Saint Francis University

Consolidated Financial Statements

June 30, 2019 and 2018

Independent Auditors' Report

To the Board of Trustees of
Saint Francis University

We have audited the accompanying consolidated financial statements of Saint Francis University, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Saint Francis University as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2019 the University adopted new accounting guidance related to the Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This adoption of this standard resulted in additional footnote disclosures and significant changes to the classification of net assets and the disclosures related to net assets. The adoption was retrospectively applied to July 1, 2017. Our opinion is not modified with respect to this matter.

Baker Tilly Virchow Krause, LLP

State College, Pennsylvania
October 25, 2019

Saint Francis University

Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 1,278,757	$ 1,168,927
Accounts receivable:		
Student, net	2,166,826	1,948,062
Government agencies	340,272	105,465
Other	506,593	359,708
Unconditional promises to give	1,334,947	1,487,388
Inventory	252,007	264,047
Prepaid expenses and other	904,943	1,135,186
Investments	51,793,305	50,298,794
Student loans receivable	1,079,687	1,198,251
Debt service reserve fund	2,816,779	2,799,855
Bond project fund	804,609	2,055,001
Beneficial interest in remainder trust	56,485	54,721
Cash restricted for purchase of property and equipment	897,240	469,533
Plant assets, net	70,868,281	68,125,986
Total assets	$ 135,100,731	$ 131,470,924
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 1,512,256	$ 1,318,153
Line of credit	-	1,250,000
Construction accounts payable	1,624,204	729,084
Accrued payroll and related liabilities	3,503,096	3,921,729
Deferred revenue	773,253	810,644
Deferred summer tuition	3,032,823	3,336,457
Other accrued liabilities	145,765	130,459
Student deposits and prepayments	465,891	413,199
Bonds payable	26,105,968	26,858,990
Notes payable	3,753,811	1,521,461
Obligations under capital leases	130,859	33,093
Annuities payable	78,751	88,295
Advance from federal government for student loans	1,060,553	1,071,096
Total liabilities	42,187,230	41,482,660
Net Assets		
Without donor restrictions	44,668,178	44,855,130
With donor restrictions	48,245,323	45,133,134
Total net assets	92,913,501	89,988,264
Total liabilities and net assets	$ 135,100,731	$ 131,470,924

See notes to consolidated financial statements

Saint Francis University

Consolidated Statement of Activities
Year Ended June 30, 2019
(With comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenues				
Tuition and fees, net	$ 39,234,242	$ -	$ 39,234,242	$ 39,798,431
Federal grants and contracts	1,280,679	-	1,280,679	1,589,142
State and local grants	1,376,503	-	1,376,503	1,042,016
Private gifts, grants and bequests	2,161,059	3,925,624	6,086,683	5,269,268
Interest and dividends, net	290,391	617,681	908,072	969,457
Other income	3,060,054	-	3,060,054	3,450,752
Auxiliary enterprises, net	14,062,712	-	14,062,712	14,315,181
Transfer from nonoperating to fund depreciation	815,824	-	815,824	815,824
Net assets released from restrictions:				
Satisfaction of program restrictions	2,037,348	(2,037,348)	-	-
Appropriation from donor endowment	1,322,208	(1,322,208)	-	-
Total operating revenues	65,641,020	1,183,749	66,824,769	67,250,071
Operating Expenses				
Educational and general:				
Program expenses:				
Instructional	24,212,012	-	24,212,012	25,317,390
Research and public service	2,410,067	-	2,410,067	2,180,515
Academic support	1,916,876	-	1,916,876	1,998,901
Student services	16,194,168	-	16,194,168	16,526,893
Institutional support	11,344,337	-	11,344,337	12,116,146
Total educational and general	56,077,460	-	56,077,460	58,139,845
Auxiliary enterprises	10,284,593	-	10,284,593	10,084,513
Total operating expenses	66,362,053	-	66,362,053	68,224,358
Change in net assets from operating activities	(721,033)	1,183,749	462,716	(974,287)
Nonoperating Activities				
Realized and unrealized gain on investments	420,201	1,926,676	2,346,877	2,495,709
Transfer to operations to fund depreciation	(815,824)	-	(815,824)	(815,824)
Capital grants - state	929,704	-	929,704	70,296
Loss on advance refunding on bonds payable	-	-	-	(3,439,663)
Change in value of split-interest agreements	-	1,764	1,764	2,649
Change in net assets from nonoperating activities	534,081	1,928,440	2,462,521	(1,686,833)
Change in net assets	(186,952)	3,112,189	2,925,237	(2,661,120)
Net Assets, Beginning of Year	44,855,130	45,133,134	89,988,264	92,649,384
Net Assets, End of Year	$ 44,668,178	$ 48,245,323	$ 92,913,501	$ 89,988,264

See notes to consolidated financial statements

Saint Francis University

Consolidated Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Tuition and fees, net	$ 39,798,431	$ -	$ 39,798,431
Federal grants and contracts	1,589,142	-	1,589,142
State and local grants	1,042,016	-	1,042,016
Private gifts, grants and bequests	2,575,033	2,694,235	5,269,268
Interest and dividends, net	265,753	703,704	969,457
Other income	3,450,752	-	3,450,752
Auxiliary enterprises, net	14,315,181	-	14,315,181
Transfer from nonoperating to fund depreciation	815,824	-	815,824
Net assets released from restrictions:			
Satisfaction of program restrictions	1,219,746	(1,219,746)	-
Appropriation from donor endowment	1,269,913	(1,269,913)	-
Total operating revenues	66,341,791	908,280	67,250,071
Operating Expenses			
Educational and general:			
Program expenses:			
Instructional	25,317,390	-	25,317,390
Research and public service	2,180,515	-	2,180,515
Academic support	1,998,901	-	1,998,901
Student services	16,526,893	-	16,526,893
Institutional support	12,116,146	-	12,116,146
Total educational and general	58,139,845	-	58,139,845
Auxiliary enterprises	10,084,513	-	10,084,513
Total operating expenses	68,224,358	-	68,224,358
Change in net assets from operating activities	(1,882,567)	908,280	(974,287)
Nonoperating Activities			
Realized and unrealized gain on investments	472,601	2,023,108	2,495,709
Transfer to operations to fund depreciation	(815,824)	-	(815,824)
Capital grants - state	70,296	-	70,296
Loss on advance refunding on bonds payable	(3,439,663)	-	(3,439,663)
Change in value of split-interest agreements	-	2,649	2,649
Change in net assets from nonoperating activities	(3,712,590)	2,025,757	(1,686,833)
Change in net assets	(5,595,157)	2,934,037	(2,661,120)
Net Assets, Beginning of Year, as Previously Reported	29,122,637	63,526,747	92,649,384
Reclassification to Adopt ASU No. 2016-14	21,327,650	(21,327,650)	-
Net Assets, Beginning of Year, as Restated	50,450,287	42,199,097	92,649,384
Net Assets, End of Year	$ 44,855,130	$ 45,133,134	$ 89,988,264

See notes to consolidated financial statements

Saint Francis University

Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Expenses							
	Instruction	Research and Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Facilities, Operations and Maintenance	Total
Operating Expenses								
Compensation:								
Salaries and wages	$ 13,750,859	$ 1,009,441	$ 500,610	$ 5,926,520	$ 4,001,788	$ 1,892,647	$ 1,840,982	$ 28,922,847
Benefits	3,794,573	314,119	141,263	1,726,738	3,189,218	1,096,849	813,017	11,075,777
Other	834,651	240,514	363,009	2,614,641	1,144,822	1,092,464	137,748	6,427,849
Depreciation and amortization	1,277,708	99,662	75,283	667,800	336,503	1,635,140	544,757	4,636,853
Professional services	521,561	18,388	-	363,651	1,443,562	1,543,308	162,356	4,052,826
Travel, conferences, recruitment, meals and lodging	473,495	317,809	3,181	2,402,337	221,411	15,910	1,798	3,435,941
Supplies, equipment maintenance and repairs	446,477	40,295	7,823	476,252	219,648	484,645	495,062	2,170,202
Utilities	21,924	3,860	246	58,230	113,132	758,011	900,310	1,855,713
Food	-	-	-	-	-	1,460,887	-	1,460,887
Interest on indebtedness	-	-	-	49,507	46,696	86,206	894,791	1,077,200
Insurance	2,896	-	-	112,075	-	218,392	359,827	693,190
Marketing and advertising	170,755	-	255	105,451	276,173	134	-	552,768
	21,294,899	2,044,088	1,091,670	14,503,202	10,992,953	10,284,593	6,150,648	66,362,053
Allocation of facilities, operations and maintenance	2,917,113	365,979	825,206	1,690,966	351,384	-	(6,150,648)	-
Total operating expenses	$ 24,212,012	$ 2,410,067	$ 1,916,876	$ 16,194,168	$ 11,344,337	$ 10,284,593	$ -	$ 66,362,053

See notes to consolidated financial statements

Saint Francis University

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Expenses						Facilities, Operations and Maintenance	
	Instruction	Research and Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Facilities, Operations and Maintenance	Total
Operating Expenses								
Compensation:								
Salaries and wages	$ 14,426,247	$ 939,759	$ 547,051	$ 6,050,756	$ 4,204,384	$ 1,974,882	$ 1,909,709	$ 30,052,788
Benefits	4,011,587	294,452	163,103	1,801,486	3,703,525	1,173,299	905,423	12,052,875
Other	861,063	217,015	377,138	2,765,896	1,362,977	1,045,034	196,037	6,825,160
Depreciation and amortization	1,595,435	91,755	80,847	626,514	423,982	1,639,945	525,505	4,983,983
Professional services	511,516	18,760	-	315,851	1,029,864	1,313,580	146,009	3,335,580
Travel, conferences, recruitment, meals and lodging	581,912	253,037	4,061	2,378,684	258,578	13,797	3,455	3,493,524
Supplies, equipment maintenance and repairs	432,852	35,005	6,533	504,579	327,216	248,427	461,728	2,016,340
Utilities	18,962	4,416	244	65,804	114,750	806,367	917,481	1,928,024
Food	-	-	-	-	-	1,568,125	-	1,568,125
Interest on indebtedness	-	-	-	59,183	49,414	98,494	446,123	653,214
Insurance	5,016	-	-	111,985	-	202,302	423,779	743,082
Marketing and advertising	111,455	-	464	166,963	292,520	261	-	571,663
	22,556,045	1,854,199	1,179,441	14,847,701	11,767,210	10,084,513	5,935,249	68,224,358
Allocation of facilities, operations and maintenance	2,761,345	326,316	819,460	1,679,192	348,936	-	(5,935,249)	-
Total operating expenses	$ 25,317,390	$ 2,180,515	$ 1,998,901	$ 16,526,893	$ 12,116,146	$ 10,084,513	$ -	$ 68,224,358

See notes to consolidated financial statements

Saint Francis University

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

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 2,925,237	$ (2,661,120)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,633,832	4,980,512
Gain on disposal of plant assets	(10,858)	(148,027)
Realized and unrealized gain on investments	(2,346,877)	(2,495,709)
Loss on advance refunding of bonds payable	-	3,439,663
Private gifts restricted for long-term investment	(1,248,850)	(385,687)
Private gifts restricted for purchase of property and equipment	(445,213)	(238,898)
Change in value of split-interest agreements	(1,764)	(2,649)
Changes in assets and liabilities:		
Accounts receivable	(1,377,238)	(104,841)
Unconditional promises to give	152,441	(678,230)
Inventory	12,040	(17,998)
Prepaid expenses and other	230,243	(179,263)
Accounts payable	194,103	(169,345)
Accrued payroll and related liabilities	(418,633)	86,804
Deferred revenue	(341,025)	(196,959)
Other accrued liabilities	15,306	(20,507)
Student deposits and prepayments	52,692	(93,986)
Net cash provided by operating activities	2,025,436	1,113,760
Cash Flows from Investing Activities		
Proceeds from sales of investments	16,050,077	16,615,578
Purchases of investments	(15,197,711)	(15,746,287)
Capital grants received	776,782	-
Purchases of plant assets	(2,929,066)	(1,370,111)
Purchase of property and equipment with restricted contributions	(445,213)	(238,898)
(Purchase) use of assets restricted to investment in property and equipment	(427,707)	(236,337)
Proceeds from the sale of plant assets	269,057	338,664
Payments on student loans receivable	118,564	138,995
Student loans advanced	-	(125,300)
Net cash used in investing activities	(1,785,217)	(623,696)
Cash Flows from Financing Activities		
Payments on bonds and loans payable and capital leases	(1,787,833)	(2,272,683)
Proceeds from contributions restricted for long-term investments	1,248,850	385,687
Proceeds from contributions restricted for purchase of property and equipment	445,213	238,898
Increase in debt service reserve fund assets	(16,924)	(19,533)
Decrease (increase) in bond project fund	1,250,392	(22,438)
(Payments) proceeds of annuity obligations	(9,544)	(6,727)
Payment of bond financing costs	-	(7,145)
Net borrowings on line of credit	(1,250,000)	1,250,000
Net repayments to federal government for student loans	(10,543)	(82,855)
Net cash used in financing activities	(130,389)	(536,796)
Net increase (decrease) in cash and cash equivalents	109,830	(46,732)
Cash and Cash Equivalents, Beginning of Year	1,168,927	1,215,659
Cash and Cash Equivalents, End of Year	$ 1,278,757	$ 1,168,927
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 1,080,075	$ 679,038
Supplemental Disclosure of Noncash Investing and Financing Activities		
Plant assets in accounts payable	$ 895,120	$ 630,354
Issuance of refunding bonds	$ -	$ 23,953,120
Advance refunding of bonds	$ -	$ (20,706,315)
Asset acquired under capital lease	$ 133,286	$ 27,491
Asset acquired with note payable	$ 3,234,663	$ 1,074,852

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Saint Francis University (the "College") is a not-for-profit educational institution located in Loretto, Pennsylvania. The College awards grants-in-aid and scholarships from its net assets with and without donor restrictions to individuals who meet the College's academic standards. The amounts of such awards are determined primarily based upon the academic performance of each applicant. Additional financial aid is provided to students from federal and state programs in which the College participates and from monies contributed to the College by alumni and friends.

DiSepio Institute for Rural Health and Wellness ("DIRHW"), a separate not-for-profit organization, is a related party which requires consolidation under Financial Accounting Standards Board ("FASB") guidance. DIRHW offers a series of health promotion and rehabilitation services to the College and surrounding community, particularly those who have limited resources and are underserved. DIRHW staff and members of the College's health and behavioral sciences departments pursue clinical research, engage in clinical teaching, and offer clinical services to members of the College and local communities.

Principles of Consolidation

The consolidated financial statements include the accounts of the College and DIRHW (collectively, the "University"). The activities of DIRHW have been consolidated in these financial statements due to the College having a controlling interest in DIRHW through a majority voting interest in the board. All significant intercompany balances and transactions have been eliminated in consolidation.

The University evaluated subsequent events for recognition or disclosure through October 25, 2019, the date the consolidated financial statements were issued.

Basis of Presentation

The consolidated financial statements of the University have been prepared in conformity with accounting principles generally accepted in the United States of America including accounting regulations as they relate to financial statements of not-for-profit organizations. The FASB guidance requires the reporting of total assets, liabilities and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents in a statement of cash flows

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees. The Board of Trustees has earmarked $8,752,495 and $8,916,329, as of June 30, 2019 and 2018, respectively, as designated for endowment.

Net assets with donor restrictions - Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restriction are reclassified to net assets without restriction and reported in the statements of activities as net assets released from restriction. Additionally, funds received as gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

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

Accounts Receivable, Students

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

Promises to Give

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

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

Donor-Restricted Gifts

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

Capital Gifts to Acquire or Construct Long-Lived Assets

Capital gifts to acquire or construct long-lived assets are recorded as a donor restricted gift until the related asset is placed in service, at which time the capital gift is released from net assets with donor restrictions to net assets without donor restrictions and subsequently amortized into operations over the estimated useful life of the acquired or constructed asset. This amortization, which amounted to $815,824 in 2019 and 2018, is recorded as a reclassification between the nonoperating and operating sections of the change in net assets without donor restrictions in the consolidated statements of activities.

Investments

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

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

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

Alternative investments, representing ownership in private equity funds are valued at the net asset value equivalent of the underlying holdings.

The University's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the University's investment policy. The degree and concentration of credit risk varies by type of investment. The fair values reported in the consolidated statements of financial position are exposed to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Plant Assets

Plant assets are stated at cost, if purchased, or fair value at the date of gift, if donated, less accumulated depreciation, computed on a straight-line basis over their estimated useful lives: buildings (12-62 years); land improvements (20-40 years); furniture and equipment (2-10 years); vehicles (5 years). Library books are stated at cost and are depreciated on a straight-line basis over an estimated useful life of 7 years. Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized.

Advance from Federal Government for Student Loans

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

Revenue Recognition

Tuition and fees revenue is recognized in the fiscal year in which the academic programs are delivered. Sales and services of auxiliary enterprises revenue, which consists of room and board and related services, is recognized when the related service is provided or performed. Tuition and fees and auxiliary enterprise contracts are considered to have a duration of less than one year.

Transaction prices for tuition, fees, room, and board are determined based on the approved University tuition and fees schedules. Institutional financial aid and discounts provided by the University are reflected as a reduction of tuition and fees revenue with the exception of specifically identified auxiliary and athletic awards, which are reflected as a reduction in auxiliary revenue. The University awards grants-in-aid and scholarships to individuals who meet the University's academic standards. The amounts of such awards are based upon merit, the financial needs and/or athletic sport participation of each applicant.

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

Deferred summer tuition for billed services not yet performed totaled $3,032,823 at June 30, 2019 and consists primarily of amounts related to 2019 summer sessions. This amount will be recognized as revenue in fiscal 2020 as academic services are provided. In 2018, the University's deferred summer tuition consisted only of billed services not yet performed of $3,336,457. This amount was recognized in full as revenue in 2019.

Student deposits and prepayments totaled $465,891 at June 30, 2019 and represents deposits for tuition, fees, and room and board and trips from currently enrolled students for the 2019-20 academic year and these will be recognized as revenue in fiscal 2020 as the performance obligation is satisfied. At June 30, 2018, the University's student deposits and prepayments were $413,199. This amount was recognized in full as revenue in 2019.

Tuition and Fees, Net

Tuition and fees are presented net of grants-in-aid, scholarships, discounts and fellowships.

A discount to tuition and fees results when the University reduces the obligation of a student by granting financial aid. The following details the gross and net amounts of tuition and fees for the years ended June 30:

	2019	2018
Tuition and fees	$ 67,136,327	$ 67,377,107
Less scholarship allowances	(27,902,085)	(27,578,676)
Tuition and fees, net	$ 39,234,242	$ 39,798,431

Auxiliary Enterprises, Net

Auxiliary enterprises are presented net of grants-in-aid, scholarships, and fellowships.

A discount to auxiliary enterprises results when the University reduces the obligation of a student by granting financial aid. The following details the gross and net amounts of auxiliary enterprises for the years ended June 30:

	2019	2018
Auxiliary enterprises	$ 15,714,348	$ 15,879,388
Less scholarship allowances	(1,651,636)	(1,564,207)
Auxiliary enterprises, net	$ 14,062,712	$ 14,315,181

Nonoperating Activities

For the purpose of the consolidated statements of activities, the University considers its changes in net assets without donor restrictions to be operational changes, except for changes related to gains or losses on investments, transfers to operations to fund depreciation, capital grants, gains or losses on advance refunding of bonds payable and changes in the valuation of split-interest agreements.

Government Grants

Operating funds designated by government funding agencies for particular operating purposes are deemed to be conditional until which time the University has incurred expenditures in compliance with the contract. Revenue is considered to be earned and recognized at that time.

Advertising Costs

Advertising costs are expensed as incurred and amounted to approximately $1,188,000 in 2019 and $1,174,000 in 2018.

Fund-Raising Costs

Fund-raising costs are expensed as incurred and amounted to approximately $1,225,000 in 2019 and $1,361,000 in 2018 and are included in institutional support in the consolidated statements of activities.

Cash Equivalents

For the purposes of the consolidated statements of cash flows, the University considered all highly liquid investments with original maturities of three months or less (excluding certain short-term instruments which are classified as investments) to be cash equivalents.

Functional Expenses

The University allocates depreciation, interest and plant operations and maintenance costs to program and supporting activities. Depreciation is allocated based upon the purpose, program and location of each asset. Interest is allocated based upon the project or asset purpose of each loan. Plant operations and maintenance costs are allocated based upon square footages of all non-auxiliary facilities' primary uses.

Income Taxes

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

The University accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in fiscal 2019 and 2018.

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

Title IV Requirements

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

Institutions participating in the Title IV programs are also required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in the regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring, and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of June 30, 2019 and 2018 and for the years then ended, the University's composite score exceeded 1.5.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 reporting format.

New Accounting Standards Adopted

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that creates a single source of revenue guidance for all companies in all industries. The model is more principles-based than historical guidance, and is primarily based on recognizing revenue at an amount that reflects consideration to which the entity expects to be entitled to in exchange for transferring goods or services to a customer. The University adopted this guidance during the year ended June 30, 2019 utilizing the modified retrospective method of adoption, and the adoption of this guidance did not have a material impact on the University's business practices, financial position, or results of operations during the fiscal year ended June 30, 2019. The primary impact of adopting the new standard has been expanded disclosures pertaining to revenue recognition within Note 1.

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

The new standard changes the following aspects of the financial statements:

- The unrestricted net assets class has been renamed Net Assets Without Donor Restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets with Donor Restrictions;
- The consolidated financial statements include a disclosure about liquidity and availability of resources at June 30, 2019 (Note 16);
- The statements of functional expenses for 2019 and 2018 includes expenses reported by both nature and function;
- The placed-in-service approach for releasing restrictions related to the contributions for long-lived assets is required.

Summary of the adjustments resulting from the adoption of ASU 2016-14 as of July 1, 2017:

	ASU 2016-14 Classifications		
Net Asset Classifications	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**
As previously presented:			
Unrestricted	$ 29,122,637	$ -	$ 29,122,637
Temporarily restricted	-	37,707,979	37,707,979
Permanently restricted	-	25,818,768	25,818,768
Net assets previously reported	29,122,637	63,526,747	92,649,384
Reclassification to adopt ASU 2016-14, Donor funded construction	21,327,650	(21,327,650)	-
Net assets after reclassifications	$ 50,450,287	$ 42,199,097	$ 92,649,384

Summary of the changes resulting from the adoption of ASU 2016-14 for the year ended June 30, 2018:

	ASU 2016-14 Classifications		
Consolidated Statement of Activities	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**
As previously presented:			
Net assets released from restrictions:			
Unrestricted	$ 3,313,457	$ -	$ 3,313,457
Temporarily restricted	-	(3,313,457)	(3,313,457)
Changes due to implementation of ASU 2016-14,			
Original fiscal 2018 release of donor funded construction	(823,798)	823,798	-
Net assets released after implementation	$ 2,489,659	$ (2,489,659)	$ -
As previously presented:			
Private gifts and grants	$ 2,502,143	$ 2,767,125	$ 5,269,268
Changes due to implementation of ASU 2016-14,			
Original fiscal 2018 restricted gifts for construction that was placed in service	72,890	(72,890)	-
Private gifts and grants after implementation	$ 2,575,033	$ 2,694,235	$ 5,269,268

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The University adopted this guidance during the year ended June 30, 2019 utilizing the modified retrospective method of adoption, and the adoption of this guidance did not have a material impact on the University's business practices, results of operations, financial position or cash flows during the fiscal year 2019.

New Accounting Standards Not Yet Adopted

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

During November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for non- public entities for fiscal years beginning after December 15, 2018, with early adoption permitted. ASU No. 2016-18 is to be applied retroactively with transition provisions. The University is currently evaluating the effect that ASU No. 2016-18 will have on its consolidated financial statements.

2. Accounts Receivable, Student

Accounts receivable, student represent amounts due for tuition, fees, and room and board from currently enrolled and former students. The University extends unsecured credit to students and parents of dependent students in connection with their studies. Some of those students are no longer enrolled in the University.

Student accounts receivable consists of the following at June 30:

	2019	2018
Accounts receivable	$ 2,405,226	$ 2,226,462
Allowance for doubtful accounts	(238,400)	(278,400)
Net	$ 2,166,826	$ 1,948,062

3. Unconditional Promises to Give

Unconditional promises to give are recognized when the donor's commitment is received. Unconditional promises to be received after one year are initially recognized at the estimated present value of future cash flows, net of allowances (fair value).

Unconditional promises to give at June 30 are as follows:

	2019	2018
In one year or less	$ 577,250	$ 590,380
Between one year and five years	982,250	1,312,000
Allowance for doubtful collections	(148,327)	(165,265)
Discount	(76,226)	(249,727)
Unconditional promises to give, net	$ 1,334,947	$ 1,487,388

The net present value of these cash flows was determined by using risk adjusted discount rates between 1.17 percent and 2.73 percent to account for the time value of money for 2019 and 2018.

Management believes the University's allowance for doubtful collections at June 30, 2019 and 2018 is adequate based upon information currently known. However, events impacting donors can occur in subsequent years that may cause a material change in the allowance for doubtful collections.

4. Fair Value Measurements, Investments and Other Financial Instruments

The University measures its investments and beneficial interest in remainder trust at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the University for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The following tables present the financial instruments measured at fair value as of June 30, 2019 and 2018 by caption on the consolidated statements of financial position by the valuation hierarchy defined above:

	2019			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Investments:				
Cash and cash equivalents	$ 3,542,057	$ -	$ -	$ 3,542,057
Equity mutual funds:				
Large cap	6,202,343	-	-	6,202,343
International	9,156,681	-	-	9,156,681
Fixed income mutual funds:				
Core fixed income	6,152,589	-	-	6,152,589
Real return	2,407,418	-	-	2,407,418
Short term	1,817,661	-	-	1,817,661
Equity securities:				
Large-cap	11,214,263	-	-	11,214,263
Small-cap	4,776,006	-	-	4,776,006
Bonds:				
U.S. government	-	1,556,308	-	1,556,308
Asset backed	-	2,160,135	-	2,160,135
U.S. corporate	-	2,453,163	-	2,453,163
Total investments by valuation hierarchy	$ 45,269,018	$ 6,169,606	-	51,438,624
Alternative investments reported at net asset value				221,250
Cash surrender value of life insurance at contract value				133,431
Total investments				51,793,305
Beneficial interest in remainder trust			56,485	56,485
Total			$ 56,485	$ 51,849,790

The Level 3 reconciliation for the year ended June 30, 2019 is as follows:

	Beneficial Interest in Remainder Trust
Balance at June 30, 2018	$ 54,721
Addition,	
Change in the valuation of split-interest agreements, restricted	1,764
Balance at June 30, 2019	$ 56,485

	2018			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Investments:				
Cash and cash equivalents	$ 993,340	$ -	$ -	$ 993,340
Equity mutual funds:				
Large cap	5,302,210	-	-	5,302,210
International	11,416,598	-	-	11,416,598
Real return	1,752,529	-	-	1,752,529
Fixed income mutual funds:				
Core fixed income	6,489,563	-	-	6,489,563
Short term	2,217,516	-	-	2,217,516
Equity securities:				
Large-cap	9,869,291	-	-	9,869,291
Small-cap	4,449,789	-	-	4,449,789
Bonds:				
U.S. government	-	2,106,464	-	2,106,464
Asset backed	-	2,131,519	-	2,131,519
U.S. corporate	-	3,073,278	-	3,073,278
Total investments by valuation hierarchy	$ 42,490,836	$ 7,311,261	-	49,802,097
Alternative investments reported at net asset value				365,967
Cash surrender value of life insurance at contract value				130,730
Total investments				50,298,794
Beneficial interest in remainder trust			54,721	54,721
Total			$ 54,721	$ 50,353,515

The Level 3 reconciliation for the year ended June 30, 2018 is as follows:

	Beneficial Interest in Remainder Trust
Balance at June 30, 2017	$ 52,072
Addition,	
Change in the valuation of split-interest agreements, restricted	2,649
Balance at June 30, 2018	$ 54,721

Change in the valuation of split interest agreements is reported as nonoperating activity in the consolidated statements of activities.

Valuation Methodologies

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2019 and 2018.

Cash and Cash Equivalents: The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Investments: Mutual funds and equity securities in the investment portfolio are measured at fair value using quoted market prices for identical assets, which are considered Level 1 inputs. Bond obligations are valued based on quoted prices of similar assets, with similar terms, in actively traded markets and are measured using Level 2 inputs.

Alternative Investments: The University measures the fair value for these alternative investments based on NAV as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the Fund's measurement date, net asset value ("NAV") is adjusted to reflect any significant events that would materially affect the security's value. Certain attributes that impact the security's fair value may not be reflected in NAV, including, but not limited to, the investor's ability to redeem the investment at the measurement date and unfunded purchase commitments. If the University sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment. Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

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

- LBC Credit Partners, II is a private equity fund focused on providing middle market financing and equity co-investments in companies with earnings generally greater than $7.5 million. Their financing promotes transactions such as buyouts, acquisitions, recapitalizations, etc. Valuations are determined by the General Partner which are then reviewed by the Valuation Committee. For publicly traded securities, the value is based on the average price of the 5 trading dates immediately prior to the valuation date. All other securities are valued using fair market value techniques which include arm's length transactions, market multiples, discounted cash flow, etc. The duration of this investment is the 10th anniversary of the final closing date; however, this may be extended at the General Partner's discretion for up to two one-year periods. The University had monies invested in this alternative investment for fiscal 2018.

- Patriot Financial Partners, L.P. is a private equity fund focused on investing in community banks, thrifts and financial service related companies throughout the United States. Patriot's objective is to provide superior risk-adjusted returns by applying a hands-on, value-added investment model to non-control investments within the community banking sector, which consists of more than 1,000 public and privately-held depository institutions that have between $500 million and $5 billion of assets. Valuations are determined by the General Partner which require approval from the Advisory Committee. For publicly traded securities, the value is based on the average price of the 10 trading dates immediately prior to the valuation date. All other securities are valued using fair market value techniques which include arm's length transactions, market multiples, discounted cash flow, etc. The duration of this investment is the 10th anniversary of the final closing date, however this may be extended at the General Partner's discretion for up to two one-year periods. The University had monies invested in this alternative investment for fiscal 2018.

- Commonfund Capital Partners VII, L.P. is a 2019 vintage, private equity fund of funds focused on delivering long-term capital appreciation and risk-adjusted net returns through equity investments. Strategic focus areas include the following: venture capital: early stage information technology; private equity: growth equity, small/middle market and leveraged buyout; global private equity ex-US: European and other non-U.S. private equity and natural Resources: oil, natural gas, oilfield services, mining, power and other natural resources. The University has monies invested in this alternative investment for fiscal 2019.

The preceding tables include cash surrender value of life insurance in the amount of $133,431 and $130,730 at June 30, 2019 and 2018, respectively, which approximates estimated fair value and which is included in investments in the consolidated statements of financial position.

There are no redemption restrictions associated with the alternative investments.

The following summarizes the composition of investment return for the years ended June 30:

	2019	2018
Interest and dividend income	$ 1,234,505	$ 1,296,833
Investment fees	(326,433)	(327,376)
Subtotal, operating activities	908,072	969,457
Realized gains on sale of investments	1,637,540	3,238,609
Unrealized gains (losses) on investments	709,337	(742,900)
Subtotal, nonoperating activities	2,346,877	2,495,709
Net investment return	$ 3,254,949	$ 3,465,166

5. Student Loans Receivable

Student loans are made with funds advanced to the University by the federal government under the Federal Perkins Loan program (the "Program"). The Extension Act amended section 461 of the Higher Education Act to end the University's authority to make new Perkins Loans after June 30, 2018. The University is not required to assign the outstanding Perkins Loans to the Department or liquidate their Perkins Loan Revolving Funds due to the wind-down of the Perkins Loan Program, however, the University may choose to liquidate at any time in the future. As of June 30, 2019, the University continues to service the Perkins Loan Program. In the event that the University no longer participates in the Program, the amounts are refundable to the federal government. The federal government's portion of these funds at June 30, 2019 and 2018 was $1,060,553 and $1,071,096, respectively.

The University matches and contributes one-third of the amount contributed by the U.S. Government to the Program.

The prescribed practices for the Program do not provide for accrual of interest on student loans receivable or for a provision of allowance for doubtful loans. Accordingly, interest on loans is recorded as received; uncollectible loans are not recognized until the loans are canceled or written off in conformity with Federal Perkins Loan Program requirements. The impact of recording interest income on a cash basis is not considered significant. In addition, the credit quality of the student is not evaluated after the initial approval and calculation of the loans. Delinquent loans and the allowance for losses on loans receivable are reviewed by management, but are not material to the overall consolidated financial statements.

6. Plant Assets, Net

The composition of plant assets was as follows at June 30:

	2019	2018
Land	$ 380,284	$ 380,284
Land improvements	11,210,375	11,137,061
Buildings	95,978,648	91,655,818
Furniture and equipment	15,919,896	15,494,914
Equipment held under capital leases	162,757	122,298
Vehicles	1,077,483	1,077,098
Library books	5,051,356	5,042,386
Collections	287,445	287,445
Construction in progress	3,493,195	1,376,895
Total	133,561,439	126,574,199
Accumulated depreciation	(62,693,158)	(58,448,213)
Plant assets, net	$ 70,868,281	$ 68,125,986

Depreciation expense was approximately $4,637,000 in 2019 and $4,984,000 in 2018.

7. Line of Credit

The University has a $3,750,000 unsecured line of credit available from a bank which is due on demand. There were no borrowings outstanding at June 30, 2019. At June 30, 2018, $1,250,000 was outstanding under this line of credit. Variable interest is paid monthly at prime rate (5.5 percent at June 30, 2019).

8. Bonds Payable

Bonds payable at June 30, 2019 and 2018 are comprised of the following issues:

	2019	2018
Revenue Bonds, Series 2012 LL2 (issued through Pennsylvania Higher Educational Facilities Authority), due in varying annual installments through November 2023; fixed interest rate ranging from 2% to 3.25%	$ 4,035,000	$ 4,785,000
Revenue Bonds, Series 2017 PP3 (issued through Cambria County General Financing Authority),due in varying annual installments beginning November 2024 through November 2041; fixed interest rate ranging from 2.25% to 5%	21,620,000	21,620,000
	25,655,000	26,405,000
Deferred financing costs	(295,460)	(324,428)
Unamortized bond premium	746,428	778,418
Total	$ 26,105,968	$ 26,858,990

The aggregate future principal payments on bonds payable at June 30, 2019 is as follows:

Years ending June 30:	
2020	$ 775,000
2021	795,000
2022	820,000
2023	845,000
2024	800,000
Thereafter	21,620,000
Total	$ 25,655,000

As required by the loan agreements, the University has established debt service reserve funds. These funds are reflected in the consolidated statements of financial position as of June 30, 2019 and 2018. These funds are invested in cash and cash equivalents and are subject to Federal Deposit Insurance Corporation limits.

In connection with the issuance of these bonds, the University has agreed to certain financial covenants with which it must comply, including a rate covenant. The University was in compliance with these financial covenants at June 30, 2019.

In October 2017, the University entered into the Series 2017 PP3 Revenue Bonds for the purpose of advance refunding the Series 2011 JJ2 Revenue Bonds. These funds were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the advance refunded bonds. In conjunction with the creation of the trust, the Pennsylvania Higher Educational Facilities Authority released the University from its obligation relating to the advance refunded bonds. Accordingly, the assets and the advance refunded bonds are not reflected in the accompanying consolidated statements of financial position as of June 30, 2018. The effect of this refunding, a nonoperating loss of $3,439,663 was recorded during the year ended June 30, 2018, and represents the excess of the reacquisition price of the new debt over the net carrying amount of the extinguished debt.

9. Notes Payable

Notes payable at June 30, 2019 and 2018 are comprised of the following:

	2019	2018
Note payable to Somerset Trust Company, payable in annual installments of $193,309, including principal and interest at 2.39%; matures June 2020; secured by the property acquired with the borrowing	$ 184,792	$ 369,156
Note payable to Northwest Savings Bank, payable in monthly installments of $8,555, including principal and interest at 1.7%, matures March 2020; secured by vehicles and computer equipment acquired with the borrowing	76,444	176,847
Note payable to First National Bank, payable in monthly installments of $4,315, including principal and interest at 2.73%; matures April 2022; secured by the computer equipment acquired with the borrowing	140,942	188,109
Note payable to Ameriserv Financial, payable in monthly installments of $39,969, including principal and interest at 2.49%; matures July 2019; secured by the computer equipment acquired with the borrowing	39,862	512,007
Note payable to 1st Summit Bank, payable in monthly installments of $4,098, including principal and interest at 3.24%; matures May 2021; secured by the equipment acquired by the borrowing	91,259	136,687
Note payable to First National Bank, payable in monthly installments of $736, including principal and interest at 4.23%; matures November 2023; secured by the equipment acquired by the borrowing	35,452	-
Note payable to Reliance Bank, payable in monthly installments of $6,234, including principal and interest at 3.75% first 24 months, 4.75% next 24 months, 5.50% last 24 months; matures April 2025; secured by the equipment acquired by the borrowing	390,060	-
$4,000,000 Note payable to Northwest Savings Bank, interest only payments until October 1, 2024 with principal and interest payments to follow for a term of 240 months thereafter, interest at 3.84%; matures October 2044; secured by the gross revenues of the University	2,795,000	-
Notes repaid in 2019	-	138,655
Total	$ 3,753,811	$ 1,521,461

The aggregate future principal payments on notes payable at June 30, 2019, is as follows:

Years ending June 30:	
2020	$ 464,946
2021	165,158
2022	115,664
2023	76,446
2024	74,469
Thereafter	2,857,128
Total	$ 3,753,811

Interest expense on all long-term debt was approximately $1,077,000 and $653,000 in 2019 and 2018, respectively.

10. Net Assets

Net assets without donor restrictions are available for the following purposes as of June 30, 2019 and 2018:

	2019	2018
Net investment in plant	$ 38,807,168	$ 38,967,816
Board designated endowment	8,752,495	8,916,329
Undesignated	(2,891,485)	(3,029,015)
Total net assets without restrictions	$ 44,668,178	$ 44,855,130

Net assets with donor restrictions are available for the following purposes or in future periods as of June 30, 2019 and 2018:

	2019	2018
Accumulated income and gains on donor restricted endowments (Note 11)	$ 14,960,530	$ 13,738,379
Gifts available for scholarships and other academic purposes	3,846,206	3,372,456
Gifts for capital expenditures	897,239	469,533
Beneficial interest in remainder trust	18,556	19,550
Unconditional promises to give	1,064,362	1,326,394
Investments to be held in perpetuity by donor stipulation or by Pennsylvania law, the income from which is generally available for services and programs (Note 11)	27,072,725	25,934,746
Unconditional promises to give, endowment	270,584	160,993
Beneficial interest in remainder trusts	37,928	35,171
Restricted loan fund	77,193	75,912
Total net assets with restrictions	$ 48,245,323	$ 45,133,134

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors. Net assets released from restrictions consisted of the following as of June 30, 2019 and 2018, respectively:

	2019	2018
Satisfaction of program restrictions	$ 2,037,348	$ 1,219,746
Appropriation from donor endowment	1,322,208	1,269,913
Total	$ 3,359,556	$ 2,489,659

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

The Board of the University has several standing board policies that affect the presentation of board designations on net assets. Bequests without donor restrictions are designated for long-term investment (board designated endowment). The board designated endowment fund balance totaled $8,752,495 and $8,916,329 at June 30, 2019 and 2018, respectively.

11. Endowment Funds

The University's endowment consists of approximately 200 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the University has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classified as net assets with donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in net assets with donor restrictions is classified as either net assets with donor restrictions or net assets without donor restrictions based on the existence of donor restrictions or by law.

The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purpose of the University and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the University
(7) The investment policies of the University

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the performance of a median balanced fund while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent, net of fees, annually. Actual returns in any given year may vary from this amount.

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

Commonwealth of Pennsylvania law permits the University to allocate to income each year a portion of endowment return. The law allows non-profit organizations to spend a percentage of the market value of their endowment funds, including realized and unrealized gains. The percentage by law must be between 2 percent and 7 percent. The University's policy for fiscal years 2019 and 2018 allowed for a payout of 5 percent of the three-year average balance as measured by the last six semi-annual balance points excluding the current period, which is based on market value net of investment management fees. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 4.5 percent annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for fiscal years ended June 30:

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Endowment net assets, beginning of year	$ 8,916,329	$ 39,673,125	$ 48,589,454
Investment return, net	560,086	2,544,359	3,104,445
Contributions	240	1,137,979	1,138,219
Appropriation of endowment assets for expenditure	(724,160)	(1,322,208)	(2,046,368)
Endowment net assets, end of year	$ 8,752,495	$ 42,033,255	$ 50,785,750

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Endowment net assets, beginning of year	$ 9,031,767	$ 37,811,338	$ 46,843,105
Investment return, net	617,174	2,726,807	3,343,981
Contributions	740	404,893	405,633
Transfers of matured contracts	(26,728)	-	(26,728)
Appropriation of endowment assets for expenditure	(706,624)	(1,269,913)	(1,976,537)
Endowment net assets, end of year	$ 8,916,329	$ 39,673,125	$ 48,589,454

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law. At June 30, 2019 and 2018, there were no deficiencies reported in net assets with donor restrictions. Management has interpreted state law to permit prudent spending from underwater endowments.

	Without Donor Restrictions	With Donor Restrictions		Total Funds June 30, 2019
		Original Gift	Accumulated Gain (Losses)	
Board-designated funds	$ 8,752,495	$ -	$ -	$ 8,752,495
Donor-restricted funds	-	27,072,725	14,960,530	42,033,255
Total	$ 8,752,495	$ 27,072,725	$ 14,960,530	$ 50,785,750

	Without Donor Restrictions	With Donor Restrictions		Total Funds June 30, 2018
		Original Gift	Accumulated Gain (Losses)	
Board-designated funds	$ 8,916,329	$ -	$ -	$ 8,916,329
Donor-restricted funds	-	25,934,746	13,738,379	39,673,125
Total	$ 8,916,329	$ 25,934,746	$ 13,738,379	$ 48,589,454

12. Pension Plan

The University sponsors a defined contribution pension plan. Pension expense was approximately $1,983,000 and $2,038,000 in 2019 and 2018, respectively.

13. Franciscan Sponsorship

The University paid full salaries to the religious faculty and staff of approximately $774,000 and $759,000 during the years ended June 30, 2019 and 2018, respectively.

14. Significant Group Concentration of Credit Risk

The University maintains its cash accounts in commercial banks located in Pennsylvania. Accounts are insured by the Federal Deposit Insurance Corporation. From time to time, the bank balances will exceed this coverage.

15. Contingencies

The University participates in a Private College Consortium (the "Consortium"), a cooperative effort between educational institutions to purchase medical services for their collective group. The Consortium uses "cost plus funding", a fully insured product under Highmark Blue Cross Blue Shield ("Highmark"). Under this arrangement, the Consortium pays a predetermined premium based on Highmark's underwriting projections. At the close of each contract period, Highmark calculates an amount by which the Consortium has either overfunded or underfunded the trust fund created in connection with the arrangement. This calculation takes into consideration the premiums paid by the group, claims paid during the contract period, claims paid but not incurred during the contract period, claims incurred but not paid during the contract period and a reserve deposit. The Consortium limits its claims exposure through the purchase of stop loss insurance, which pays 100 percent of the sum of all actual claim payments for covered health benefits made to a covered individual in a policy year that exceed $275,000, with an unlimited lifetime maximum. The University's share of the Consortium's trust fund surplus was approximately $1,175,000 and $1,002,000 at June 30, 2019 and 2018, respectively. The University's premium payments to the Consortium amounted to approximately $4,568,000 in 2019 and $4,985,000 in 2018. Although there is a potential refund due if the University elects to terminate participation in the Consortium, management has concluded that it would not be appropriate to record this potential refund in the consolidated financial statements due to the uncertainties surrounding its realization.

The University participates in the University and College Insurance Consortium ("UCIC"). UCIC is a self-insurance group providing workers' compensation coverage to member educational institutions. As part of the agreement with UCIC, the University is contingently liable for possible additional workers compensation premiums. As of June 30, 2018, management does not expect any significant contingencies.

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

16. Liquidity and Availability of Resources

The following reflects the University's financial assets as of June 30, 2019, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for general expenditure in the following year.

Financial assets:	
Cash and cash equivalents	$ 2,175,997
Accounts receivable and unconditional promises to give	4,348,638
Investments/cash surrender value of life insurance policies	51,793,305
Debt service reserve fund	2,816,779
Bond project fund	804,609
Financial assets at year end	61,939,328
Less those unavailable for general expenditure within one year, due to:	
Unconditional promises to give an accounts receivable collectible beyond one year	(982,250)
Board designated endowments	(8,752,495)
Perpetual and term endowments and accumulated earnings	(42,033,255)
Debt service reserve fund	(2,816,779)
Add back appropriations scheduled for next year from:	
Perpetual and term endowments and accumulated earnings	1,322,208
Investments in board designated endowments	724,160
Financial assets available to meet cash needs for general expenditures within one year	$ 9,400,917

The University has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Including the $8,752,495 of board designated investments, which it could use, the University had $18,153,412 available for general expenditure and unanticipated liquidity needs as of June 30, 2019. To help manage unanticipated liquidity needs, the University has an available line of credit in the amount of $3,750,000, which it could draw upon (Note 7).