

ALLEGHENY COLLEGE
Meadville, Pennsylvania

Financial Statements
For the years ended June 30, 2023 and 2022
and Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR’S REPORT

To the Board of Trustees of
Allegheny College
Meadville, Pennsylvania

Opinion

We have audited the accompanying financial statements of Allegheny College (College), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements (financial statements).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility 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 auditor's 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 generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

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

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

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
October 30, 2023

ALLEGHENY COLLEGE

STATEMENTS OF FINANCIAL POSITION

	June 30	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,854,538	\$ 4,228,432
Restricted cash	5,389,258	6,235,733
	<u>7,243,796</u>	<u>10,464,165</u>
Student and other receivables - net	1,201,657	514,317
Government grants and receivable - net	438,043	119,634
Inventories	697,293	812,958
Contribution receivable - net	887,580	581,331
Student loans receivable - net	1,749,623	2,562,783
Investments	282,183,935	285,994,010
Land, buildings and equipment - net	113,343,466	113,270,320
Trusts held by others	7,839,275	7,553,894
	<u>7,839,275</u>	<u>7,553,894</u>
Total Assets	<u>\$ 415,584,668</u>	<u>\$ 421,873,412</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,753,049	\$ 3,426,094
Accrued salaries and wages	3,451,893	3,440,783
Student deposits and deferred revenue	1,686,881	2,133,913
Accrued liabilities	2,862,935	3,275,274
Annuities payable	2,937,983	2,781,788
Trusts payable	1,771,823	1,927,727
Bonds and notes payable	50,655,398	52,280,837
Refundable government advances for student loans	1,845,000	3,197,131
	<u>1,845,000</u>	<u>3,197,131</u>
Total Liabilities	<u>67,964,962</u>	<u>72,463,547</u>
NET ASSETS		
Without Donor Restrictions	95,006,103	89,888,681
With Donor Restrictions	252,613,603	259,521,184
	<u>252,613,603</u>	<u>259,521,184</u>
Total Net Assets	<u>347,619,706</u>	<u>349,409,865</u>
Total Liabilities And Net Assets	<u>\$ 415,584,668</u>	<u>\$ 421,873,412</u>

See notes to financial statements.

ALLEGHENY COLLEGE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Tuition and fees	\$ 70,572,476	-	\$ 70,572,476
Less student aid	<u>(49,193,014)</u>	-	<u>(49,193,014)</u>
	21,379,462	-	21,379,462
Federal grants and contracts	3,751,639	\$ 252,201	4,003,840
State grants and contracts	241,258	3,000	244,258
Private gifts and grants	6,102,027	10,329,023	16,431,050
Auxiliary enterprises	19,130,094	-	19,130,094
Investment return designated for current operations, net	4,910,841	13,064,110	17,974,951
Other sources	<u>312,255</u>	<u>566,780</u>	<u>879,035</u>
	55,827,576	24,215,114	80,042,690
Net assets released from restrictions	<u>28,693,301</u>	<u>(28,693,301)</u>	<u>-</u>
Total Revenues, Gains And Other Support	84,520,877	(4,478,187)	80,042,690
 EXPENSES			
Instruction	23,312,979	-	23,312,979
Research	945,132	-	945,132
Academic support	8,033,101	-	8,033,101
Student services	19,403,134	-	19,403,134
Institutional support	11,673,574	-	11,673,574
Auxiliary enterprises	<u>16,016,751</u>	-	<u>16,016,751</u>
	-	-	-
Total Operating Expenses	<u>79,384,671</u>	<u>-</u>	<u>79,384,671</u>
Increase In Net Assets - From Operating Activities	5,136,206	(4,478,187)	658,019
 NONOPERATING INCOME GAIN/(LOSS)			
Investment gain not designated for current operations, net	181,471	(2,034,550)	(1,853,079)
Change in value of split-interest agreements	<u>(200,255)</u>	<u>(394,844)</u>	<u>(595,099)</u>
Total Nonoperating Gain (Loss) - Net	<u>(18,784)</u>	<u>(2,429,394)</u>	<u>(2,448,178)</u>
Changes In Net Assets	5,117,422	(6,907,581)	(1,790,159)
 NET ASSETS			
Beginning of year	<u>89,888,681</u>	<u>259,521,184</u>	<u>349,409,865</u>
End of year	<u>\$ 95,006,103</u>	<u>\$ 252,613,603</u>	<u>\$ 347,619,706</u>

See notes to financial statements.

ALLEGHENY COLLEGE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Tuition and fees	\$ 78,307,619	-	\$ 78,307,619
Less student aid	(54,302,997)	-	(54,302,997)
	24,004,622	-	24,004,622
Federal grants and contracts	2,879,663	\$ 380,254	3,259,917
State grants and contracts	263,473	3,000	266,473
Private gifts and grants	3,327,649	10,389,331	13,716,980
Auxiliary enterprises	19,888,286	-	19,888,286
Investment return designated for current operations, net	5,558,700	14,017,408	19,576,108
Other sources	1,154,062	718,369	1,872,431
	57,076,455	25,508,362	82,584,817
Net assets released from restrictions	19,155,498	(19,155,498)	-
Total Revenues, Gains And Other Support	76,231,953	6,352,864	82,584,817
 EXPENSES			
Instruction	22,240,960	-	22,240,960
Research	804,226	-	804,226
Academic support	9,715,619	-	9,715,619
Student services	18,575,777	-	18,575,777
Institutional support	13,000,484	-	13,000,484
Auxiliary enterprises	13,981,127	-	13,981,127
	78,318,193	-	78,318,193
Increase In Net Assets - From Operating Activities	(2,086,240)	6,352,864	4,266,624
 NONOPERATING INCOME GAIN/(LOSS)			
Investment gain not designated for current operations, net	(9,440,417)	(25,932,039)	(35,372,456)
Change in value of split-interest agreements	(215,902)	539,983	324,081
	(9,656,319)	(25,392,056)	(35,048,375)
Total Nonoperating Gain (Loss) - Net	(9,656,319)	(25,392,056)	(35,048,375)
Changes In Net Assets	(11,742,559)	(19,039,192)	(30,781,751)
 NET ASSETS			
Beginning of year	101,631,240	278,560,376	380,191,616
End of year	\$ 89,888,681	\$ 259,521,184	\$ 349,409,865

See notes to financial statements.

ALLEGHENY COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,790,159)	\$ (30,781,751)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and accretion	6,282,891	5,916,080
Amortization of deferred financing costs, included in interest expense	28,234	28,234
Change in allowance	22,853	262,953
Proceeds from disposal of land, buildings and equipment	274,148	45,542
Loss on disposal of land, buildings and equipment	114,856	137,356
Noncash contributions	(519,999)	-
Realized and unrealized (gains) losses on investments	(16,235,602)	14,470,614
Contributions restricted for long-term investment and investment in plant	-	(4,856,245)
Investment loss (gain) restricted for long-term investment	1,853,079	(92,075)
Change in value of split-interest agreements	595,099	(324,082)
Changes in assets and liabilities:		
Student and other receivables	(1,005,749)	529,331
Contributions receivable	(864,209)	4,503,365
Other assets	(169,715)	1,842,629
Accounts payable and other liabilities	(4,135,777)	(3,811,451)
Net Cash Used In Operating Activities	(15,550,050)	(12,129,500)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, buildings and equipment	(6,154,936)	(4,584,453)
Proceeds from sales of investments	55,825,826	77,254,078
Purchases of investments	(37,633,228)	(63,070,230)
Investment gain restricted for long-term investment	-	92,075
Repayments of loans from students	955,658	638,279
Net Cash Provided By Investing Activities	12,993,320	10,329,749
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investment and investment in plant	392,610	392,610
Payments on annuity obligations	597,424	640,419
Repayments of borrowings	(1,653,673)	(1,602,639)
Net Cash Used In Financing Activities	(663,639)	(569,610)
 (Decrease) Increase In Cash And Cash Equivalents and Restricted Cash	 (3,220,369)	 (2,369,361)
CASH AND CASH EQUIVALENTS		
Beginning of year	10,464,165	12,833,526
End of year	\$ 7,243,796	\$ 10,464,165
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 2,099,686	\$ 2,151,000

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

In 2023, the College received approximately \$620,000 of non-cash contributions of land, buildings and equipment.

In 2022, the College incurred approximately \$955,000 in accounts payable related to purchases of land, buildings and equipment.

See notes to financial statements.

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements is as follows:

Organization - Allegheny College (College) is a four-year coeducational college fully accredited by the Middle States Association of Colleges and Secondary Schools. The College generates its operating revenues generally from student tuition, fees and gifts. The College's students are primarily from the states of Pennsylvania, New York and Ohio. The College is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Presentation - The College classifies net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the College and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition - Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

Cash and Cash Equivalents - The College considers all short-term investments with a maturity at the date of acquisition of three months or less and that are not intended for long-term or restricted purposes to be cash equivalents. The College maintains, at various financial institutions, cash that may at times exceed federally insured amounts. The balance of restricted cash at June 30, 2023 and 2022 is related to funds designated for donor-restricted use.

Student Receivables - Student receivables represent balances due from students for tuition, fees and other charges and are reported at their net realizable value. Student receivables are considered to be due when invoiced. Provisions are established for estimated uncollectible receivables when considered necessary. The College's estimate is based on historical collection experience, a review of the current status of receivables and judgment. Decisions to charge off receivables are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. Management has recorded an allowance of approximately \$1,600,000 as of both June 30, 2023 and 2022; however, it is reasonably possible that this estimate of the allowance could change in future periods.

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans to Students - Loans to students under the Federal Perkins Loans Program are reported at their outstanding principal, adjusted for any charge-offs and net of the allowance for loan losses. The College recognizes interest, delinquency charges and other fees when earned and collectability is reasonably assured. The allowance for loan losses is increased by charges and decreased by charge-offs (net of recoveries). The College's periodic evaluation of the adequacy of the allowance is based on the College's loan loss experience, adverse situations that might affect the borrower's ability to repay and current economic conditions. Loan balances are written off when they are deemed to be permanently uncollectible.

Contributions - Contributions are recognized when the donor makes a promise to give to the College that is, in substance, unconditional. Noncash contributions are valued at the fair value of the asset contributed at the date of the contribution. Contributions received and unconditional promises to give are recorded as either net assets with donor restrictions or without donor restrictions, depending on existence of donor restrictions and nature of restrictions, if they exist.

Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction is met or expires, net assets with donor restrictions are released to net assets without donor restrictions.

Pledges expected to be collected within one year are recorded at their net realizable value. Pledges 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 calculated using a risk-free rate of return.

Substantially all of the net assets with donor restrictions as of June 30, 2023 and 2022 relate to amounts given to the College for future capital additions, loans and scholarships to students or unexpended gains under Pennsylvania Trust Law. Net assets with donor restrictions also consist of endowment fund investments to be held indefinitely, certain split-interest agreements, and certain trusts held and administered by others.

Inventories - Inventories are stated at the lower of cost (first-in, first-out basis) or net realizable value and represent books and other merchandise held for resale.

Investments and Investment Income - Investments are reported at fair value, net of internal and external expenses. Investments received from donors as gifts are recorded at fair value at the date of gift. Investment return includes interest, dividends, and both realized and unrealized gains and losses.

The College's investments comprise the College's endowment and other investments held for general operating purposes. Level 1 investments are defined as marketable securities, including money market funds, mutual funds and bond funds, and are reported at fair values based on quoted active market prices. Level 2 investments, including international equity funds, are reported based on observable prices not quoted on active exchanges or readily determinable fair values based on comparable market data.

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Alternative investments, which are not readily marketable, are carried at net asset value (NAV) as a practical expedient, as provided by the investment managers. Alternative investments consist of venture capital, private equity, private real estate and hedge funds. NAV is assessed by management to approximate fair value. The College reviews and evaluates the values and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values might differ significantly from the values that would have been used had a ready market for these securities existed. Due to the level of risk associated with certain investment securities, changes in values of investment securities will occur in the near term, and it is reasonably possible that such changes could materially affect the amounts reported in the statements of activities and changes in net assets.

Pennsylvania Trust Law's "Total Investment Return Policy" - The Board of Trustees, in accordance with Pennsylvania Trust Law's "Total Investment Return Policy," designates only a portion of the College's cumulative investment return for support of current operations. Pennsylvania Act 141 permits a not-for-profit to elect to release up to 7% for 2023 and 10% in 2022. The amount computed under the endowment spending policy and non-endowment investment income is used to support current operations. The spendable return on endowment, as calculated based on the 12-quarter average market value of the endowment, was 6.8% for 2023 and 2022. The remaining endowment income unrealized gain/loss is recorded as nonoperating investment return not designated for current operations.

Annuities - Annuities represent the College's obligation to pay a donor an annual amount, based on the donor's original contribution, over the remaining life of the donor. These annuities are stated at the net present value of the projected future cash flows assuming discount rates ranging from 3.1% to 9.2% for 2023 and 2022.

Debt Issuance Costs - Debt issuance costs are stated at cost and are being amortized over the term of the related debt. Debt issuance costs related to a recognized debt liability are presented in the statements of financial position as a direct reduction to the carrying amount of debt. See Note 9 for the presentation of unamortized debt issuance costs as a reduction to the corresponding financing arrangements. The related amortization is presented as a component of interest expense.

Land, Buildings and Equipment - Land, buildings and equipment are stated at cost at date of acquisition (in the case of gifts, fair value at date of donation), less accumulated depreciation. Interest expense is capitalized on qualifying assets during the period necessary to ready the asset for its intended use. Interest capitalized is net of interest earnings, if any, from proceeds of tax-exempt borrowings for the respective projects. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The estimated useful lives of buildings and equipment are summarized as follows:

	<u>Years</u>
Building and improvements	20-50
Equipment and fixtures	3-10
Vehicles	3

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS
JUNE 30 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The College reviews its land, buildings and equipment for impairment when events or changes in circumstances might indicate that the carrying amount of these assets might not be recoverable. No impairment charges were recorded by the College in 2023 or 2022. Repairs, maintenance and minor replacements of existing facilities are charged to expense as incurred.

Split-Interest Agreements and Trusts Held by Others - The College's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and gift annuities 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 liabilities for the present value of the estimated future payments to be made to the donors and/or beneficiaries. Liabilities are adjusted during the terms of the trusts for changes in the value of assets, accretion of the discount, and other changes in the estimates of future benefits.

The College is also the beneficiary of certain trusts held and administered by others. The College's portion of the fair market value of the underlying assets of these trusts and the net realized and unrealized gains (losses) of trusts held by others are primarily recorded in permanently restricted net assets. Trusts that permit the principal of the trust to be invested and distributed to the College are recorded in temporarily restricted net assets. The College considers these trusts held by others to be a Level 2 measurement.

Auxiliary Enterprises - The College's auxiliaries exist primarily to furnish goods and services to students, faculty and staff. Managed as essentially self-supporting activities, the College's auxiliary activities consist primarily of housing services and dining services.

Fundraising Expense - The College includes fundraising expenses in institutional support. These expenses are approximately \$3,818,000 and \$3,462,000 in 2023 and 2022, respectively.

Use of Estimates and Assumptions - 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.

Risks and Uncertainties - The College utilizes various investment instruments that are exposed to risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements and accompanying notes.

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS
JUNE 30 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases are recognized under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, Leases. The College determines if a contract contains a lease at contract inception. A contract contains a lease if there is an identified asset and the College has the right to control the asset. Right-of-use (ROU) assets represent the College's right to use an underlying asset for the lease term, and lease liabilities represent the College's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The College uses its incremental borrowing rate in determining the present value of lease payments, unless the implicit rate is readily determinable. If lease terms include options to extend or terminate the lease, the ROU asset and lease liability are measured based on whether or not the College is reasonably certain to exercise those options. Some leasing arrangements require variable payments that are dependent upon usage or output, or may vary for other reasons, such as insurance or tax payments. Variable lease payments are recognized as incurred and are not presented as part of the ROU asset or lease liability. The College has lease agreements with lease and non-lease components, which are accounted for as a single lease component for all classes of leased assets for which the College is the lessee. ROU assets are tested for impairment in the same manner as long-lived assets used in operations.

Income Taxes - The College follows FASB guidance for accounting for uncertainty in income taxes, which provides criteria for the recognition and measurement of uncertain tax positions. This guidance requires that an uncertain tax position should be recognized only if it is "more likely than not" that the position is sustainable based on its technical merits. Recognizable tax positions should then be measured to determine the amount of benefit recognized in the financial statements. The College files U.S. federal, state and local information returns, and no returns are currently under examination. The statute of limitations on the College's U.S. federal tax returns remains open for the years ended June 30, 2020 through the present. The College continues to evaluate its tax positions pursuant to the principles of FASB guidance and has determined that there is no material impact on the College's financial statements.

The College maintains a self-insured medical program under which the cost for such claims is recognized in the year the claims are incurred. Management also records an estimate of incurred but not reported claims. In addition, the College maintains a stop-loss insurance policy, which pays the cost in excess of \$175,000 in both 2023 and 2022, for any medical insurance claim, with an annual aggregate maximum of \$1,000,000 as of both June 30, 2023 and 2022. Expenses under the medical program were approximately \$4,145,000 and \$3,552,000 in 2023 and 2022, respectively.

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through October 30, 2023, the date that the financial statements were issued and determined that there have been no events that have occurred that would require adjustments to the disclosures in the financial statements.

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 2 - REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue reported on the statements of activities and changes in net assets was derived from contracts with customers (i.e., students). As a private college with a four-year residency, the College includes net tuition and fees and auxiliary activities, such as room and board, as revenue or otherwise known as the comprehensive fee. At a percentage less than 1%, other revenue that may qualify under Topic 606 such as bookstore and other revenue does not represent a material value and is not included. Most revenues from government grants, private gifts and grants, investment income, endowment income, net realized and unrealized gains on operating and endowment investments are not derived from contracts with students and do not qualify for inclusion under Topic 606.

Disaggregation of Revenue

The College generates revenue from an individual contract with students from one primary source, the comprehensive fee. The provisions of Topic 606 are applied by the College on an individual contract basis. As a practical expedient, the College applies this Topic to a portfolio of contracts with similar characteristics for the comprehensive fee revenue stream. The College expects that the effects of applying this guidance to the portfolios would not significantly differ from applying the guidance to the individual contracts within the portfolio.

Tuition and fees revenue is presented separately on the statement of activities and changes in net assets under its own caption and is derived from delivering academic programs to students for undergraduate programs. Tuition and fees revenue was \$70,572,476 and \$78,307,619 at June 30, 2023 and 2022, respectively. Student aid was \$49,193,014 and \$54,302,997 at June 30, 2023 and 2022, respectively. Tuition and fees are recognized over time as the academic programs are delivered to students, because the students simultaneously receive and consume the benefits provided by the College as it satisfies the performance obligation. Institutional scholarships and other student aid reduce the amount of revenue recognized. At the beginning of each academic term, there is a period in which students may adjust their course load or withdraw completely. Refunds issued to students reduce the amount of revenue recognized and are recorded as refunds occur and become known. Payments for tuition and fees are due prior to the start of each academic semester and are recorded as deferred revenue on the statement of financial position as of June 30, 2023 and 2022. Tuition remission programs are reported as compensation expense and included in the caption compensation. See Note 19.

Auxiliary activity revenue is presented on the statements of activities and changes in net assets under the caption auxiliary enterprises and is derived from providing on-campus lodging and meal plans to students enrolled in academic programs. Auxiliary enterprises revenue was \$19,130,094 and \$19,888,286 at June 30, 2023 and 2022, respectively. Auxiliary activity is recognized over time as the lodging services and meal plans are delivered to enrolled students, because the students simultaneously receive and consume the benefits provided by the College as it satisfies the performance obligation. At the beginning of each academic term, there is period in which students may withdraw completely. Refunds issued to students reduce the amount of revenue recognized and are recorded as refunds occur and become known. As a component of the comprehensive fee, payments for auxiliary activity are due prior to the start of each academic semester. Payments for auxiliary activities that extend past June 30, 2023 and 2022 are due prior to the start of each academic semester and are recorded as deferred revenue on the statement of financial position as of June 30, 2023 and 2022.

Contract Balances

Receivables from students, which include amounts derived from the comprehensive fee, are presented on the statements of financial position less an allowance for doubtful accounts on the portfolio basis.

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 2 - REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Contract liabilities consist of student deposits and deferred revenue. Student deposits consist of \$1,686,881 and \$2,133,913 related to credit balances on student receivables as of June 30, 2023 and 2022, respectively.

Remaining Performance Obligations

The College applies the practical expedient in FASB ASC 606-10-50-14 and, therefore, does not disclose further information about remaining performance obligations that have original expected durations of one year or less. Additionally, there was no revenue recognized during either of the years ended June 30, 2023 or 2022 from performance obligations that were satisfied or partially satisfied in prior periods.

Significant Judgements

The timing and the satisfaction of performance obligations were determined through careful analysis of the timing of which control of goods or services are transferred to students. Most performance obligations are satisfied over time, as customers simultaneously receive and consume the benefits provided by the College's performance as it satisfies performance obligations. Performance obligations that are recognized over time generally use a pro rata time-based output method, which the College believes depicts the transfer of goods and services to customers. The transaction price is determined through Board of Trustee-approved tuition and room and board rates.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	<u>2023</u>	<u>2022</u>
Total financial assets:		
Cash and cash equivalents	\$ 1,854,538	\$ 4,228,432
Students and other receivables – net	1,201,657	514,317
Government grants and receivable – net	438,043	119,634
Promises to give not subject to donor restriction	380,765	121,445
Endowment – Budgeted spending rate appropriation	10,974,951	10,076,109
Budgeted additional endowment spend	<u>7,000,000</u>	<u>9,500,000</u>
Financial Assets Available To Meet Cash Needs For Expenditures Within One Year	<u>\$ 21,849,954</u>	<u>\$ 24,559,937</u>

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The College is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the College must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets might not be available for general expenditure within one year. As part of the College's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, the College has over \$39 million and \$40 million in unrestricted quasi-endowment assets at June 30, 2023 and 2022, respectively, and maintains a \$5 million line of credit in the event of unanticipated liquidity needs.

NOTE 4 - RECEIVABLES

Student accounts receivable as of June 30 consist of the following:

	<u>2023</u>	<u>2022</u>
Accounts and other receivables	\$ 2,801,671	\$ 2,114,331
Less allowance for doubtful accounts	<u>(1,600,014)</u>	<u>(1,600,014)</u>
	<u>\$ 1,201,657</u>	<u>\$ 514,317</u>

In order to estimate the allowance, the College performs a student-by-student review for internal and external collection accounts. Once the analysis has been completed, an allowance percentage is placed on each age and type for all internal and external collection accounts.

Contributions receivable are promises to give from various donors that are unconditional. The net present value of the contributions receivable as of June 30 is as follows:

	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 813,488	\$ 504,109
One to five years	305,461	163,230
Greater than five years	-	1,250
	<u>1,118,949</u>	<u>668,589</u>
Discounts and allowances	<u>(231,369)</u>	<u>(87,258)</u>
Net Contributions Receivable	<u>\$ 887,580</u>	<u>\$ 581,331</u>

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

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 4 - RECEIVABLES (Continued)

As of June 30, student loans receivable - net consisted of the following:

	2023	2022
Student loans receivable	\$ 2,946,716	\$ 3,422,396
Less allowance for doubtful accounts	(1,197,093)	(859,613)
Student Loans Receivable - Net	\$ 1,749,623	\$ 2,562,783

Allowances for doubtful accounts are established based on prior collection experience and current economic factors that, in management's judgement, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

NOTE 5 - INVESTMENTS

Investments are carried at fair value of \$282,184,000 and \$285,994,000 as of June 30, 2023 and 2022, respectively. The aggregate carrying value of investments, exclusive of cash equivalents, as of June 30 is summarized as follows:

	2023 Endowment Investments			
	Level 1	Level 2	Level 3	Total
Assets:				
Money Market	\$ 5,896,135	-	-	\$ 5,896,135
U.S. Equity Large Cap	22,490,827	\$ 18,167,033	-	40,657,860
U.S. Equity Small Cap	14,794,523	-	-	14,794,523
Global ex. U.S. Equity	28,576,469	-	-	28,576,469
Global ex. U.S. Small Cap Equity	3,233,958	-	-	3,233,958
U.S. Government/Credit Securities	61,045	-	-	61,045
Emerging Markets	-	4,185,497	-	4,185,497
Assets in the fair value hierarchy	75,052,957	22,352,530		97,405,487
Investments measured at NAV (a)	-	-	-	166,610,203
Total Fair Value of Assets	\$ 75,052,957	\$ 22,352,530	-	\$ 264,015,690

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 5 - INVESTMENTS (Continued)

	2023 Other Investments			
	Level 1	Level 2	Level 3	Total
Assets:				
Money Market	\$ 3,060,361	-	-	\$ 3,060,361
U.S. Equity Large Cap	5,662,858	-	-	5,662,858
U.S. Equity Mid Cap	243,683	-	-	243,683
U.S. Equity Small Cap	1,786,450	-	-	1,786,450
Global ex. U.S. Equity	1,248,628	-	-	1,248,628
Fixed Income and Bond	4,139,873	-	-	4,139,873
Assets in the fair value hierarchy	16,141,853			16,141,853
Equity-method investment (b)	-	-	-	2,026,392
Total Fair Value of Assets	\$ 16,141,853	-	-	\$ 18,168,245
	2022 Endowment Investments			
	Level 1	Level 2	Level 3	Total
Assets:				
Money Market	\$ 10,308,615	-	-	\$ 10,308,615
U.S. Equity Large Cap	17,771,885	\$ 24,850,143	-	42,622,028
U.S. Equity Small Cap	14,451,816	-	-	14,451,816
Global ex. U.S. Equity	29,656,508	-	-	29,656,508
Global ex. U.S. Small Cap Equity	2,955,882	-	-	2,955,882
U.S. Government/Credit Securities	1,391,436	-	-	1,391,436
Emerging Markets	-	3,844,822	-	3,844,822
Public Natural Resources and Real Estate	2,841,525	-	-	2,841,525
Assets in the fair value hierarchy	79,377,667	28,694,965	-	108,072,632
Investments measured at NAV (a)	-	-	-	156,230,915
Total Fair Value of Assets	\$ 79,377,667	\$ 28,694,965	-	\$ 264,303,547

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 5 - INVESTMENTS (Continued)

	2022 Other Investments			
	Level 1	Level 2	Level 3	Total
Assets:				
Money Market	\$ 5,389,350	-	-	\$ 5,389,350
U.S. Equity Large Cap	6,259,012	-	-	6,259,012
U.S. Equity Mid Cap	267,395	-	-	267,395
U.S. Equity Small Cap	1,813,049	-	-	1,813,049
Global ex. U.S. Equity	1,345,371	-	-	1,345,371
Fixed Income and Bond	4,651,880	-	-	4,651,880
Assets in the fair value hierarchy	19,726,057	-	-	19,726,057
Equity-method investment (b)	-	-	-	1,964,406
Total Fair Value of Assets	\$ 19,726,057	-	-	\$ 21,690,463

- (a) In accordance with the College's adoption of Accounting Standards Update (ASU) 2015-07 and ASC Subtopic 820-10, certain investments were measured at NAV per share (or its equivalent) as a practical expedient, and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of fair value hierarchy line items presented in the statements of financial position.
- (b) Equity-method investments are excluded from the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of fair value hierarchy line items presented in the statements of financial position.

There were no significant transfers in or out of Levels 1, 2 or 3 for the years ended June 30, 2023 and 2022.

Total investment summary is as follows:

	2023	2022
Endowment	\$ 264,015,690	\$ 264,303,547
Other	18,168,245	21,690,463
	\$ 282,183,935	\$ 285,994,010

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 5 - INVESTMENTS (Continued)

The following redemption table clarifies the nature and risk of the College's investments and liquidity for investments, including alternative investments, measured using net asset value as of June 30, 2023:

<u>Category</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Venture Capital and Private Equity	\$ 79,750,101	\$ 29,291,815	Generally upon dissolution	N/A
Private Real Estate	19,427,459	10,778,049	Generally upon dissolution	N/A
Hedge Funds	45,348,923	-	Quarterly	30-90 days
Fixed Income Common Trust Fund	22,083,720	-	Daily	N/A
	<u>\$ 166,610,203</u>	<u>\$ 40,069,864</u>		

The following redemption table clarifies the nature and risk of the College's investments and liquidity for investments, including alternative investments, measured using net asset value as of June 30, 2022:

<u>Category</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Venture Capital and Private Equity	\$ 71,318,656	\$ 39,306,069	Generally upon dissolution	N/A
Private Real Estate	24,428,915	8,361,245	Generally upon dissolution	N/A
Hedge Funds	37,978,521	-	Quarterly	30-90 days
Fixed Income Common Trust Fund	22,504,823	-	Daily	N/A
	<u>\$ 156,230,915</u>	<u>\$ 47,667,314</u>		

The total investment pool provides daily liquidity for 44% and 41% of the holdings at June 30, 2023 and 2022, respectively.

As of June 30, 2023 and 2022, there were no significant concentrations of investments, since no individual investment exceeded 10% of total assets.

The College uses prices and inputs that are current as of the measurement date obtained through multiple third-party custodians from independent pricing services.

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below. The fair value of common, preferred and foreign stocks is measured using quoted market prices in active markets. Such actively traded securities are categorized in Level 1 of the fair value hierarchy.

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 5 - INVESTMENTS (Continued)

Mutual funds are open-ended Securities and Exchange Commission registered funds with daily NAV. The mutual funds allow investors to sell their interest to the fund at a published daily NAV, with no restrictions on redemptions. These mutual funds are categorized in Level 1 of the fair value hierarchy.

Government securities, government agency securities, corporate fixed-income securities, and asset-backed mortgage securities, including residential mortgage-backed securities, commercial mortgage-backed securities and other securitized assets, are categorized in Level 1 of the fair value hierarchy.

Limited liability partnerships are partnerships created and administered by a general partner who invests either directly in a specified investment strategy or indirectly through other limited liability partnerships in a so-called "fund of funds." The underlying investments of these funds can be actively traded securities in the case of certain hedge fund strategies or illiquid and privately held equity investment, as in the case of private equity investments, private real estate, hedge fund strategies or real assets. The partnership documents outline the terms and conditions by which the general partner administers the partnership and its investments. Each limited partner owns a specified share of the partnership. These partnerships cannot be marketed to the public and are restricted, by regulation, to qualified investors. The underlying investments of these partnerships include many different types of investments, including interest rate swaps, commercial paper, foreign currency, private equity, short interest in common stock and convertible bonds. The valuation of the partnership interest typically is performed at least quarterly by the general partner through unaudited statements and validated through annual audited financial statements. In certain partnerships, the readily available data on market values allows for monthly valuation of the partnership interest.

There has been no significant change in valuation techniques of investments during either year.

A breakdown of total investment return for the years ended June 30 is as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividends earnings	\$ 3,033,530	\$ 1,818,961
Realized and unrealized gains (losses), net	16,235,602	(14,467,975)
Fees and other expenses	<u>(3,151,690)</u>	<u>(3,147,334)</u>
	16,117,442	(15,796,348)
Total Investment Return Policy Amount Designated For Current Operations	<u>17,974,951</u>	<u>19,576,108</u>
Total Investment Gain Not Designated For Current Operations	\$ <u>(1,857,509)</u>	\$ <u>(35,372,456)</u>

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 5 - INVESTMENTS (Continued)

Endowment Pennsylvania Trust Law Spending for the years ended June 30 consists of:

	<u>2023</u>	<u>2022</u>
Total Pennsylvania Trust Law Spending	\$ 10,974,951	\$ 10,076,109
Supplemental Draw	<u>7,000,000</u>	<u>9,500,000</u>
Investment Return Designated For Current Operations	<u>\$ 17,974,951</u>	<u>\$ 19,576,109</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds might fall below the level that the donor or PA Act 141 requires the entity to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. An immaterial amount of deficiencies existed as of June 30, 2023 and 2022.

The College is subject to the PA Act 141 and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees of the College has interpreted the requirements as not requiring the maintenance of purchasing power to the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the College considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The College applies fair value guidance to all assets and liabilities that are being measured and reported on a fair value basis. This guidance establishes a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value.

This guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following categories:

Level 1 - Valuations based on quoted market prices in active markets for identical assets that the organization has the ability to access. Since valuations are based on quoted market prices that are readily available in the active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS
JUNE 30 2023 AND 2022

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

The hierarchy has three levels based on the observability of inputs as follows. The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate fair value:

- The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.
- Contributions receivable are reported at the present value of estimated future receipts, which approximates fair value.
- The carrying values of investments, trusts held by others, annuities and remainder interest trusts are based primarily on Level 1 quoted market prices. Where such quoted market prices are not available, Level 2 and Level 3 inputs, which include audited financial statements, appraisals or recent or comparable costs, are used as an estimate of fair value.
- The carrying value of split-interest obligations approximates fair value, since the obligations are recorded at the net present value of estimated future payments.
- The carrying value of the bonds is \$50,510,000 and \$52,110,000 as of June 30, 2023 and 2022, respectively, as compared to the estimated fair value of \$46,971,959 and \$49,922,000 as of June 30, 2023 and 2022, respectively. Fair value of the bonds payable was calculated by discounting scheduled cash flows through the maturity of the bonds and notes using Level 2 inputs and estimated market rates.

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 7 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment as of June 30 consist of the following:

	<u>2023</u>	<u>2022</u>
Buildings and improvement	\$ 202,471,205	\$ 188,025,346
Furniture, fixtures and equipment	22,888,265	22,621,290
Computer equipment	12,152,811	12,152,811
Scientific equipment	10,195,055	10,142,184
Vehicles	603,387	559,497
Works of art	<u>1,837,002</u>	<u>1,837,002</u>
	250,147,725	235,338,130
Less – Accumulated depreciation	<u>(161,764,354)</u>	<u>(155,694,627)</u>
	88,383,371	79,643,503
Land	15,211,879	15,211,879
Construction-in-progress	<u>9,748,216</u>	<u>18,414,938</u>
	<u>\$ 113,343,466</u>	<u>\$ 113,270,320</u>

The College maintains various collections of inexhaustible assets to which at times no value can be determined. Such collections could include contributed works of art, historical treasures, literature and the like that are held for exhibition and public service. These collections are neither disposed of for financial gain nor encumbered by any means. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

Depreciation expense amounted to approximately \$6,213,000 and \$5,849,000 for the years ended June 30, 2023 and 2022, respectively.

NOTE 8 - ACCOUNTING FOR CONDITIONAL ASSET RETIREMENT OBLIGATIONS

Under the provisions of FASB ASC 410-20 Asset Retirement and Environmental Obligations, the College is obligated to record a liability for conditional asset retirement obligations. The College performed an analysis of such obligations and determined that asbestos remediation costs represented the College's primary source of such liabilities. The College reviewed all facilities and determined the timing, method and cost of asbestos remediation using a variety of assumptions and estimates. The analysis included an estimated inflation factor and discount rate, which were used to determine the present value of the obligation. The cumulative cost of asset remediation is depreciated over the remaining useful life of the affected asset.

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 8 - ACCOUNTING FOR CONDITIONAL ASSET RETIREMENT OBLIGATIONS (Continued)

The liability related to conditional asset remediation obligations as of June 30 is included in accrued liabilities in the accompanying statements of financial position as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 1,451,473	\$ 1,384,597
Accretion	<u>70,106</u>	<u>66,876</u>
	<u>\$ 1,521,579</u>	<u>\$ 1,451,473</u>

NOTE 9 - BORROWING ARRANGEMENTS

Bonds and notes payable as of June 30 consist of the following:

	<u>2023</u>	<u>2022</u>
College Revenue Bonds Series 2016 - capital improvement (including unamortized premium of \$641,997 in 2023 and \$690,756 in 2022).	\$ 14,076,997	\$ 14,125,756
College Revenue Bonds Series 2018 - capital improvement (including unamortized premium of \$123,253 in 2023 and \$128,167 in 2022).	37,198,253	38,803,167
	<u>51,275,250</u>	<u>52,928,923</u>
Less - Unamortized deferred financing costs	<u>619,852</u>	<u>648,086</u>
	<u>\$ 50,655,398</u>	<u>\$ 52,280,837</u>

In July 2016, the Series 2016 Bonds were issued through the Crawford County Industrial Development Authority for an amount of \$13,435,000 with the purpose of refinancing the Series 2006 Bonds and various capital improvements at the College. The Series 2016 Bonds require semiannual interest payments at fixed interest rates ranging from 3% to 5% and have maturity dates from May 1, 2028 with final payment due May 1, 2036. The Bond agreement provides that the College maintain continuing disclosure information.

In June 2018, the Series 2018 Bonds were issued through the Crawford County Industrial Development Authority for a total amount of \$43,135,000 with the purpose of refinancing the Series 2009 Bonds, 2010 Note and various capital improvements at the College. The Series 2018 Bonds require semiannual interest payments at fixed interest rates ranging from 3.25% to 5% and have maturity dates from November 1, 2023 with final payment due November 1, 2048. The Bond agreement provides that the College maintain continuing disclosure information.

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 9 - BORROWING ARRANGEMENTS (Continued)

Scheduled payments in each of the next five fiscal years and thereafter are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,685,000	\$ 2,027,000	\$ 3,712,000
2025	1,750,000	1,948,000	3,698,000
2026	1,840,000	1,858,000	3,698,000
2027	1,935,000	1,763,000	3,698,000
2028	1,690,000	1,707,000	3,397,000
Thereafter	<u>41,610,000</u>	<u>18,043,000</u>	<u>59,653,000</u>
	<u>\$ 50,510,000</u>	<u>\$ 24,346,000</u>	<u>\$ 77,856,000</u>

Interest expense was approximately \$2,088,000 for 2023 and \$2,151,000 for 2022.

NOTE 10 - LINE OF CREDIT

The College currently has available a \$5,000,000 revolving line of credit, which is payable on demand. This line of credit is unsecured. Interest is payable monthly on the outstanding principal balance at the best rate option, plus one percent (6.2% as of June 30, 2023). This line of credit may be canceled by either the lender or the College upon notification in writing to either party. There were no outstanding borrowings on the line of credit as of June 30, 2023 and 2022.

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions during the year ended June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Instructional	\$ 3,897,253	\$ 5,697,442
Research	238,769	158,940
Academic support	1,264,634	2,086,991
Student services	1,305,083	1,312,081
Institutional support	352,507	356,079
Scholarships	8,583,156	6,055,687
Capital additions	11,634,430	822,503
Satisfaction of time restriction and other	<u>1,417,469</u>	<u>2,665,775</u>
	<u>\$ 28,693,301</u>	<u>\$ 19,155,498</u>

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 12 - NET ASSETS

Net assets without donor restriction as of June 30 include the following:

	2023	2022
Total Board Restricted Designation	\$ 39,141,554	\$ 40,188,797
Undesignated	55,864,549	49,699,884
Total Net Assets Without Donor Restriction	\$ 95,006,103	\$ 89,888,681

Net assets with donor restriction as of June 30 include the following:

	2023	2022
Education and general	\$ 14,867,840	\$ 16,264,549
Split-interest agreements	2,708,801	3,009,192
Trusts held by others	7,839,276	7,553,894
Capital additions, renovations and maintenance	215,532	11,249,850
Endowment - unexpended gains	101,523,533	104,620,070
Endowment	125,458,621	116,823,629
Total Net Assets With Donor Restriction	\$ 252,613,603	\$ 259,521,184

Endowment net assets for the years ended June 30 are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 40,188,797	\$ 221,443,700	\$ 261,632,497
Investment (gains)/ losses, net	3,634,533	9,972,854	13,607,387
Contributions - outright gifts and contributions - less changes in unamortized discounts and allowances	223,784	8,634,991	8,858,775
Appropriation of endowment assets for expenditure (pending funds)	(2,995,184)	(7,979,767)	(10,974,951)
Appropriation of endowment assets for strategic plan expenditure	(1,910,376)	(5,089,624)	(7,000,000)
	\$ 39,141,554	\$ 226,982,154	\$ 266,123,708

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 12 - NET ASSETS (Continued)-

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 47,637,174	\$ 240,098,424	\$ 287,735,598
Investment (gains)/losses, net	(2,039,191)	(9,291,711)	(11,330,902)
Contributions - outright gifts and contributions – less changes in unamortized discounts and allowances	34,483	4,769,427	4,803,914
Appropriation of endowment assets for expenditure (pending funds)	(2,641,733)	(7,434,376)	(10,076,109)
Appropriation of endowment assets for strategic plan expenditure	(2,801,936)	(6,698,064)	(9,500,000)
	<u>\$ 40,188,801</u>	<u>\$ 221,443,700</u>	<u>\$ 261,632,501</u>

NOTE 13 - PELL GRANT AND PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY PROGRAMS

Activity of the Pell Grant and Pennsylvania Higher Education Assistance Agency (PHEAA) programs is not reflected in the College's statements of activities and changes in net assets. Students received approximately \$1,763,000 and \$2,060,000 from the Federal Pell Grant and \$997,000 and \$1,045,000 from the PHEAA programs in the years ended June 30, 2023 and 2022, respectively.

NOTE 14 - EMPLOYEE BENEFITS

The College has defined-contribution pension plans covering substantially all of its full-time employees. Contributions to these annuity-funded plans amounted to approximately \$1,134,000 and \$882,000 for the years ended June 30, 2023 and 2022, respectively.

The College provides medical premium coverage at the option of employees who have completed 10 consecutive years of full-time employment and who have attained the age of 58, or upon retirement until they reach the age of 65. The College and employee each pay the same percentages of the premium monthly during the period after retirement as they did while the employee was working.

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 15 - GOVERNMENT GRANTS

In April 2020, the College completed and submitted to the Department of Education the Federal Funding Certification and Agreement to participate in Higher Education Emergency Relief Fund (HEERF) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The College has drawn down and received a total of \$4,630,381 (HEEFR III) as of June 30, 2022, and reflected the grant in Federal Grants and Contracts in the statement of activities and changes in net assets as of and for the years ended June 30, 2022 in accordance with FASB ASC 958-605, as amended by ASU 2018-08 on conditional contributions. Pursuant to the agreement, the College is required to distribute no less than 50% of the total grant received to eligible students, referred to as Part A. The student aid portion may be used for any component of the student's cost of attendance or for emergency costs that arise due to the disruptions caused by the COVID-19 pandemic, such as tuition, food, housing, health care, (including mental healthcare) or childcare. The remaining portion of the grant, referred to as Part B, is available to cover expenses associated with significant changes to the delivery of instruction due to the disruptions caused by the COVID-19 pandemic incurred on or after March 13, 2020, including refunds processed to students, enhancements to online learning platforms and other technology-related expenses and certain other qualifying expenses that have a clear nexus to significant changes to the delivery of instruction due to the COVID-19 pandemic. Part B is also available to provide additional funding to students at the College's discretion. All conditions were met in 2022. The College received a Presidentially declared COVID-19 Disaster Grant of approximately \$2,910,000 during 2023.

NOTE 16 - GRANT PROGRAMS

The College participates in Government Student Financial Assistance Programs (Title IV) administered by the Department of Education (ED) for the payment of student tuitions. Substantial portions of the revenue and collection of accounts receivable as of June 30, 2023 and 2022 are dependent on the College's continued participation in the Title IV programs. Institutions participating in Title IV programs are required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score less than 1.5 are subject to additional monitoring and could be required to submit financial guarantees in order to continue participation in the Title IV programs. As of and for the year ended June 30, 2023, the College's composite score was above 1.5.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

The College receives significant financial assistance from governmental agencies in the form of grants. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in grant agreements and is subject to audit by grantor agencies. The grant agreements provide for possible auditing of expenditures by grantor agencies and possible disallowance of certain expenditures.

The College is involved in various legal proceedings, administrative actions and claims arising in the normal course of business. In the opinion of management, the College's liability, if any, under pending litigation and administrative actions will not materially affect its financial statements.

ALLEGHENY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30 2023 AND 2022

NOTE 18 - RELATED PARTIES

The College engages in transactions with businesses whose executives are members of the Board of Trustees. The College undergoes an annual review process to identify and evaluate all such relationships and has concluded that these transactions were conducted at arm's length.

NOTE 19 - FUNCTIONAL EXPENSES

Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, interest and insurance, which are allocated on a square-footage basis, as well as salaries, wages and employee benefits, which are allocated on the basis of estimates of time and effort.

Functional expenses of the College at June 30, 2023 are as follows:

	Total Program	Supporting Activities		Total Supporting	Total Expenses
		Management and General	Fundraising		
Compensation	\$ 32,896,812	\$ 3,890,207	\$ 2,665,982	\$ 6,556,190	\$ 39,453,002
Utilities, supplies, occupancy	11,571,809	1,017,727	65,386	1,083,113	12,654,922
Depreciation	5,674,137	538,648	-	538,648	6,212,785
Interest	2,088,390	-	-	-	2,088,390
Services, travel and other	15,479,950	2,408,706	1,086,917	3,495,623	18,975,573
Total Expenses	<u>\$ 67,711,098</u>	<u>\$ 7,855,288</u>	<u>\$ 3,818,285</u>	<u>\$ 11,673,574</u>	<u>\$ 79,384,672</u>

Functional expenses of the College at June 30, 2022 are as follows:

	Total Program	Supporting Activities		Total Supporting	Total Expenses
		Management and General	Fundraising		
Compensation	\$ 32,283,721	\$ 2,962,690	\$ 2,581,434	\$ 5,544,124	\$ 37,827,845
Utilities, supplies, occupancy	12,354,551	906,997	57,225	964,222	13,318,773
Depreciation	5,342,078	507,126	-	507,126	5,849,204
Interest	2,150,568	-	-	-	2,150,568
Services, travel and other	13,186,791	5,161,192	823,820	5,985,012	19,171,803
Total Expenses	<u>\$ 65,317,709</u>	<u>\$ 9,538,005</u>	<u>\$ 3,462,479</u>	<u>\$ 13,000,484</u>	<u>\$ 78,318,193</u>