$15,994,735, as the Bonds were issued at a discount of \$240,265.

The following is the fixed rate of interest for each maturity interval:

| | |
|-----------|-------|
| July 2022 | 3.13% |
| July 2023 | 3.25% |
| July 2028 | 4.00% |
| July 2033 | 4.00% |

The 2013 Bonds are collateralized by a first mortgage on the real and personal property of Evergreen Commons, existing and future rent and leases, revenue, and all funds and accounts established under the trust indenture. Evergreen Commons has both financial and non-financial covenants related to the outstanding 2013 Bonds.

Scheduled mandatory sinking fund redemptions are as follows at June 30, 2022:

| | Evergreen Commons 2013 Series A |
|------------|--|
| 2023 | \$ 745,000 |
| 2024 | 765,000 |
| 2025 | 790,000 |
| 2026 | 825,000 |
| 2027 | 855,000 |
| Thereafter | 7,025,000 |
| Total | \$ 11,005,000 |

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

14. Revenue Bonds (cont.)

Total interest cost on the Bonds for the years ended June 30, 2022 and 2021 was \$427,943 and \$449,544, respectively.

15. Fair Value Measurements

ASC No. 820, "*Fair Value Measurements*," provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC No. 820 are described below:

- **Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- **Level 2** - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by correlation or other means.
- **Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level, within the fair value hierarchy, is based on the lowest level of any input that is significant to the fair value measurement. Valuation methodologies used maximize the use of observable inputs and minimize the use of unobservable inputs. The following are descriptions of the valuation methodologies used to measure the investments at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Cash and Cash Equivalents - Cash is valued at cost, which approximates fair value. Cash equivalents are highly-liquid investments that are valued at the closing price reported on the active market on which the individual security is traded.

U.S. Treasury Obligation - Valued using pricing models maximizing the use of observable inputs for similar securities.

Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds, held by the Foundation, are open-end mutual funds, which are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

15. Fair Value Measurements (cont.)

Common Stocks – Valued at the closing price reported on the active market on which the individual security is traded.

The following tables summarize the financial assets and liabilities valued on a recurring basis categorized by the level, within the fair value hierarchy, as of and for the years ended June 30:

| Assets | 2022 | | | Total |
|---|---------------|-----------|---------|---------------|
| | Level 1 | Level 2 | Level 3 | |
| Investments held with trustees | | | | |
| Cash and cash equivalents | \$ 2,768,465 | \$ - | \$ - | \$ 2,768,465 |
| Investments | | | | |
| Cash and cash equivalents | \$ 1,097,836 | \$ - | \$ - | \$ 1,097,836 |
| Fixed income mutual funds | 1,366,127 | - | - | 1,366,127 |
| Equity mutual funds | 11,652,399 | - | - | 11,652,399 |
| Common stocks | 495,350 | - | - | 495,350 |
| Total investments | \$ 14,611,712 | \$ - | \$ - | \$ 14,611,712 |
| Interest rate swap agreement | \$ - | \$ 82 | \$ - | \$ 82 |
| Cash surrender value of life insurance policies | \$ - | \$ 89,214 | \$ - | \$ 89,214 |

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

15. Fair Value Measurements (cont.)

| Assets | 2021 | | | Total |
|---|---------------|------------|---------|---------------|
| | Level 1 | Level 2 | Level 3 | |
| Investments held with trustees | | | | |
| Cash and cash equivalents | \$ 2,512,730 | \$ - | \$ - | \$ 2,512,730 |
| Investments | | | | |
| Cash and cash equivalents | \$ 903,695 | \$ - | \$ - | \$ 903,695 |
| Fixed income mutual funds | 1,890,641 | - | - | 1,890,641 |
| Equity mutual funds | 14,140,215 | - | - | 14,140,215 |
| Common stocks | 679,330 | - | - | 679,330 |
| Total investments | \$ 17,613,881 | \$ - | \$ - | \$ 17,613,881 |
| Interest rate swap agreement | \$ - | \$ (1,710) | \$ - | \$ (1,710) |
| Cash surrender value of life insurance policies | \$ - | \$ 95,161 | \$ - | \$ 95,161 |

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

15. Fair Value Measurements (cont.)

The following table summarizes the financial transactions that were valued on a nonrecurring basis, categorized by the level within the fair value hierarchy, at June 30:

| Assets | 2022 | | | Total |
|---|---------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | |
| Promises to give | \$ - | \$ 328,134 | \$ - | \$ 328,134 |
| Liabilities | | | | |
| Liabilities for split-interest agreements | \$ - | \$ 372,505 | \$ - | \$ 375,505 |
| Assets | 2021 | | | Total |
| | Level 1 | Level 2 | Level 3 | |
| Promises to give | \$ - | \$ 281,356 | \$ - | \$ 281,356 |
| Liabilities | | | | |
| Liabilities for split-interest agreements | \$ - | \$ 396,712 | \$ - | \$ 396,712 |

16. Restrictions of Net Assets

Net assets with donor restrictions are as follows at June 30:

| | 2022 | 2021 |
|--|---------------|---------------|
| Scholarships | \$ 10,313,600 | \$ 11,576,739 |
| Progress of designated departments or projects | 8,180,311 | 9,046,322 |
| Athletic and athletic camps | 1,058,119 | 943,862 |
| Charitable gifts payable in future periods | 523,691 | 596,032 |
| Student loans | 328,482 | 353,680 |
| Capital campaign designations | 213,733 | 226,180 |
| Total net assets with donor restrictions | \$ 20,617,936 | \$ 22,742,815 |

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

17. Liquidity

The Foundation's financial assets available to meet cash needs for general expenditures during the year ending June 30, 2023 are as follows:

| | |
|---|-------------------|
| Cash | \$ 384,781 |
| Investments held with trustees – surplus fund | 452,756 |
| Financial assets available to meet cash needs for general expenditures during the year ending June 30, 2022 | \$ 837,537 |

As part of the Foundation'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. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

18. Commitments

Evergreen Commons

On May 16, 2014, the Foundation entered into a management agreement with EdR Management Inc. to manage Evergreen Commons. The management agreement has a five-year term, commencing on July 1, 2014. For this service, EdR Management, Inc. is entitled to a maximum of 4.0 percent of Evergreen Common's gross revenue. Total managements fees were \$70,121 and \$81,790 for the years ended June 30, 2022 and 2021, respectively. Effective June 28, 2019, the agreement was amended to change the name of EdR Management Inc. to Greystar Student Living Management Services, LLC (Greystar) and renew the term through June 2022. Effective March 11, 2022, the agreement with Greystar was extended through June 2025.

19. Retirement Plan

During 2009, the Foundation established a tax-deferred retirement plan qualified under Section 401(k) under the Internal Revenue Code (IRC). The Foundation's employees are eligible to become a participant once they have reached the age of eighteen. Under the terms of the plan, the Foundation will make a matching contribution equal to 100 percent of the participant's deferral, limited to 9.29 percent of the participant's compensation for the payroll period. In addition, the Foundation has the right to make discretionary profit sharing contributions. For the years ended June 30, 2022 and 2021, retirement plan expense was \$9,174 and \$8,823, respectively.

20. Income Taxes

The Foundation is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the IRC. In addition, the Foundation has been classified as an entity, which is not a private foundation, within the meaning of Section 509(a) and qualifies for deductible charitable contributions provided in Section 170(b)(1)(A)(vi). However, income from certain activities, not directly related to the Foundation's tax-exempt purpose, may be subject to taxation as unrelated business income.

Lock Haven University Foundation

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

20. Income Taxes (cont.)

The Foundation generates unrelated business income from fees and charges for the use of the Durrwachter Alumni Conference Center by individuals who are not the University's students, faculty, or administration. As of June 30, 2022, the Foundation has net operating losses from unrelated business activities. Accordingly, no provision has been made for income taxes in the financial statements.

As of June 30, 2022 and 2021, the Foundation had NOL carryforwards of \$173,303 and \$174,118, respectively. Carryforwards totaling \$32,105 resulting from tax years after 2018 do not expire and carryforwards incurred in 2018 and prior begin to expire in 2027 and will be fully expired in 2038.

The Foundation's open audit periods are the fiscal years ended June 30, 2019 through June 30, 2021. ASC No. 740-10, "*Income Taxes*," prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose uncertain tax positions taken on its tax return. The Foundation believes that it has appropriate support for tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

21. Related Party Transactions

The Foundation distributes money to the University for the benefit of the University and its students. The majority of the payments are included in the category Scholarship, awards, gifts and donations on the Statements of Functional Expenses. Total distributions to the University were approximately \$1,109,000 and \$1,167,000 during the years ended June 30, 2022 and 2021, respectively. Amounts payable to the University totaled \$560,890 and \$1,073,887 at June 30, 2022 and 2021, respectively.

22. Subsequent Events

Subsequent events have been evaluated through the date of the independent auditors' report. Management did not identify any events requiring recording in or disclosure to the financial statements as of and for the year ended June 30, 2022.