

Lebanon Valley College

Financial Statements and
Supplementary Information

June 30, 2024 and 2023

Lebanon Valley College

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Independent Auditors' Report

To the Board of Trustees of
Lebanon Valley College

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lebanon Valley College (the College), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2024 and 2023, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and the financial responsibility supplemental schedule, as required by Title 34 CFR Section 668.172, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Pittsburgh, Pennsylvania

November 11, 2024, except for Note 17 and our report on supplementary information as to which the date is March 18, 2025

Lebanon Valley College

Statements of Financial Position

June 30, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|--|---------------------------|---------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 23,160,883 | \$ 19,200,688 |
| Short-term marketable securities | 1,900,761 | 4,093,179 |
| Accounts receivable: | | |
| Students, net | 1,518,616 | 1,439,488 |
| Bequest | - | 2,800,000 |
| Other | 2,372,889 | 2,489,664 |
| Prepaid insurance and expenses | 2,123,118 | 1,298,828 |
| Interest rate swap and cap | 5,469,260 | 5,105,848 |
| Pledges receivable, net | 9,726,733 | 11,315,673 |
| Student loans receivable, net | 491,535 | 727,535 |
| Investments | 103,733,433 | 88,747,924 |
| Property, plant and equipment, net | <u>118,328,822</u> | <u>117,495,931</u> |
| Total assets | <u>\$ 268,826,050</u> | <u>\$ 254,714,758</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 1,208,313 | \$ 1,686,124 |
| Accounts payable, construction | 1,216,901 | 4,863,057 |
| Accrued expenses | 3,217,029 | 3,286,185 |
| Other liabilities | 237,962 | 249,244 |
| Contract liabilities | 1,774,055 | 1,606,038 |
| Liability on annuity contracts | 611,426 | 508,275 |
| Advances from federal government for student loans | 895,609 | 1,094,998 |
| Equipment and other notes payable | 377,646 | 376,376 |
| Notes payable | <u>53,256,097</u> | <u>47,822,875</u> |
| Total liabilities | <u>62,795,038</u> | <u>61,493,172</u> |
| Net Assets | | |
| Without donor restrictions | 113,533,599 | 108,287,812 |
| With donor restrictions | <u>92,497,413</u> | <u>84,933,774</u> |
| Total net assets | <u>206,031,012</u> | <u>193,221,586</u> |
| Total liabilities and net assets | <u>\$ 268,826,050</u> | <u>\$ 254,714,758</u> |

See notes to financial statements

Lebanon Valley College

Statement of Activities

Year Ended June 30, 2024 (With Comparative Totals for 2023)

| | 2024 | | 2023 | |
|--|----------------------------|-------------------------|-----------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Revenues and Other Additions | | | | |
| Student tuition and fees, net | \$ 38,770,889 | \$ - | \$ 38,770,889 | \$ 37,340,736 |
| Governmental grants | 4,264,054 | - | 4,264,054 | 2,884,445 |
| Gifts and private grants | 2,298,901 | 2,910,411 | 5,209,312 | 5,084,609 |
| Investment income | 1,497,991 | 297,764 | 1,795,755 | 1,138,133 |
| Auxiliary enterprises | 17,222,084 | - | 17,222,084 | 16,380,024 |
| Gain on investments, net | 2,501,648 | 9,574,218 | 12,075,866 | 6,892,808 |
| Net assets released from restrictions and reclassified | 5,218,754 | (5,218,754) | - | - |
| Total revenues and other additions | 71,774,321 | 7,563,639 | 79,337,960 | 69,720,755 |
| Expenses and Other Deductions | | | | |
| Instruction | 36,354,489 | - | 36,354,489 | 34,196,005 |
| Student services | 12,902,630 | - | 12,902,630 | 11,462,702 |
| Auxiliary enterprises | 5,880,369 | - | 5,880,369 | 5,428,037 |
| Management and general | 9,320,762 | - | 9,320,762 | 8,914,796 |
| Development | 2,070,284 | - | 2,070,284 | 1,869,735 |
| Total expenditures and other deductions | 66,528,534 | - | 66,528,534 | 61,871,275 |
| Change in net assets | 5,245,787 | 7,563,639 | 12,809,426 | 7,849,480 |
| Net Assets, Beginning | 108,287,812 | 84,933,774 | 193,221,586 | 185,372,106 |
| Net Assets, Ending | <u>\$ 113,533,599</u> | <u>\$ 92,497,413</u> | <u>\$ 206,031,012</u> | <u>\$ 193,221,586</u> |

See notes to financial statements

Lebanon Valley College

Statement of Activities

Year Ended June 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|--|-----------------------|
| Revenues and Other Additions | | | |
| Student tuition and fees, net | \$ 37,340,736 | \$ - | \$ 37,340,736 |
| Governmental grants | 2,884,445 | - | 2,884,445 |
| Gifts and private grants | 1,855,208 | 3,229,401 | 5,084,609 |
| Investment income | 865,364 | 272,769 | 1,138,133 |
| Auxiliary enterprises | 16,380,024 | - | 16,380,024 |
| Gain on investments, net | 1,352,282 | 5,540,526 | 6,892,808 |
| Net assets released from restrictions and reclassified | 4,966,298 | (4,966,298) | - |
| | <u>65,644,357</u> | <u>4,076,398</u> | <u>69,720,755</u> |
| Total revenues and other additions | | | |
| Expenses and Other Deductions | | | |
| Instruction | 34,196,005 | - | 34,196,005 |
| Student services | 11,462,702 | - | 11,462,702 |
| Auxiliary enterprises | 5,428,037 | - | 5,428,037 |
| Management and general | 8,914,796 | - | 8,914,796 |
| Development | 1,869,735 | - | 1,869,735 |
| | <u>61,871,275</u> | <u>-</u> | <u>61,871,275</u> |
| Total expenditures and other deductions | | | |
| Change in net assets | 3,773,082 | 4,076,398 | 7,849,480 |
| Net Assets, Beginning | <u>104,514,730</u> | <u>80,857,376</u> | <u>185,372,106</u> |
| Net Assets, Ending | <u>\$ 108,287,812</u> | <u>\$ 84,933,774</u> | <u>\$ 193,221,586</u> |

See notes to financial statements

Lebanon Valley College

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 12,809,426 | \$ 7,849,480 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 7,471,013 | 6,799,379 |
| Amortization of deferred financing costs | 23,168 | 23,167 |
| Contributions restricted for long-term purposes | (6,855,429) | (3,163,279) |
| Change in valuation of interest rate swap and cap | (363,412) | (2,598,222) |
| Gain on investments, net | (12,075,866) | (6,892,808) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 4,426,587 | 1,223,867 |
| Prepaid insurance and expenses | (824,290) | 199,357 |
| Accounts payable | (477,811) | 797,556 |
| Accrued expenses | (69,156) | 447,411 |
| Other liabilities | (11,282) | (67,283) |
| Contract liabilities | 168,017 | 94,559 |
| Net cash provided by operating activities | <u>4,220,965</u> | <u>4,713,184</u> |
| Cash Flows From Investing Activities | | |
| Change in short-term marketable securities | 2,192,418 | 1,032,585 |
| Purchases of investments | (42,794,413) | (78,096,778) |
| Proceeds from sales of investments | 39,884,770 | 78,979,800 |
| Purchase of property and equipment | (11,950,060) | (22,597,507) |
| Repayments of student loans | 236,000 | 231,246 |
| Net cash used in investing activities | <u>(12,431,285)</u> | <u>(20,450,654)</u> |
| Cash Flows From Financing Activities | | |
| Proceeds from contributions restricted by donors for other purposes | 6,069,878 | 2,659,186 |
| Proceeds from contributions restricted for property and equipment | 785,551 | 487,370 |
| Proceeds from notes payable | 6,420,762 | 8,929,470 |
| Proceeds from equipment and other notes payable | 113,679 | 437,967 |
| Payments of equipment and other notes payable | (112,409) | (99,596) |
| Payments of notes payable | (1,010,708) | (989,170) |
| Proceeds from new annuity contracts | 205,000 | 9,998 |
| Decrease in refundable government loan funds, net | (199,389) | (286,971) |
| Payments of annuity contracts | (101,849) | (70,064) |
| Net cash provided by financing activities | <u>12,170,515</u> | <u>11,078,190</u> |
| Net change in cash and cash equivalents | 3,960,195 | (4,659,280) |
| Cash and Cash Equivalents, Beginning | <u>19,200,688</u> | <u>23,859,968</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 23,160,883</u> | <u>\$ 19,200,688</u> |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid for interest, including capitalized interest | <u>\$ 2,806,517</u> | <u>\$ 1,145,569</u> |
| Supplemental Disclosure of Noncash Investing and Financing Activities | | |
| Property and equipment purchases included in construction payable | <u>\$ 1,216,901</u> | <u>\$ 4,863,057</u> |

See notes to financial statements

Lebanon Valley College

Notes to Financial Statements
June 30, 2024 and 2023

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Lebanon Valley College (the College), located in Annville, Pennsylvania, delivers a transformative education built on the liberal arts. The College develops students who think critically and creatively across boundaries; who solve complex problems; who communicate effectively and who value differences among human beings. The College's graduates are empowered to pursue a life of learning, citizenship and success.

Basis of Presentation

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

Net Assets

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees (Board).

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

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments, with maturities of three months or less at time of purchase. Cash and cash equivalents that are components of the College's investment funds are not classified as cash equivalents.

Short-Term Marketable Securities

Short-term marketable securities consist of highly liquid investments in certificates of deposit, municipal bonds, government securities and corporate debt securities and are recorded at fair value.

Accounts Receivable, Students and Other

Accounts receivable represent amounts due for tuition, fees and room and board from currently enrolled and former students and other receivables generated in the normal course of business. The College extends unsecured credit to certain students and parents of dependent students in connection with their studies. Some of those students are not enrolled or have completed their degrees. Accounts receivable are reported at the net amount expected to be collected.

Allowance for Credit Losses

The College recognizes an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. The College pools these receivables based on similar risk characteristics in estimating expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the College measures those receivables individually. Receivables are written off when the College determines that such receivables are deemed uncollectible.

The College utilizes the loss rate method in determining its lifetime expected credit losses on accounts receivable. In determining its loss rates, the College evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. The allowance for credit losses was \$352,008 as of June 30, 2024. As of June 30, 2023, prior to the adoption of Accounting Standards Update (ASU) No. 2016-13, an allowance for doubtful accounts for such receivables of \$332,195 was recorded.

Bequests Receivable

Bequests are considered an unconditional promise to give when the College has been notified of a specific intention in the donor's will, the will has been probated and the donor's promise is unconditional. Bequests receivable expected to be received in one year are measured at the net realizable value, which is the nondiscounted amount of cash expected to be received, less direct costs. The College recorded an estimated gift from a deceased donor's estate with an approximate value of \$6,000,000 as of June 30, 2021. As of June 30, 2024 and 2023, the outstanding balance of this gift was \$0 and \$2,800,000, respectively.

Pledges Receivable

The College records all unconditional pledges as receivables when notification of the pledge is received and there is no major uncertainty about the existence of value. Pledges receivable expected to be received in one year are measured at the net realizable value which is the non-discounted amount of cash to be received less direct costs. Pledges to be received in future years are recorded at their net present value. Amortization of the discounts is included in gifts and private grants.

Allowance for Doubtful Accounts

The College also recognizes an allowance for doubtful accounts for receivables arising from nonreciprocal revenue. Management specifically analyzes historical bad debts, ability and intent to pay, current funding trends and changes in payment terms and rates when evaluating the adequacy of the allowance for doubtful accounts.

Investments

The fair values of equity and fixed income mutual funds and commodities funds are based on the quoted market price of the underlying securities. The fair values of other investments, consisting primarily of short-term financial instruments, are based on values reported by external investment managers when available using quoted market prices or using prices for similar assets with similar terms in actively traded markets. Alternative investments are comprised of hedge funds and private equity investments, which are measured at fair value based upon the net asset value of their underlying investments. Gains and losses realized on the sale of investments are determined using the carrying value for securities and the specific identification method for real estate and other investments. Gains and losses are realized as of the trade date for investments.

It is the College's policy to recognize the benefit of any irrevocable trust in which the College is a beneficiary, has been informed of its interest and can reasonably estimate its fair value. The College's beneficial interest in these trusts is based on the actuarially determined present value of the most recent market prices available of the College's interest in the trust asset. The College used a discount rate of 4.5% as of June 30, 2024 and 2023 to value these charitable remainder trusts.

The College is the recipient/beneficiary to several perpetual trust arrangements which are held by others in perpetuity. The College recognizes these arrangements at fair value of the College's interest which is a reasonable approximation of the present value of future cash flows to the College. The related income from these arrangements is recognized as either revenue with or without restrictions by the College when received, depending on whether donor-imposed restrictions exist. For the years ended June 30, 2024 and 2023, income recognized and received relating to these trusts amounted to \$277,270 and \$310,012, respectively, and is recorded in gifts and private grants on the statements of activities.

Investment-related fees are expensed when incurred and are netted against investment income in the statements of activities. For the years ended June 30, 2024 and 2023, investment-related fees amounted to \$247,712 and \$237,403, respectively.

The College's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statements of financial position are exposed to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (20 - 40 years) and equipment (3 - 10 years).

Renewals and improvements which extend the useful lives of assets are capitalized at cost. The College's policy is to capitalize expenditures in excess of \$5,000. Library books are expensed when purchased. At the time plant and equipment is retired or otherwise disposed of, the cost is adjusted and any gain or loss on disposition is recognized. Maintenance and repairs are included as expenses in the statements of activities.

Student Loans Receivable and Advances From Federal Government for Student Loans

The College is a participant in the Federal Perkins Loan program (the Program) which makes student loans available to eligible participants. This program was funded by both the federal government and the College, with the portion estimated to be allocable to the federal government recorded as a liability in the statements of financial position, and the portion allocable to the College included in net assets without donor restrictions. The federal government's portion of these funds at June 30, 2024 and 2023 was \$895,609 and \$1,094,998, respectively. Student loans receivables related to the Program was \$540,402 and \$775,981 at June 30, 2024 and 2023, respectively. An allowance for credit losses related to the Program was \$58,601 as of June 30, 2024. An allowance for doubtful accounts related to the Program was \$77,876 as of June 30, 2023.

The prescribed practices for the Program do not provide for accrual of interest on student loans receivable. Accordingly, interest on loans is recorded as received and is reinvested to support additional loans; uncollectible loans are not recognized until the loans are canceled or written-off in conformity with the Program's 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 credit losses on loans receivable are reviewed by management.

The Program expired on September 30, 2017, and after June 30, 2018, no new loans were permitted. The College is not required to assign its outstanding Perkins Loans to the Department of Education if the loan is in good standing or liquidate its Perkins Loans Revolving Funds due to the wind-down of the Program; however, the College may choose to liquidate at any time in the future. As of June 30, 2024, the College continues to service the Program.

The College also will loan to students from its LVC Loan Fund, based on students' individual circumstances. On June 30, 2024 and 2023, loans outstanding to students through the LVC Loan Fund were \$115,015 and \$136,400, respectively, with a corresponding allowance for credit losses of \$105,281 as of June 30, 2024 and allowance for doubtful accounts of \$106,970 as of June 30, 2023.

Derivative Financial Instruments

The College entered into interest rate swap and interest rate cap agreements, which are considered derivative financial instruments, to manage its exposure on its variable rate notes payable. These agreements are reported at fair value and included in the interest rate swap and cap balance on the statements of financial position; related changes in fair value are netted against interest expense. The interest rate cap agreement became effective January 1, 2023.

Title IV Requirements

The College receives funds which are applied against students' accounts from federal and state governmental organizations which provide assistance to students attending institutions of higher education. The College participates in Government Student Financial Assistance Programs (Title IV) administered by the U.S. Department of Education (ED) for the payment of student tuition. Portions of the revenue and collection of accounts receivable as of June 30, 2024 and 2023, are dependent upon the College's continued participation in the Title IV programs.

Institutions participating in Title IV programs are also required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.5 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of June 30, 2024 and 2023, the College's composite score is expected to exceed 1.5.

Revenue Recognition and Disaggregation of Revenue

Student tuition and fees are recorded at the established rates net of financial aid provided directly by the College, endowed scholarships and certain federal grants. Any payments received in advance for the subsequent year are classified as contract liabilities in the statements of financial position.

Tuition revenue is recognized in the fiscal year in which the academic programs are delivered, i.e., when the performance obligation is satisfied. Undergraduate programs are delivered in fall and spring academic terms. Graduate and adult education programs are delivered in six academic terms called Modules. Modules 1 through 4 overlay with the traditional fall and spring semesters, while Modules 5 and 6 are during the summer months, with Modules 5 ending around June 30 each year.

Room and board and other auxiliary services revenue are delivered primarily to undergraduate students in fall and spring academic terms and are recognized when the related services are performed. Any summer room and board charges are billed separately for summer sessions 1 and 2 for fiscal year considerations.

Full-time undergraduate and graduate health professions student withdrawals that occur within the first 60% of the academic term may receive a full or partial refund in accordance with the College's refund policy. Part-time undergraduate, graduate and adult education student withdrawals may receive a full or partial refund based on course length in accordance with the College's refund policy and the current refund table.

Payments for tuition are due on the first day of the academic term. Student deposits for housing are recognized as the College satisfies its performance obligations, which is generally equally over the academic term. Performance obligations for certain other auxiliary enterprises are satisfied when services are performed, and which can be over a student's tenure at the College. Other contract liabilities are recognized as revenue once the College satisfies the performance obligations of the contract.

The College applies the practical expedient as allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less. All remaining significant performance obligations will be satisfied in connection with the completion of the 2024-2025 academic year.

Transaction prices for tuition, fees, room and board are determined based on applicable College pricing schedules approved by the Board. Institutional financial aid and discounts provided by the College are reflected as a reduction of the tuition price except for specifically identified auxiliary discounts such as room grants, which are reflected as a reduction in the auxiliary price. The College awards grants-in-aid and scholarships to individuals who meet the College's academic standards. The amounts of such awards are based upon the financial needs and/or merit of each applicant. Institutional financial aid and discounts provided to students was \$53,035,161 and \$48,806,431 for the years ended June 30, 2024 and 2023, respectively.

Student deposits represent payments received for room deposits for the fall semester, graduate and adult education payments for Module 6 (July/August), and prepaid fall scholarships, prepaid fall payment plans are included in contract liabilities on the statements of activities. As of June 30, 2024, the withdrawal period for summer and Module 5 (May/June) has passed; thus, all revenue relating to the 2024 summer and Module 5 academic terms that finish by June 30 has been recognized. Any revenue for a course that begins in Module 5 and does not finish until after June 30 is prorated and deferred accordingly.

Lebanon Valley College

Notes to Financial Statements
June 30, 2024 and 2023

The College's tuition and fee revenues are disaggregated as follows:

| | <u>2024</u> | <u>2023</u> |
|-------------------------------------|----------------------|----------------------|
| Undergraduate programs: | | |
| Tuition | \$ 79,609,225 | \$ 74,769,171 |
| Fees | 2,247,245 | 2,110,170 |
| | <u>81,856,470</u> | <u>76,879,341</u> |
| Discounts | <u>(52,655,441)</u> | <u>(48,490,159)</u> |
| Total undergraduate | <u>29,201,029</u> | <u>28,389,182</u> |
| Graduate programs: | | |
| Tuition | 9,477,653 | 8,788,886 |
| Fees | 186,290 | 184,560 |
| Discounts | <u>(379,720)</u> | <u>(316,272)</u> |
| Total graduate | <u>9,284,223</u> | <u>8,657,174</u> |
| Other: | | |
| Miscellaneous fees | 126,234 | 121,255 |
| Program revenue | <u>159,403</u> | <u>173,125</u> |
| Total other | <u>285,637</u> | <u>294,380</u> |
| Total student tuition and fees, net | <u>\$ 38,770,889</u> | <u>\$ 37,340,736</u> |

All contributions are considered to be available for use 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 with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the College reports the support as without donor restrictions.

Contributed services are recognized when the College would typically purchase such services if they require specialized skills and the contributor possesses such skills. Contributed property and equipment is recorded at fair value at the date of donation. The College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give are not included as support until the conditions are substantially met. When collected prior to satisfaction of donor conditions, amounts are reported as refundable advances on the statements of financial position.

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Contract Liabilities

Contract liabilities include student tuition, deposits and financial commitments by third-party vendors that are being recognized as revenue over the life of the contract. The activity for contract liabilities for the years ended June 30, 2024 and 2023 are described below.

| | 2024 | | | |
|----------------------------|---------------------|---------------------|---|---------------------|
| | Beginning | Revenue Recognized | Cash Received in Advance of Performance | Ending |
| Deferred tuition | \$ 44,297 | \$ (44,297) | \$ 19,868 | \$ 19,868 |
| Other contract liabilities | 1,080,165 | (325,365) | 443,190 | 1,197,990 |
| Student deposits | 481,576 | (480,813) | 555,434 | 556,197 |
| Total | <u>\$ 1,606,038</u> | <u>\$ (850,475)</u> | <u>\$ 1,018,492</u> | <u>\$ 1,774,055</u> |

| | 2023 | | | |
|----------------------------|---------------------|---------------------|---|---------------------|
| | Beginning | Revenue Recognized | Cash Received in Advance of Performance | Ending |
| Deferred tuition | \$ 54,781 | \$ (54,781) | \$ 44,297 | \$ 44,297 |
| Other contract liabilities | 878,917 | (149,617) | 350,865 | 1,080,165 |
| Student deposits | 577,781 | (577,019) | 480,814 | 481,576 |
| Total | <u>\$ 1,511,479</u> | <u>\$ (781,417)</u> | <u>\$ 875,976</u> | <u>\$ 1,606,038</u> |

Advertising Costs

The College follows the policy of expensing advertising and marketing costs when incurred. Advertising related costs amounted to approximately \$982,000 and \$813,000 for the years ended June 30, 2024 and 2023, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Functional Expenses

The statements of activities present expenses by functional classification. Most expenses are recorded directly to a functional classification based upon the specific department incurring the expense. However, some expenses require allocation as they do not pertain to one specific department. Accordingly, depreciation and amortization, interest and certain expenses related to plant operation and maintenance have been allocated to functional classifications based on square footage. Salaries are allocated based on estimated time and effort. Employee benefits are allocated based on a percentage of salaries.

Debt Issuance Costs

Debt issuance costs are deferred and amortized over the term of the debt using the effective interest method. Debt issuance costs are recorded as a direct deduction to notes payable on the statements of financial position.

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Recently Issued Accounting Standard Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On July 1, 2023, the College adopted the ASU using the modified retrospective approach. The adoption of ASU No. 2016-13 had no impact to the financial statements for the year ended June 30, 2024, other than changes to the terminology in certain disclosures.

Subsequent Events

The College evaluated subsequent events for recognition or disclosure through November 11, 2024, the date the financial statements issued.

2. Promises to Give/Pledges Receivable

Unconditional Promises to Give

Included in promises to give are the following unconditional promises to give as of June 30:

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| Endowed scholarships | \$ 3,753,156 | \$ 5,796,584 |
| Other promises to give | <u>7,469,649</u> | <u>6,712,155</u> |
| Unconditional promises to give, before allowance and unamortized discount | 11,222,805 | 12,508,739 |
| Allowance | (157,536) | (195,394) |
| Unamortized discount | <u>(1,338,536)</u> | <u>(997,672)</u> |
| Present value of pledges receivable | <u>\$ 9,726,733</u> | <u>\$ 11,315,673</u> |
| Amounts due in: | | |
| Less than one year | \$ 1,088,147 | \$ 3,621,718 |
| One to five years | 8,390,159 | 8,887,021 |
| More than five years | <u>1,744,499</u> | <u>-</u> |
| Total | <u>\$ 11,222,805</u> | <u>\$ 12,508,739</u> |

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As of June 30, 2024 and 2023, donors to the College have made written promises to give, on which management has established a reserve for uncollectible pledges of \$157,536 and \$195,394, respectively. Management believes the College's allowance for doubtful collections, which is an estimate based on management's periodic assessment of the risk of collectability of each gift, is adequate based upon information currently known as of June 30, 2024 and 2023.

Pledges are discounted to their present value over the period they are to be collected by using discount rates between 3.0% and 3.5%.

3. Investments, Fair Value Measurements and Other Financial Instruments

The College's investments, excluding short-term marketable securities, were comprised of the following as of June 30:

| | 2024 | | | | |
|---|----------------------|----------------------------------|----------------------------------|-------------------|-----------------------|
| | Endowment | Gift Annuities and Trusts | Split-Interest Agreements | Other | Total |
| Cash and cash equivalents | \$ 4,222,878 | \$ 42,789 | \$ - | \$ - | \$ 4,265,667 |
| Equity mutual funds: | | | | | |
| Domestic large cap | - | 16,754 | - | - | 16,754 |
| Domestic small cap | - | 4,727 | - | - | 4,727 |
| International | - | 4,604 | - | - | 4,604 |
| Exchange traded funds | 2,260,944 | - | - | - | 2,260,944 |
| Fixed income mutual funds | 1,235,000 | 610,063 | - | - | 1,845,063 |
| Private equity partnerships | 90,636,350 | - | - | - | 90,636,350 |
| Beneficial interest in perpetual trusts | - | - | 3,528,475 | - | 3,528,475 |
| Charitable remainder trusts | - | - | 889,872 | - | 889,872 |
| Life insurance policies | - | - | - | 272,778 | 272,778 |
| Government and agency bonds | - | 8,199 | - | - | 8,199 |
| Total investments | \$ 98,355,172 | \$ 687,136 | \$ 4,418,347 | \$ 272,778 | \$ 103,733,433 |
| | | | | | |
| | 2023 | | | | |
| | Endowment | Gift Annuities and Trusts | Split-Interest Agreements | Other | Total |
| Cash and cash equivalents | \$ 12,927,853 | \$ 24,062 | \$ - | \$ - | \$ 12,951,915 |
| Equity mutual funds: | | | | | |
| Domestic large cap | - | 12,835 | - | - | 12,835 |
| Domestic small cap | - | 5,485 | - | - | 5,485 |
| International | - | 5,590 | - | - | 5,590 |
| Exchange traded funds | 11,896 | - | - | - | 11,896 |
| Fixed income mutual funds | - | 481,250 | - | - | 481,250 |
| Hedge funds | 49,926 | - | - | - | 49,926 |
| Private equity partnerships | 70,820,516 | - | - | - | 70,820,516 |
| Beneficial interest in perpetual trusts | - | - | 3,285,783 | - | 3,285,783 |
| Charitable remainder trusts | - | - | 816,391 | - | 816,391 |
| Life insurance policies | - | - | - | 302,332 | 302,332 |
| Government and agency bonds | - | 4,005 | - | - | 4,005 |
| Total investments | \$ 83,810,191 | \$ 533,227 | \$ 4,102,174 | \$ 302,332 | \$ 88,747,924 |

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Notes to Financial Statements
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Fair Value Measurements

The College has categorized its financial instruments that are measured at fair value based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in the active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the hierarchy are described below:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the College for identical assets. 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 full term of the asset 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 would be 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, 2024 and 2023 by caption on the statements of financial position by the valuation hierarchy defined above:

| | 2024 | | | |
|-----------------------------------|---------------------|--|--|--|
| | Total | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Short-term marketable securities: | | | | |
| Municipal bonds | \$ 1,030,381 | \$ - | \$ 1,030,381 | \$ - |
| Certificates of deposit | 503,326 | 503,326 | - | - |
| Ultra-short bond funds | 367,054 | 367,054 | - | - |
| Total | <u>\$ 1,900,761</u> | <u>\$ 870,380</u> | <u>\$ 1,030,381</u> | <u>\$ -</u> |

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| | 2024 | | | |
|--|-----------------------|--|--|--|
| | Total | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments: | | | | |
| Cash and cash equivalents | \$ 4,265,667 | \$ 4,265,667 | \$ - | \$ - |
| Equity mutual funds: | | | | |
| Domestic large cap | 16,754 | 16,754 | - | - |
| Domestic small cap | 4,727 | 4,727 | - | - |
| International | 4,604 | 4,604 | - | - |
| Exchange traded funds | 2,260,944 | 2,260,944 | - | - |
| Fixed income mutual funds | 1,845,063 | 1,845,063 | - | - |
| Split-interest agreements | 4,418,347 | - | - | 4,418,347 |
| Life insurance policies | 272,778 | - | - | 272,778 |
| Government and agency bonds | 8,199 | - | 8,199 | - |
| | <u>13,097,083</u> | <u>\$ 8,397,759</u> | <u>\$ 8,199</u> | <u>\$ 4,691,125</u> |
| Total investments at fair value | | | | |
| Alternative investments reported at net asset value | <u>90,636,350</u> | | | |
| Total | <u>\$ 103,733,433</u> | | | |
| Assets: | | | | |
| Interest rate swaps and cap | <u>\$ 5,469,260</u> | <u>\$ -</u> | <u>\$ 5,469,260</u> | <u>\$ -</u> |
| | | | | |
| | 2023 | | | |
| | Total | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Short-term marketable securities: | | | | |
| Municipal bonds | \$ 1,079,654 | \$ - | \$ 1,079,654 | \$ - |
| Certificates of deposit | 2,653,637 | 2,653,637 | - | - |
| Ultra-short bond funds | 359,888 | 359,888 | - | - |
| Total | <u>\$ 4,093,179</u> | <u>\$ 3,013,525</u> | <u>\$ 1,079,654</u> | <u>\$ -</u> |

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Notes to Financial Statements
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| | 2023 | | | |
|--|-----------------------------|--|--|--|
| | Total | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments: | | | | |
| Cash and cash equivalents | \$ 12,951,915 | \$ 12,951,915 | \$ - | \$ - |
| Equity mutual funds: | | | | |
| Domestic large cap | 12,835 | 12,835 | - | - |
| Domestic small cap | 5,485 | 5,485 | - | - |
| International | 5,590 | 5,590 | - | - |
| Exchange traded funds | 11,896 | 11,896 | - | - |
| Fixed income mutual funds | 481,250 | 481,250 | - | - |
| Split-interest agreements | 4,102,174 | - | - | 4,102,174 |
| Life insurance policies | 302,332 | - | - | 302,332 |
| Government and agency bonds | 4,005 | - | 4,005 | - |
| | <u>17,877,482</u> | <u>\$ 13,468,971</u> | <u>\$ 4,005</u> | <u>\$ 4,404,506</u> |
| Alternative investments reported at net asset value | <u>70,870,442</u> | | | |
| Total | <u><u>\$ 88,747,924</u></u> | | | |
| Assets: | | | | |
| Interest rate swaps and cap | <u>\$ 5,105,848</u> | <u>\$ -</u> | <u>\$ 5,105,848</u> | <u>\$ -</u> |

Valuation Methodologies

Fair values of financial instruments were determined as follows:

Short-term marketable securities are valued based on the closing price on the active market on which the individual security is traded for certificates of deposit and ultra-short bond funds, which are considered Level 1 inputs, or using pricing for similar assets with similar terms in actively traded markets for corporate and municipal bonds, which are considered Level 2 inputs.

Equity mutual funds, fixed income mutual funds, common stocks and exchange traded funds in the investment portfolio are measured at fair value using quoted market prices for identical assets, which are considered Level 1 inputs.

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Government and agency bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings and are considered Level 2 inputs.

Alternative investments are comprised of hedge funds and private equity investments with no readily determinable fair values. The College measures the fair value of the alternative investments based on the net asset value per share (the NAV) as calculated on the reporting entity's measurement date as the fair value of the investment. The College measures the fair value of an investment that does not have a readily determinable fair value, based on the NAV of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different than the NAV. If the practical expedient NAV is not as of the reporting entity's measurement date, then the NAV is adjusted to reflect any significant events that would materially affect the value of the security and the NAV of the investment as of the valuation date. In using the NAV as a practical expedient, certain attributes of the investment, that may impact the fair value of the investment, are not considered in measuring fair value. Attributes of those investments include the investment strategies of the investees and may also include, but are not limited to, restrictions on the investor's ability to redeem its investments at the measurement date at the NAV as well as any unfunded commitments.

The College's split-interest agreements are measured at fair value using the College's percentage of the earnings of the underlying trust assets applied to the fair value of the underlying assets. This is considered a Level 3 measurement because even though the measurement is based on the underlying fair value of the trust assets as reported by the trustee, the College will never receive those assets or have the ability to direct the trustee to redeem them. Distributions received from these agreements are included as gifts and private grants in the statements of activities.

The fair value of life insurance policies is based on information available to the College at the reporting date. Fair value is based upon a discounted cash flow model that incorporates life expectancy estimate assumptions. Life expectancy estimates are obtained from independent, third-party widely accepted life expectancy estimate providers at policy acquisition.

The College measures its derivative financial instruments at fair value based on proprietary models of independent third-party valuation specialists. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instrument. The fair value was estimated using the zero-coupon discounting method and considers the credit risk of the College and the counterparty. This method calculates the future payments required by the derivative financial instruments, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the derivative financial instruments. The value represents the estimated exit price the College would pay or receive to terminate the agreements.

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The following table presents a list of the College's alternative investments as of June 30:

| 2024 | | | | | | |
|---|------------|---|----------------------|--|--------------------------|--|
| Name of Fund | Fair Value | Investment Strategy | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | |
| Common Fund International PE Partners VI | \$ 32,211 | Private equity fund of funds commingled Cayman Island Corp | \$ 32,250 | None - private equity structure nine-year lock-up on underlying funds | N/A | |
| Common Fund Private Equity Partners VII | 101,428 | Domestic private equity fund of funds commingled Cayman Island Corp | 32,000 | None - private equity structure nine-year lock-up on underlying funds | N/A | |
| Blackstone Energy Partners Fund | 343,137 | The Blackstone Energy Partners Fund (the Fund) is a private equity fund that focuses on investments in the energy and natural resources sector. The Fund consists of a diversified mix of mature buyout, management buildup, management acquisition/consolidation, and growth equity strategies | 163,635 | Private equity structure. Term is 11 years, subject to two one-year extensions | N/A | |
| PIMCO BRAVO Fund II Special TE | 97,077 | The PIMCO BRAVO Fund II Special TE (the Fund) is a private equity fund that focuses on residential and commercial real estate related assets in the U.S. and Europe. The Fund mainly invests in performing, underperforming and nonperforming loans as well as structured products and equity securities | N/A | Private equity structure. Term is five years with two possible 1.5-year extensions | N/A | |
| Canyon Value Realization Fund (Cayman), Ltd | 31,371 | Event-driven: Distressed | N/A | Quarterly | 60 days | |
| PE Premier Collier International Partners VIII Offshore, LP | 1,516,326 | Collier Capital originates and executes secondary transactions across the secondaries market - from single limited partnership interests, to complex portfolios of direct holdings in private companies | 895,881 | 10-year term | N/A | |
| TIFF Keystone Fund | 53,460,445 | The Partnership expects to invest globally in multiple asset classes and in both publicly traded and privately placed securities, properties, and other assets, either directly or through commingled investment vehicles (each a "CIV," and collectively, "CIVs"), including private equity funds, private realty funds, natural resources funds, and hedge funds selected by the General Partner. | N/A | Quarterly | 75 days | |

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2024

| Name of Fund | Fair Value | Investment Strategy | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|----------------------|---|----------------------|----------------------|--------------------------|
| TIFF Global Equity Fund | \$ 30,105,760 | The Partnership seeks to achieve its investment objective through two principal means: (1) diversification across multiple asset classes globally and (2) active security selection. Asset class allocations and allocations to Money Managers and CIVs may change from time to time. | \$ N/A | Quarterly | 65 days |
| TIFF Diversified Fund | 3,832,233 | The Partnership seeks to achieve its investment objective through two principal means (1) diversification across multiple asset classes globally and (2) active security selection | N/A | Quarterly | 65 days |
| Hamilton Lane Private Markets Opportunity Fund, Series II | 1,116,362 | Customized series offered under this structure by Hamilton Lane will generally focus on small and mid-sized private equity funds | 597,673 | 10-year term | N/A |
| | <u>\$ 90,636,350</u> | | <u>\$ 1,721,439</u> | | |

2023

| Name of Fund | Fair Value | Investment Strategy | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|--|------------|--|----------------------|--|--------------------------|
| Common Fund International PE Partners VI | \$ 36,375 | Private equity fund of funds commingled Cayman Island Corp | \$ 32,250 | None - private equity structure nine-year lock-up on underlying funds | N/A |
| Common Fund Private Equity Partners VII | 119,318 | Domestic private equity fund of funds commingled Cayman Island Corp | 33,750 | None - private equity structure nine-year lock-up on underlying funds | N/A |
| Blackstone Energy Partners Fund | 286,893 | The Blackstone Energy Partners Fund (the Fund) is a private equity fund that focuses on investments in the energy and natural resources sector. The Fund consists of a diversified mix of mature buyout, management buildup, management acquisition/consolidation, and growth equity strategies | 163,636 | Private equity structure. Term is 11 years, subject to two one-year extensions | N/A |
| PIMCO BRAVO Fund II Special TE | 94,578 | The PIMCO BRAVO Fund II Special TE (the Fund) is a private equity fund that focuses on residential and commercial real estate related assets in the U.S. and Europe. The Fund mainly invests in performing, underperforming and nonperforming loans as well as structured products and equity securities | N/A | Private equity structure. Term is five years with two possible 1.5-year extensions | N/A |

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2023

| Name of Fund | Fair Value | Investment Strategy | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|----------------------|--|----------------------|----------------------|--------------------------|
| Canyon Value Realization Fund (Cayman), Ltd | \$ 31,371 | Event-driven: Distressed | \$ N/A | Quarterly | 60 days |
| Corbin Opportunity Fund, Ltd. | 18,555 | Relative value investment focused on relatively short maturities (one year to three years) | N/A | Quarterly | 60 days |
| PE Premier Collier International Partners VIII Offshore, LP | 1,411,775 | Collier Capital originates and executes secondary transactions across the secondaries market - from single limited partnership interests, to complex portfolios of direct holdings in private companies | 986,711 | 10-year term | N/A |
| TIFF Keystone Fund | 47,480,810 | The Partnership expects to invest globally in multiple asset classes and in both publicly traded and privately placed securities, properties and other assets, either directly or through commingled investment vehicles (each a "CIV," and collectively, "CIVs"), including private equity funds, private realty funds, natural resources funds, and hedge funds selected by the General Partner. | N/A | Quarterly | 75 days |
| TIFF Global Equity Fund | 17,648,708 | The Partnership seeks to achieve its investment objective through two principal means: (1) diversification across multiple asset classes globally and (2) active security selection. Asset class allocations and allocations to Money Managers and CIVs may change from time to time. | N/A | Quarterly | 65 days |
| TIFF Diversified Fund | 2,800,000 | The Partnership seeks to achieve its investment objective through two principal means (1) diversification across multiple asset classes globally and (2) active security selection | N/A | Quarterly | 65 days |
| Hamilton Lane Private Markets Opportunity Fund, Series II | 942,059 | Customized series offered under this structure by Hamilton Lane will generally focus on small and mid-sized private equity funds | 715,290 | 10-year term | N/A |
| | <u>\$ 70,870,442</u> | | <u>\$ 1,931,637</u> | | |

4. Endowment Funds

The College's endowment consists of 433 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. In addition, annual fund gifts in excess of \$25,000 without donor restrictions are designated by the Board as endowment. Investments restricted by the donor for endowment purposes are recorded as net assets with donor restrictions based on the original amount of the gift. Dividends, interest and gains on such endowed assets are reflected as an increase in net assets with or without donor restrictions based on the intention stipulated by the donor.

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The College's policy requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent 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 without donor restrictions is classified as either net assets with or without restrictions based on the existence of donor restrictions or by law.

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

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

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding 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 College must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of 65% of the MSCI AC World Index (Net), 15% of the Barclays 1-5 Year Government/Credit Index and 20% of the HFRI FOF Index, while assuming an acceptable level of risk. The College expects its endowment funds, over time, to provide an average rate of return of approximately 5.75% above inflation annually which represents the 4.75% spending rate plus 1.00%. Actual returns in any given year may vary from this amount.

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

Pennsylvania law stipulates that realized and unrealized gains on endowment assets, including dividends and interest, may be expended for the purposes stipulated by the donors only to the extent that the total of such expenditures do not exceed 7% of the average market value of the assets determined at least annually and averaged over a period of three or more years. The Board has authorized the expenditure of the full 7% permitted by law for undesignated endowment assets, and 4.50% and 4.41% for the years ended June 30, 2024 and 2023, respectively, for restricted endowment assets of the endowment fund's average fair value over the prior three calendar years. Realized and unrealized gains are included in the statements of activities as increases in net assets with donor restrictions. Such amounts may be released to net assets without donor restrictions in future years based on annual authorization by the Board only to the extent of the annual limitation applicable to the year in which they are to be released. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow annually. This is consistent with the College'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.

Lebanon Valley College

Notes to Financial Statements
June 30, 2024 and 2023

The net asset category with donor restrictions includes the value of interest in various trust accounts established by donors. The assets of the trusts are held by independent trustees. The College has an interest in the income generated from these trusts. These assets are not governed by the College's investment policy. All investment decisions and distributions are governed by trust documents and the trustee.

Changes in invested endowment net assets excluding the value of interest in various trusts held by independent trustees for the fiscal years ended June 30:

| | Board- Designated | With Donor Restrictions | 2024 Total |
|---|------------------------------|------------------------------------|-----------------------|
| Endowment net assets, beginning of year | \$ 18,592,733 | \$ 65,217,458 | \$ 83,810,191 |
| Investment return: | | | |
| Investment income | 81,713 | 288,204 | 369,917 |
| Net realized and unrealized gains | 2,625,724 | 9,274,012 | 11,899,736 |
| Total investment return | 2,707,437 | 9,562,216 | 12,269,653 |
| Contributions | 1,119,248 | 4,745,531 | 5,864,779 |
| Appropriation of endowment assets for expenditure | (783,832) | (2,805,618) | (3,589,450) |
| Other changes: | | | |
| Realized and unrealized gains in excess of the authorized spending rate up to the 7.00% annual limitation | 141,591 | (141,591) | - |
| Endowment net assets, end of year | <u>\$ 21,777,177</u> | <u>\$ 76,577,996</u> | <u>\$ 98,355,173</u> |
| | Board- Designated | With Donor Restrictions | 2023 Total |
| Endowment net assets, beginning of year | \$ 16,871,089 | \$ 61,283,068 | \$ 78,154,157 |
| Investment return: | | | |
| Investment income | 72,810 | 264,895 | 337,705 |
| Net realized and unrealized gains | 1,385,619 | 5,109,475 | 6,495,094 |
| Total investment return | 1,458,429 | 5,374,370 | 6,832,799 |
| Contributions | 884,863 | 1,611,657 | 2,496,520 |
| Appropriation of endowment assets for expenditure | (801,192) | (2,872,093) | (3,673,285) |
| Other changes: | | | |
| Realized and unrealized gains in excess of the authorized spending rate up to the 7.00% annual limitation | 179,544 | (179,544) | - |
| Endowment net assets, end of year | <u>\$ 18,592,733</u> | <u>\$ 65,217,458</u> | <u>\$ 83,810,191</u> |

Lebanon Valley College

Notes to Financial Statements
June 30, 2024 and 2023

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. The table below shows donor-restricted funds with original gift values, fair values and deficiencies reported in net assets with donor restrictions at June 30, 2024 and 2023. Management has interpreted state law to permit prudent spending from underwater endowments.

| | Without Donor Restrictions | With Donor Restrictions | | | Total Funds, June 30, 2024 |
|--|----------------------------|-------------------------|----------------------------|----------------------|----------------------------|
| | | Original Gift | Accumulated Gains (Losses) | Total | |
| Board-designed funds | \$ 21,777,177 | \$ - | \$ - | \$ - | \$ 21,777,177 |
| Other endowment funds: | | | | | |
| Underwater funds | - | 725,935 | (43,338) | 682,597 | 682,597 |
| Other funds, donor-restricted earnings | - | 50,930,229 | 18,544,004 | 69,474,233 | 69,474,233 |
| Other funds, unrestricted earnings | - | 5,304,299 | 1,116,867 | 6,421,166 | 6,421,166 |
| Total | \$ 21,777,177 | \$ 56,960,463 | \$ 19,617,533 | \$ 76,577,996 | \$ 98,355,173 |

| | Without Donor Restrictions | With Donor Restrictions | | | Total Funds, June 30, 2023 |
|--|----------------------------|-------------------------|----------------------------|----------------------|----------------------------|
| | | Original Gift | Accumulated Gains (Losses) | Total | |
| Board-designed funds | \$ 18,592,733 | \$ - | \$ - | \$ - | \$ 18,592,733 |
| Other endowment funds: | | | | | |
| Underwater funds | - | 11,116,472 | (540,209) | 10,576,263 | 10,576,263 |
| Other funds, donor-restricted earnings | - | 35,776,560 | 12,834,323 | 48,610,883 | 48,610,883 |
| Other funds, unrestricted earnings | - | 5,304,299 | 726,013 | 6,030,312 | 6,030,312 |
| Total | \$ 18,592,733 | \$ 52,197,331 | \$ 13,020,127 | \$ 65,217,458 | \$ 83,810,191 |

5. Property, Plant and Equipment

Property, plant and equipment at June 30 consist of the following:

| | 2024 | 2023 |
|---|------------------------------|------------------------------|
| Land | \$ 2,474,725 | \$ 2,474,725 |
| Land improvements | 15,058,652 | 15,058,652 |
| Buildings | 204,261,457 | 182,303,657 |
| Equipment | 24,923,261 | 24,055,670 |
| Capitalized interest | 3,723,537 | 3,498,210 |
| Construction in progress | 4,001,681 | 18,766,194 |
| | <u>254,443,313</u> | <u>246,157,108</u> |
| Less accumulated depreciation | <u>136,114,491</u> | <u>128,661,177</u> |
| Property, plant and equipment, net | <u>\$ 118,328,822</u> | <u>\$ 117,495,931</u> |

Depreciation expense was \$7,471,013 and \$6,799,379 for the years ended June 30, 2024 and 2023, respectively.

Lebanon Valley College

Notes to Financial Statements
June 30, 2024 and 2023

6. Notes Payable

Notes payable at June 30 consist of the following:

| | <u>2024</u> | <u>2023</u> |
|--|----------------------|----------------------|
| Tax-exempt notes payable: | | |
| 2021 Annville Township Authority \$16,500,000 College Revenue note; maturing December 1, 2034; monthly principal payments beginning on January 1, 2025, ranging from \$38,802 to \$50,171, and a balloon payment of \$11,168,740 due on December 1, 2034; variable rate of interest equal to 82% of the sum of the Secured Overnight Financing Rate (SOFR) plus a margin, but in no instance shall such rate exceed 10%, commencing on the series issuance date above until maturity or prepayment; interest payable monthly beginning January 2022. Interest is hedged using an interest rate cap derivative which caps SOFR at 2.25% and expires on January 1, 2028. | \$ 16,500,000 | \$ 10,079,239 |
| 2019 Annville Township Authority \$40,935,000 College Revenue note; maturing December 13, 2039; annual principal payments beginning on April 1, 2021, ranging from \$942,735 to \$1,452,973; variable rate of interest equal to 83% of the sum of SOFR plus the margin, but in no instance shall such rate exceed 10%, commencing on the series issuance date above until maturity or prepayment; interest payable semi-annually on April 1 and October 1. Interest is fixed from series issuance at 2.5% through an interest rate swap expiring on January 1, 2035. | <u>37,026,712</u> | <u>38,037,419</u> |
| | 53,526,712 | 48,116,658 |
| Unamortized deferred financing costs | <u>(270,615)</u> | <u>(293,783)</u> |
| Total tax-exempt notes payable | <u>\$ 53,256,097</u> | <u>\$ 47,822,875</u> |

The College has collateralized its obligations by granting a security interest in College revenue received without donor restrictions.

| | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| Equipment and other notes payable: | | |
| Equipment and other notes payable at June 30 consist of 11 notes maturing November 2024 through June 2029; annual principal payments ranging from \$119 to \$5,334; fixed interest rates ranging from 0.0% to 15.87% interest per annum with terms ranging from four to five years; collateralized by equipment purchased. | \$ 377,646 | \$ 376,376 |

Lebanon Valley College

Notes to Financial Statements
June 30, 2024 and 2023

Approximate annual maturities of notes payable are as follows:

| | <u>Tax-Exempt Notes Payable</u> | <u>Equipment and Other Notes Payable</u> | <u>Total</u> |
|-----------------------|-------------------------------------|--|----------------------|
| Years ending June 30: | | | |
| 2025 | \$ 1,276,484 | \$ 110,824 | \$ 1,387,308 |
| 2026 | 1,548,375 | 112,648 | 1,661,023 |
| 2027 | 1,586,686 | 113,074 | 1,699,760 |
| 2028 | 1,622,649 | 27,450 | 1,650,099 |
| 2029 | 1,666,102 | 13,650 | 1,679,752 |
| Thereafter | <u>45,826,416</u> | <u>-</u> | <u>45,826,416</u> |
| | <u>\$ 53,526,712</u> | <u>\$ 377,646</u> | <u>\$ 53,904,358</u> |

Interest cost capitalized on the construction of buildings and other improvements was approximately \$225,000 and \$363,000 for the years ended June 30, 2024 and 2023, respectively.

Interest Rate Financial Instruments

The College uses financial instruments to manage its exposures to movements in interest rates. The use of interest rate swap and interest rate cap lessens the exposure to this risk with the intent to reduce the risk or cost to the College over time. The College does not use derivatives for trading purposes.

The College's exposure to credit risk associated with its derivative financial instruments is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. The College does not believe there is significant risk of credit loss as of the date of this report.

The College entered into an interest rate swap contract (2019 swap) with a national bank (counterparty) in December 2019, the purpose of which was primarily to modify the risk of interest rate changes (to hedge against changes in the applicable interest rate) and to manage the interest cost with respect to a portion of the 2019 Revenue Note.

The 2019 swap provides that the College will pay a fixed rate of interest of 2.50% per annum on a notional amount equal to \$40,935,000 of the outstanding and regularly scheduled amortizing principal amount of the 2019 Revenue Notes, effective April 1, 2020 through January 1, 2035. The swap contract also provides that the counterparty will pay a variable rate of interest equal to 83% of the USD one-month SOFR on a notional amount equal to the outstanding and regularly scheduled amortizing principal amount of the 2019 Revenue Note through January 1, 2035.

The College entered into an interest rate cap contract (2022 cap) with a national bank (counterparty) in February 2022, the purpose of which was primarily to modify the risk of interest rate changes (to hedge against changes in the applicable interest rate) and to manage the interest cost with respect to a portion of the 2022 Revenue Note. The College receives payments at the end of each period in which the interest rate exceeds the agreed strike price of 2.25%. The interest rate cap became effective January 1, 2023.

The College recognized a noncash fair value asset of \$5,469,260 and \$5,105,848 as of June 30, 2024 and 2023, respectively, on the mark to market related to the 2019 swap and 2022 cap. The net income, or the difference between the College's and the counterparty's payments under these agreements during the years ended June 30, 2024 and 2023 was \$(363,412) and \$(2,598,222), respectively.

Lebanon Valley College

Notes to Financial Statements
June 30, 2024 and 2023

7. Line of Credit

The College has an unsecured line of credit of \$7,000,000 that may be used to support general operating expenses, if needed, at a variable 30 day SOFR plus 2.25% (7.70% at June 30, 2024). The agreement shall continue in full force and effect until such time as all of the College's loans with the institution have been paid in full, or until such time as the parties may agree in writing to terminate the agreement. The College has an irrevocable standby letter of credit agreement in the amount of approximately \$50,000 and \$567,000 as of June 30, 2024 and 2023, respectively. The College was able to reduce the unsecured line of credit balance by the amount granted on the irrevocable standby letter of credit thereby reducing the amount available for borrowing to approximately \$6,950,000 and \$6,433,000 as of June 30, 2024 and 2023, respectively. The letter of credit expires on January 13, 2025. The College had no additional borrowings under the line of credit as of June 30, 2024 or 2023.

8. Retirement Plans

The College has contributory retirement plans covering substantially all employees who meet age and service requirements. The plans are administered by Teachers' Insurance and Annuity Association (TIAA), a multi-employer plan. The retirement plan expense amounted to approximately \$1,986,000 and \$1,994,000 for the years ended June 30, 2024 and 2023, respectively.

9. Concentrations of Credit Risk

Financial instruments which subject the College to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments; equity holdings of domestic corporations and mutual funds which invest primarily in short-term government securities. The College typically maintains cash and cash equivalents and temporary investments in local banks. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

The College's operations are located in Annville, Pennsylvania and its students come primarily from Pennsylvania and surrounding states. The College's major source of revenue is derived from tuition and room and board.

10. Guarantee of Privately Funded Student Loans

The College began participating in a program offered by the National Collegian Trust, referred to as the PledgeGATE (Guaranteed Access to Education) Program intended to provide a source of student loans to its students. Loans to students are initially funded by a bank on behalf of the College and then sold to a sub-trust of the National Collegian Trust on an annual basis as part of a securitization. In conjunction with this transaction, the College must guarantee or pledge up to a certain amount to pay for defaults the sub-trusts may experience.

Between 1999 and 2005, the College has entered into transactions with seven sub-trusts of the National Collegian Trust, enabling \$940,000 in loans to be provided to students of the College, with the current outstanding balance totaling approximately \$400. Related to this, the College has had to make guarantee payments totaling approximately \$117,000 due to defaults and has guarantee commitments outstanding in the amount of \$211,000. The present value of the guarantee payments that the College is expected to have to make over the lives of the sub-trusts does not exceed the present value of the residual payments from the trust as of June 30, 2024.

Lebanon Valley College

Notes to Financial Statements
June 30, 2024 and 2023

11. Functional Classification of Expenses

Expenses by functional and natural classifications for the years ended June 30:

| | 2024 | | | | | |
|---------------------------------------|----------------------|----------------------|-----------------------|------------------------|---------------------|----------------------|
| | Program Expenses | | | Institutional Support | | Total |
| | Instruction | Student Services | Auxiliary Enterprises | Management and General | Development | |
| Salaries and benefits | \$ 23,844,346 | \$ 6,006,244 | \$ 639,353 | \$ 4,762,915 | \$ 1,660,935 | \$ 36,913,793 |
| Operating expenses | 5,317,841 | 2,101,518 | 3,925,352 | 3,373,748 | 277,782 | 14,996,241 |
| Plant operation and maintenance | 3,064,014 | 2,042,676 | 560,490 | 504,441 | 56,050 | 6,227,671 |
| Depreciation and amortization | 3,687,137 | 2,458,092 | 674,476 | 607,029 | 67,447 | 7,494,181 |
| Interest expense | 619,949 | 413,299 | 113,405 | 102,065 | 11,342 | 1,260,060 |
| Change in value of interest rate swap | (178,798) | (119,199) | (32,707) | (29,436) | (3,272) | (363,412) |
| Total | <u>\$ 36,354,489</u> | <u>\$ 12,902,630</u> | <u>\$ 5,880,369</u> | <u>\$ 9,320,762</u> | <u>\$ 2,070,284</u> | <u>\$ 66,528,534</u> |

| | 2023 | | | | | |
|---------------------------------------|----------------------|----------------------|-----------------------|------------------------|---------------------|----------------------|
| | Program Expenses | | | Institutional Support | | Total |
| | Instruction | Student Services | Auxiliary Enterprises | Management and General | Development | |
| Salaries and benefits | \$ 23,827,010 | \$ 5,850,358 | \$ 693,562 | \$ 4,839,964 | \$ 1,499,208 | \$ 36,710,102 |
| Operating expenses | 4,946,043 | 1,997,043 | 3,742,472 | 3,182,029 | 271,326 | 14,138,913 |
| Plant operation and maintenance | 3,000,483 | 2,000,322 | 548,869 | 493,982 | 54,887 | 6,098,543 |
| Depreciation and amortization | 3,356,693 | 2,237,795 | 614,029 | 552,626 | 61,403 | 6,822,546 |
| Interest expense | 344,101 | 229,401 | 62,945 | 56,651 | 6,295 | 699,393 |
| Change in value of interest rate swap | (1,278,325) | (852,217) | (233,840) | (210,456) | (23,384) | (2,598,222) |
| Total | <u>\$ 34,196,005</u> | <u>\$ 11,462,702</u> | <u>\$ 5,428,037</u> | <u>\$ 8,914,796</u> | <u>\$ 1,869,735</u> | <u>\$ 61,871,275</u> |

12. Net Assets

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

| | 2024 | 2023 |
|---|-----------------------|-----------------------|
| Undesignated | \$ 28,246,302 | \$ 25,261,456 |
| Board-designated endowment | 21,777,177 | 18,592,733 |
| Investment in property and equipment | 63,510,120 | 64,433,623 |
| Total net assets without donor restrictions | <u>\$ 113,533,599</u> | <u>\$ 108,287,812</u> |

Lebanon Valley College

Notes to Financial Statements
June 30, 2024 and 2023

Net assets with donor restrictions are available for the following purposes as of June 30:

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| Pledges with time or purpose restrictions | \$ 2,064,686 | \$ 2,150,094 |
| Investments, primarily accumulated change in market value of investments in excess of the PA trust limitation and unexpended assets for other designated purposes | 19,617,533 | 13,020,127 |
| Academic programs and related funds | 4,662,945 | 7,173,390 |
| Time restricted split-interest and annuity agreements | 1,542,024 | 1,456,065 |
| Pledges related to endowment | 3,753,156 | 5,796,584 |
| Student loans | 428,781 | 201,859 |
| Split-interest and annuity agreements | 3,467,825 | 2,938,324 |
| Endowment investments, principal | 56,960,463 | 52,197,331 |
| | <u>\$ 92,497,413</u> | <u>\$ 84,933,774</u> |

Net assets released from donor restrictions were comprised of the following for the years ended June 30:

| | <u>2024</u> | <u>2023</u> |
|-----------------------------|---------------------|---------------------|
| Instruction and scholarship | \$ 1,851,812 | \$ 1,504,593 |
| Capital projects | 840,920 | 813,123 |
| Endowment investments | 2,526,022 | 2,648,582 |
| | <u>\$ 5,218,754</u> | <u>\$ 4,966,298</u> |

Included in net assets with donor restrictions as of June 30, 2024 and 2023 are \$1,116,867 and \$726,013, respectively, of accumulated gains on investments of funds with donor restrictions held in the endowment which have no specific purpose restrictions, have not been used in operations, and are only restricted as to prudent spending limits under Pennsylvania law. Bequests without donor restrictions are designated for long-term investment (quasi-endowment). The quasi-endowment fund balance totaled \$21,777,177 at June 30, 2024 and \$18,592,733 at June 30, 2023.

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

13. Commitments and Contingencies

The College owns several buildings constructed prior to the passage of the Clean Air Act that may contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe manner prior to demolition or renovation of the buildings. The College has not recognized the asset retirement obligation for asbestos removal in its financial statements because it cannot reasonably estimate the fair value of the obligation. If sufficient information becomes available to estimate the liability, it will be recognized at that time.

The College committed to a campus construction project with a remaining amount of approximately \$347,000 and \$1,996,000 at June 30, 2024 and 2023, respectively, for various projects on campus.

In the ordinary course of business, the College is subject to, or party to, various pending or threatened legal actions. The College believes that any ultimate liability resulting from these actions will not have a material effect on its financial position or result of operations.

Lebanon Valley College

Notes to Financial Statements
June 30, 2024 and 2023

14. Related-Party Transactions

The College paid fees of approximately \$3,040,000 in 2024 and \$2,236,000 in 2023 to a vendor whose officer is also a member of the Board.

The College recognized cash payments from members of the Board of approximately \$1,262,000 and \$2,231,000 in 2024 and 2023, respectively, and has pledges outstanding from members of the Board of approximately \$10,500,000 and \$10,700,000 at June 30, 2024 and 2023, respectively.

15. Income Taxes

The College is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The College follows the FASB guidance that requires a tax position to be recognized based on a more likely than not to be sustained upon examination threshold. The College does not believe its financial statements include any uncertain tax positions.

The College's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. No interest or penalties were recognized in 2024 or 2023.

16. Liquidity and Availability of Resources

The College's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for tuition charges and collections on student accounts in relation to the start of academic semesters.

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

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| Cash and cash equivalents | \$ 18,497,938 | \$ 14,827,298 |
| Students and other receivables | 3,891,505 | 6,729,152 |
| Short-term marketable securities | 1,900,761 | 4,093,179 |
| Anticipated appropriations of endowment for next fiscal year | <u>3,828,369</u> | <u>3,589,550</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 28,118,573</u> | <u>\$ 29,239,179</u> |

The College's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The quasi-endowment has a spending rate of 4.5%; therefore, \$835,966 of appropriations from the quasi-endowment will be available within the next 12 months.

As part of the College's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the College has committed lines of credit in the amount of approximately \$6,950,000 at June 30, 2024, which it could draw upon. In addition, the College has a Board-designated endowment of \$21,777,177. Although the College does not intend to spend from its Board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the College Board-designated endowment could be made available if necessary. However, both the Board-designated endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available.

Lebanon Valley College

Notes to Financial Statements

June 30, 2024 and 2023

17. Financial Responsibility Supplemental Schedule

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. ED revised the regulations for financial responsibility for financial statements issued after July 1, 2020. This revision requires the College to provide additional disclosures, including a financial responsibility supplemental schedule, to assist ED in measuring financial responsibility through the composite score of financial ratios. The financial responsibility supplemental schedule must contain all financial elements required to calculate the composite score ratios, with a cross-reference to the financial statement line or note that contains the element.

Note 5 provides information on the College's property and equipment, net, but does not provide a breakout by the College's implementation date of July 1, 2019. The following table provides a breakout of property and equipment, net, at June 30, 2024 based on the July 1, 2019 implementation date.

| | |
|--|------------------------------|
| Pre-implementation: | |
| Property and equipment, net | <u>\$ 70,200,693</u> |
| Post-implementation: | |
| Property and equipment, net, with outstanding debt for original purchase | 18,290,400 |
| Property and equipment, net, without outstanding debt for original purchase | 25,836,048 |
| Construction in progress | <u>4,001,681</u> |
| Total property and equipment, net, post-implementation | <u>48,128,129</u> |
| Total property and equipment, net at June 30, 2024 | <u><u>\$ 118,328,822</u></u> |

Note 6 provides information on the College's long-term debt but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakout of long-term debt on June 30, 2024 based on the July 1, 2019 implementation date.

| | |
|--|-----------------------------|
| Allowable long-term debt: | |
| Pre-implementation | \$ 36,298,867 |
| Post-implementation | 16,775,141 |
| Unallowable long-term debt | <u>559,735</u> |
| Total long-term debt, net at June 30, 2024 | <u><u>\$ 53,633,743</u></u> |

The allowable long-term debt amounts for pre-implementation and post-implementation are amounts designated by management as related to capital project purposes. Other debt designated by management for purposes other than capital projects is unallowable.

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Trustees of
Lebanon Valley College

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of Lebanon Valley College (the College), which comprise the College's statement of financial position as of June 30, 2024, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2024, except for Note 17 and our report on supplementary information as to which the date is March 18, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Pittsburgh, Pennsylvania
November 11, 2024

**Report on Compliance
for Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditors' Report

To the Board of Trustees of
Lebanon Valley College

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lebanon Valley College's (the College) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2024. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Pittsburgh, Pennsylvania
March 18, 2025

Lebanon Valley College

 Financial Responsibility Supplemental Schedule
 Year Ended June 30, 2024

Financial Statement and Line Name or Note Location
Primary Reserve Ratio

| | Expendable Net Assets | |
|---|--|----------------|
| Statement of Financial Position | Net assets without donor restrictions | \$ 113,533,599 |
| Statement of Financial Position | Net assets with donor restrictions | 92,497,413 |
| Note 12, Split-interest and annuity agreements | Annuities with donor restrictions | 3,467,825 |
| Note 12, Endowment investments, principal | Net assets with donor restrictions - restricted in perpetuity | 56,960,463 |
| Note 12, Total net assets with donor restrictions less split-interest and annuity agreements and endowment investments, principal | Net assets with donor restrictions - time or purpose | |
| Note 14 | Unsecured related party receivable | 32,069,125 |
| Note 17 | Property, plant and equipment - pre-implementation | 10,500,000 |
| | Property, plant and equipment - post-implementation with outstanding debt for original purchase | 70,200,693 |
| Note 17 | Property, plant and equipment - post-implementation without outstanding debt for original purchase | 18,290,400 |
| Note 17 | Construction in progress - post implementation without outstanding debt for original purchase | 25,836,048 |
| Note 17 | | 4,001,681 |
| Statement of Financial Position | Total property, plant and equipment, net (including CIP) | 118,328,822 |
| Note 17 | Long-term debt for long-term purposes - pre-implementation | 36,298,867 |
| Note 17 | Long-term debt for long-term purposes - post implementation | 16,775,141 |
| | Total Expenses and Losses Without Donor Restrictions | |
| Statement of Activities | Total expenses without donor restrictions | \$ 66,528,534 |

Equity Ratio

| | Modified Net Assets | |
|---------------------------------|---------------------------------------|----------------|
| Statement of Financial Position | Net assets without donor restrictions | \$ 113,533,599 |
| Statement of Financial Position | Net assets with donor restrictions | 92,497,413 |
| Note 14 | Unsecured related party receivables | 10,500,000 |
| | Modified Assets | |
| Statement of Financial Position | Total assets | \$ 268,826,050 |
| Note 14 | Unsecured related party receivables | 10,500,000 |

Net Income Ratio

| | | |
|-------------------------|--|---------------|
| Statement of Activities | Change in net assets without donor restrictions | \$ 5,245,787 |
| | Total Revenues and Gains Without Donor Restrictions | |
| Statement of Activities | Total operating revenue and other additions (gains) | \$ 71,774,321 |

Lebanon Valley College

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

| Federal Grantor/ Program Title | Assistance Listing Number | Pass-Through Entity | Pass Through Entity ID | Federal Expenditures |
|--|---------------------------------|------------------------|------------------------------|-----------------------------|
| Student Financial Assistance Cluster | | | | |
| U.S. Department of Education | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | N/A | N/A | \$ 229,611 |
| Federal Work-Study Program | 84.033 | N/A | N/A | 177,188 |
| Federal Perkins Loan Program | 84.038 | N/A | N/A | 775,981 |
| Federal Pell Grant Program | 84.063 | N/A | N/A | 2,193,223 |
| Federal Direct Student Loans | 84.268 | N/A | N/A | 17,031,717 |
| Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | 84.379 | N/A | N/A | <u>11,316</u> |
| Total Student Financial Assistance Cluster | | | | <u>20,419,036</u> |
| U.S. Department of Health and Human Services, Health and Services and Services Administration | | | | |
| Congressional Directives | 93.493 | N/A | N/A | <u>1,000,000</u> |
| Research and Development Cluster | | | | |
| National Science Foundation | | | | |
| Mathematical and Physical Sciences | 47.049 | N/A | N/A | 61,046 |
| Mathematical and Physical Sciences | 47.049 | N/A | N/A | 4,595 |
| Mathematical and Physical Sciences | 47.049 | N/A | N/A | <u>22,390</u> |
| | | | | 88,031 |
| STEM Education (formerly Education and Human Resources) | 47.076 | N/A | N/A | <u>43,410</u> |
| Total Research and Development Cluster | | | | <u>131,441</u> |
| Total expenditures of federal awards | | | | <u><u>\$ 21,550,477</u></u> |

See notes to schedule of expenditures of federal awards

Lebanon Valley College

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal award activity of Lebanon Valley College (the College) under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets or cash flows of the College.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The College has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Student Financial Assistance and Loan Programs

The total loans granted under the Federal Direct Student Loan Program, which were not made by the College but were received by its students, were approximately \$17,030,000 for the year ended June 30, 2024.

The Federal Perkins Loan Program is administered directly by the College, and balances and transactions relating to this program are included in the College's financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Federal Perkins loans outstanding at June 30, 2024 totaled \$535,230. In addition, no new loans were awarded under this program during the year ended June 30, 2024.

Federal award expenditures include loans administered under the Federal Direct Student Loan Program during the year ended June 30, 2024, and Federal Perkins Loan Program as of June 30, 2023.

Lebanon Valley College

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance? _____ yes X no

Auditee qualified as low-risk auditee? X yes _____ no

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Identification of major federal programs:

| <u>Assistance Listing Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------------------|---|
| | Student Financial Assistance Cluster: |
| 84.007 | Federal Supplemental Educational Opportunity Grants |
| 84.033 | Federal Work-Study Program |
| 84.038 | Federal Perkins Loan Program |
| 84.063 | Federal Pell Grant Program |
| 84.268 | Federal Direct Student Loans |
| 84.379 | Teacher Education Assistance for College and Higher Education Grants (Teach Grants) |
| 93.493 | Congressional Directives |

Lebanon Valley College

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Finding 2023-001: Internal Control Over Financial Reporting - Significant Deficiency

Criteria: Management is responsible for controls over the year-end financial reporting process, including controls over the reconciliation and review of investment activities.

Condition/Context: During the course of our audit, we noted two investments that were not properly recorded in the financial statements in accordance with accounting principles generally accepted in the United States.

Current Status: The College has a process in place to reconcile and review the data provided from its third-party vendor, while monitoring the controls over the accuracy and timeliness of the information provided.

Finding 2023-002: Enrollment Reporting

Federal Program: Student Financial Assistance Cluster - Federal Direct Student Loans

Federal Agency: U.S. Department of Education

Pass-Through Entity: Not applicable

Assistance Listing Number: 84.268

Federal Award Year: June 30, 2023

Criteria: Title IV regulations (34 CFR 685.309(b)) require that upon receipt of an enrollment report from the Secretary, institutions must update all information included in the report and return the report to the Secretary: (i) in the manner and format prescribed by the Secretary; and (ii) within the timeframe prescribed by the Secretary. Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, an institution must notify the Secretary within 30 days after the date the institution discovers that: (i) a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the institution, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended or (ii) a student who is enrolled at the institution and who received a loan under Title IV of the Act has changed his or her permanent address.

Condition/Context: An exception was noted for one out of the twenty-five students tested. The exception is noted as follows:

- For one student, no reporting was submitted to the National Student Loan Data System (NSLDS) at the campus or program level.

Current Status: The College has a process in place to monitor data submitted to the National Student Clearinghouse as compared to the information located in the NSLDS.