



Independent Auditor's Report and Consolidated Financial Statements

June 30, 2022 and 2021



University of Mount Union

June 30, 2022 and 2021

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Independent Auditor's Report

Board of Trustees
University of Mount Union
Alliance, Ohio

Opinion

We have audited the consolidated financial statements of the University of Mount Union (University) and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University of Mount Union and its subsidiaries as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 University'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University'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.

FORVIS,LLP

Fort Wayne, Indiana
October 13, 2022

University of Mount Union
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 28,336,287	\$ 24,754,666
Accounts receivable, net of allowance; 2022 - \$545,987, 2021 - \$498,471	1,950,195	1,516,654
Contributions receivable, net of allowance; 2022 - \$150,000, 2021 - \$200,000	992,806	1,724,620
Inventory and other assets	98,194	227,772
Loans receivable	946,407	1,506,641
Investments	133,644,776	150,743,748
Beneficial interest in perpetual trusts and charitable remainder trusts	5,693,013	6,992,710
Annuity and life income funds held in trust	5,100,669	5,954,836
Property and equipment, net	<u>139,548,398</u>	<u>141,836,122</u>
Total assets	<u>\$ 316,310,745</u>	<u>\$ 335,257,769</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,123,040	\$ 1,732,949
Accrued expenses	3,454,013	4,173,859
Line of credit	-	1,681,967
Deposits and other	2,630,636	2,409,363
Annuities and trusts payable	1,295,746	1,377,606
Debt	16,175,160	17,881,119
Advances from Government for student loans	<u>685,576</u>	<u>1,339,703</u>
Total liabilities	<u>25,364,171</u>	<u>30,596,566</u>
Net Assets		
Without donor restrictions		
Undesignated	140,245,322	130,996,463
Designated by the Board for specific purpose and endowment	<u>6,516,530</u>	<u>5,857,836</u>
	<u>146,761,852</u>	<u>136,854,299</u>
With donor restrictions		
Perpetual in nature	78,830,823	78,010,506
Purpose restriction	64,098,855	88,350,987
Time-restricted for future periods	<u>1,255,044</u>	<u>1,440,411</u>
	<u>144,184,722</u>	<u>167,801,904</u>
Total net assets	<u>290,946,574</u>	<u>304,656,203</u>
Total liabilities and net assets	<u>\$ 316,310,745</u>	<u>\$ 335,257,769</u>

University of Mount Union
Consolidated Statement of Activities
Year Ended June 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Income, and Other Support			
Educational and general			
Student tuition and fees, net	\$ 35,734,644	\$ -	\$ 35,734,644
Gifts and private grants	2,515,505	3,954,757	6,470,262
Government grants	12,196,948	-	12,196,948
Investment return designated for operations	6,100,000	-	6,100,000
Change in value of split-interest agreements	-	(2,013,353)	(2,013,353)
Other income	1,006,835	-	1,006,835
Total educational and general revenue	<u>57,553,932</u>	<u>1,941,404</u>	<u>59,495,336</u>
Auxiliary enterprises	12,148,248	-	12,148,248
Net assets released from restrictions	156,943	(156,943)	-
Total revenue, income, and other support	<u>69,859,123</u>	<u>1,784,461</u>	<u>71,643,584</u>
Expenses			
Program services			
Instruction	24,872,191	-	24,872,191
Academic support	3,832,265	-	3,832,265
Student services	15,053,629	-	15,053,629
Auxiliary enterprises	8,027,455	-	8,027,455
Total program services	<u>51,785,540</u>	<u>-</u>	<u>51,785,540</u>
Institutional support	8,008,405	-	8,008,405
Fundraising	2,106,756	-	2,106,756
Total expenses	<u>61,900,701</u>	<u>-</u>	<u>61,900,701</u>
Change in Net Assets Before Investment Return Less Amounts Designated for Operations and Other Items	7,958,422	1,784,461	9,742,883
Investment return less amounts designated for operations	211,473	(23,663,985)	(23,452,512)
Net assets released from restriction for capital	<u>1,737,658</u>	<u>(1,737,658)</u>	<u>-</u>
Change in Net Assets	9,907,553	(23,617,182)	(13,709,629)
Net Assets, Beginning of Year	<u>136,854,299</u>	<u>167,801,904</u>	<u>304,656,203</u>
Net Assets, End of Year	<u>\$ 146,761,852</u>	<u>\$ 144,184,722</u>	<u>\$ 290,946,574</u>

University of Mount Union
Consolidated Statement of Activities
Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Income, and Other Support			
Educational and general			
Student tuition and fees, net	\$ 35,871,927	\$ -	\$ 35,871,927
Gifts and private grants	2,728,724	1,779,088	4,507,812
Government grants	5,853,808	-	5,853,808
Investment return designated for operations	5,694,363	-	5,694,363
Change in value of split-interest agreements	-	2,249,357	2,249,357
Other income	931,718	-	931,718
Total educational and general revenue	<u>51,080,540</u>	<u>4,028,445</u>	<u>55,108,985</u>
Auxiliary enterprises	12,140,562	-	12,140,562
Net assets released from restrictions	110,665	(110,665)	-
Total revenue, income, and other support	<u>63,331,767</u>	<u>3,917,780</u>	<u>67,249,547</u>
Expenses			
Program services			
Instruction	22,959,137	-	22,959,137
Academic support	3,738,891	-	3,738,891
Student services	11,829,916	-	11,829,916
Auxiliary enterprises	9,047,788	-	9,047,788
Total program services	<u>47,575,732</u>	<u>-</u>	<u>47,575,732</u>
Institutional support	8,945,408	-	8,945,408
Fundraising	1,737,629	-	1,737,629
Total expenses	<u>58,258,769</u>	<u>-</u>	<u>58,258,769</u>
Change in Net Assets Before Investment Return Less Amounts Designated for Operations and Other Items	5,072,998	3,917,780	8,990,778
Investment return less amounts designated for operations	353,175	28,652,741	29,005,916
Change in value of interest rate swap	7,337	-	7,337
Net assets released from restriction for capital	<u>369,663</u>	<u>(369,663)</u>	<u>-</u>
Change in Net Assets	5,803,173	32,200,858	38,004,031
Net Assets, Beginning of Year	<u>131,051,126</u>	<u>135,601,046</u>	<u>266,652,172</u>
Net Assets, End of Year	<u>\$ 136,854,299</u>	<u>\$ 167,801,904</u>	<u>\$ 304,656,203</u>

University of Mount Union
Consolidated Statements of Functional Expenses
Years Ended June 30, 2022 and 2021

	Program Services				Total Program	Institutional Support	Fundraising	Total
	Instruction	Academic Support	Student Services	Auxiliary Enterprises				
2022								
Salaries and benefits	\$ 17,938,847	\$ 2,146,824	\$ 6,472,507	\$ 3,239,601	\$ 29,797,779	\$ 3,636,344	\$ 1,443,293	\$ 34,877,416
Supplies and equipment	1,318,488	1,027,048	890,360	1,379,975	4,615,871	994,005	138,404	5,748,280
Depreciation	2,743,304	315,438	906,289	1,579,017	5,544,048	218,316	27,019	5,789,383
Plant and maintenance	1,447,377	91,306	1,478,279	68,472	3,085,434	678,316	83,754	3,847,504
Utilities	646,502	77,018	520,220	921,654	2,165,394	612,210	77,846	2,855,450
Travel, meals, and lodging	348,268	140,203	1,149,755	20,524	1,658,750	381,270	193,303	2,233,323
Interest and fees	57,122	8,859	276,794	812,004	1,154,779	426,333	14,752	1,595,864
Professional fees	223,798	18,756	320,018	4,287	566,859	846,725	69,798	1,483,382
Student relief	-	-	2,873,761	-	2,873,761	-	-	2,873,761
Marketing	148,485	6,813	165,646	1,921	322,865	214,886	58,587	596,338
	\$ 24,872,191	\$ 3,832,265	\$ 15,053,629	\$ 8,027,455	\$ 51,785,540	\$ 8,008,405	\$ 2,106,756	\$ 61,900,701

	Program Services				Total Program	Institutional Support	Fundraising	Total
	Instruction	Academic Support	Student Services	Auxiliary Enterprises				
2021								
Salaries and benefits	\$ 16,882,798	\$ 2,005,819	\$ 6,196,996	\$ 3,527,727	\$ 28,613,340	\$ 3,117,767	\$ 1,257,980	\$ 32,989,087
Supplies and equipment	1,496,856	1,182,824	837,197	1,669,660	5,186,537	2,397,384	128,912	7,712,833
Depreciation	2,417,617	294,448	685,905	1,559,818	4,957,788	732,627	90,672	5,781,087
Plant and maintenance	1,116,199	111,908	965,280	514,457	2,707,844	395,163	47,967	3,150,974
Utilities	646,003	78,142	470,543	777,866	1,972,554	602,596	68,497	2,643,647
Travel, meals, and lodging	196,911	40,990	593,551	9,466	840,918	184,107	109,923	1,134,948
Interest and fees	44,183	10,492	253,171	980,574	1,288,420	403,034	14,082	1,705,536
Professional fees	55,078	10,438	332,941	5,208	403,665	622,342	124	1,026,131
Student relief	-	-	1,341,130	-	1,341,130	-	-	1,341,130
Marketing	103,492	3,830	153,202	3,012	263,536	490,388	19,472	773,396
	\$ 22,959,137	\$ 3,738,891	\$ 11,829,916	\$ 9,047,788	\$ 47,575,732	\$ 8,945,408	\$ 1,737,629	\$ 58,258,769

University of Mount Union
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities		
Change in net assets	\$ (13,709,629)	\$ 38,004,031
Items not requiring (providing) operating activities cash flows		
Realized and unrealized losses (gains) on investments	22,975,689	(30,783,005)
Loss on sale of property and equipment	4,407	54,519
Depreciation	5,789,383	5,781,087
Amortization of bond issuance costs	39,261	218,513
Change in allowance for uncollectible accounts and contributions receivable	(2,484)	(9,697)
Contributions received restricted for long-term investment	(3,049,716)	(1,339,514)
Contributions received restricted for acquisition of long-lived assets	(1,895,132)	(1,225,355)
Changes in		
Accounts, loans and contributions receivable	860,991	571,936
Inventory and other assets	124,578	195,326
Accounts payable and accrued expenses	(647,465)	(4,572,311)
Annuities and trusts payable	(81,860)	(170,047)
Annuity and life income funds held in trust and beneficial interests in perpetual trusts and charitable remainder trusts	2,153,864	(1,691,111)
Deposits and other	221,273	610,387
Advances from government for student loans	(654,127)	(496,933)
Net cash provided by operating activities	<u>12,129,033</u>	<u>5,147,826</u>
Investing Activities		
Purchase of property and equipment	(4,188,356)	(1,826,950)
Purchase of investments	(44,345,246)	(33,112,912)
Proceeds from sales of investments	38,468,529	33,572,846
Net cash used in investing activities	<u>(10,065,073)</u>	<u>(1,367,016)</u>
Financing Activities		
Payments on bonds and notes payable	(1,745,220)	(10,176,317)
Proceeds from issuance of bonds payable	-	7,982,711
Payment of bond issuance costs	-	(203,944)
Proceeds from borrowing on line of credit	-	908,241
Payments on line of credit	(1,681,967)	-
Contributions received restricted for long-term investment	3,049,716	1,339,514
Contributions received restricted for acquisition of long-lived assets	1,895,132	1,225,355
Net cash provided by financing activities	<u>1,517,661</u>	<u>1,075,560</u>
(Decrease) Increase in Cash and Cash Equivalents	3,581,621	4,856,370
Cash and Cash Equivalents, Beginning of Year	<u>24,754,666</u>	<u>19,898,296</u>
Cash and Cash Equivalents, End of Year	<u>\$ 28,336,287</u>	<u>\$ 24,754,666</u>
Supplemental Cash Flows Information		
Fixed assets in accounts payable	\$ 163,947	\$ 846,237
Cash paid for interest	543,557	924,670

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

University of Mount Union (University) is a private tax-exempt, nonprofit educational institution located in Alliance, Ohio. The University is an institution of higher education that offers undergraduate and graduate programs designed to meet the needs of the student body. The University's primary source of revenue is from tuition and auxiliary services from students.

Use of Estimates

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

Principles of Consolidation

The consolidated financial statements include the accounts of the University of Mount Union and its wholly-owned subsidiaries Raiders Corner, LLC and Raiders Penn, LLC. These subsidiaries were formed to hold title to and lease certain real property. In May 2021, both subsidiaries were dissolved. All material interorganizational accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of reporting cash flows, the University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022 and 2021, cash equivalents consisted primarily of repurchase agreements.

Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are not considered to be cash and cash equivalents.

At June 30, 2022, the University's cash accounts exceeded federally insured limits by approximately \$30,000,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at fair value. Investment return includes dividend, interest and other investment income, and realized and unrealized gains and losses on investments carried at fair value.

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities as net assets with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Accounts and Loans Receivable

Accounts receivable are stated at the amount of consideration from students of which the University has an unconditional right to receive. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Tuition is generally due at the beginning of the semester unless the student has signed a payment plan. Accounts that are unpaid after the due date bear interest at 1 percent per month. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Loans receivable consist primarily of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amount, net of an allowance for doubtful loans. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful loans which is based upon a review of outstanding loans, historical collection information, and existing conditions. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The University provides for depreciation on the straight-line method at rates designed to depreciate the cost of assets over estimated useful lives as follows:

	<u>Years</u>
Buildings	50
Equipment and vehicles	3 - 15
Land improvements	15
Software	5

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Long-lived Asset Impairment

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2022 and 2021.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the University overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Inventory Pricing

Inventories consist of books and supplies and are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

Government Grants

Support funded by grants is recognized as the University meets the conditions prescribed by the grant agreement, performs the contracted services, or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Unamortized Financing Costs

Financing costs and any associated premium related to the University's long-term debt is amortized over the term of the related debt.

Income Taxes

The University is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The consolidated statements of functional expenses present the natural classifications detail of expenses by function. Certain costs have been allocated among the educational activities, institutional support and fundraising categories based on time and effort.

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Self-Insurance

The University has elected to self-insure certain costs related to employee health insurance. Costs resulting from noninsured losses are charged to expense when incurred. The University has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to approximately \$3,497,000.

Note 2: Investments and Investment Return

Investments at June 30 consisted of the following:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 5,761,819	\$ 5,761,819	\$ 10,124,585	\$ 10,124,585
U.S. Treasury securities and Government agency bonds	2,207,877	1,993,287	1,927,472	1,988,655
Corporate debt securities	9,356,797	9,200,729	5,223,640	6,217,029
Mortgage-backed securities, GSEs	260,749	235,449	310,967	311,312
Municipal bonds	167,370	157,831	223,039	221,576
Mutual funds				
Domestic equity mutual funds	31,766,662	27,750,341	29,350,172	42,448,887
Fixed income mutual funds	17,401,469	15,280,806	15,255,027	15,533,595
International and emerging market mutual funds	19,486,944	26,213,033	17,697,928	26,535,535
Alternative funds	9,416,366	9,850,023	8,798,233	10,050,510
Common stocks				
Industrials	1,578,604	2,362,303	1,452,161	2,451,930
Consumer discretionary	528,558	1,406,668	622,306	2,101,897
Consumer staples	1,006,664	1,212,859	840,869	1,025,999
Energy	719,659	1,196,904	705,348	949,253
Financial	2,235,881	3,435,289	2,141,093	4,036,563
Materials	1,262,636	1,330,046	962,823	1,109,776
Information technology	3,185,849	5,011,503	2,723,142	5,758,044
Health care	3,068,617	4,109,449	2,857,683	3,922,881
Other	1,760,490	2,957,411	1,484,006	3,451,196
Alternative investments				
Hedge funds	6,435,280	11,179,026	6,022,974	9,804,525
Investment in real estate	1,403,369	3,000,000	1,403,369	2,700,000
	<u>\$ 119,011,660</u>	<u>\$ 133,644,776</u>	<u>\$ 110,126,837</u>	<u>\$ 150,743,748</u>

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Investments were held for the following purposes at June 30:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Endowment	\$ 118,951,331	\$ 133,580,167	\$ 110,066,508	\$ 150,678,461
Other	60,329	64,609	60,329	65,287
	<u>\$ 119,011,660</u>	<u>\$ 133,644,776</u>	<u>\$ 110,126,837</u>	<u>\$ 150,743,748</u>

Alternative Investments

The fair value of alternative investments has been estimated using the net asset value per share of the investments. Alternative investments held at June 30 consist of the following:

	June 30, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge funds (A)	\$ 11,179,026	None	Quarterly	65 - 90 days

	June 30, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge funds (A)	\$ 9,804,525	None	Quarterly	65 - 90 days

- (A) This category includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes investments in various private investment funds that employ various long/short, macro, and absolute return strategies.

Total investment return is comprised of the following:

	2022	2021
Interest and dividend income	\$ 5,623,177	\$ 3,917,274
Net realized gains on investments reported at fair value	3,009,264	8,208,749
Net unrealized (losses) gains on investments reported at fair value	<u>(25,984,953)</u>	<u>22,574,256</u>
	<u>\$ (17,352,512)</u>	<u>\$ 34,700,279</u>

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Total investment return is reflected in the consolidated statements of activities as follows:

	<u>2022</u>	<u>2021</u>
Operating income	\$ 6,100,000	\$ 5,694,363
Other nonoperating income (loss)	<u>(23,452,512)</u>	<u>29,005,916</u>
	<u>\$ (17,352,512)</u>	<u>\$ 34,700,279</u>

Note 3: Contributions Receivable

Contributions receivable at June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 107,847	\$ 571,263
Due in one to five years	1,091,965	1,393,148
Due in five to ten years	<u>-</u>	<u>55,000</u>
	1,199,812	2,019,411
Less		
Allowance for uncollectible contributions	(150,000)	(200,000)
Unamortized discount (2.00%)	<u>(57,006)</u>	<u>(94,791)</u>
	<u>\$ 992,806</u>	<u>\$ 1,724,620</u>

Note 4: Beneficial Interest in Perpetual Trusts and Remainder Trusts

The University is the beneficiary under perpetual trusts administered by outside parties. Under the terms of the trusts, the University has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$5,465,869 and \$6,762,673, which represents the fair value of the trust assets at June 30, 2022 and 2021, respectively.

The University is also the beneficiary under charitable remainder trusts administered by outside parties. Under the terms of the trusts, the University has the irrevocable right to receive a remainderment of trust assets at a future date. The present value of the expected future cash flows is \$227,144 and \$230,037 at June 30, 2022 and 2021, respectively. The discount rates used to calculate the present value were 4% to 6%.

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Note 5: Property and Equipment

Property and equipment at June 30 consisted of the following:

	2022	2021
Land and land improvements	\$ 25,778,626	\$ 25,557,388
Buildings	201,659,743	198,016,880
Equipment, vehicles, and software	22,244,232	22,062,262
Construction in progress	62,699	883,642
	249,745,300	246,520,172
Less accumulated depreciation and amortization	(110,196,902)	(104,684,050)
	\$ 139,548,398	\$ 141,836,122

Note 6: Line of Credit

The University has a \$5,000,000 revolving bank line of credit, expiring January 15, 2023. There was \$1,681,967 borrowed against this line at June 30, 2021. There was no amount outstanding on the line of credit at June 30, 2022. Interest varies with LIBOR (London Interbank Offering Rate) and is payable monthly. The interest rate was 2.95% and 1.90% at June 30, 2022 and 2021, respectively.

Note 7: Debt

	2022	2021
2017 Series Ohio Higher Educational Facility Revenue Bonds at 3.0% to 4.25%, payable in quarterly installments ranging from \$129,748 to \$496,346, with final payment due October 2031. Unamortized bond issuance costs were \$98,770 and \$123,462 at June 30, 2022 and 2021, respectively.	\$ 8,442,614	\$ 9,175,815
2020 Series Ohio Higher Educational Facility Revenue Bonds bearing interest at 2.52% until the adjustment date of June 15, 2030, payable in quarterly installments ranging from \$114,419 to \$328,029, with final payment due December 2035. Unamortized bond issuance costs were \$189,376 and \$203,945 at June 30, 2022 and 2021, respectively.	7,520,692	7,982,711
Note payable, unsecured, interest rate of 1.40% plus the one month LIBOR rate, payable in monthly installments of \$33,333 beginning on April 1, 2012, with final payment due March 2022.	-	300,000
Note payable, unsecured, interest rate of 1.40% plus the one month LIBOR rate, payable in monthly installments of \$20,833 beginning on July 18, 2014, with final payment due June 2024.	500,000	750,000
	16,463,306	18,208,526
Less: Unamortized bond issuance costs	(288,146)	(327,407)
	\$ 16,175,160	\$ 17,881,119

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In connection with the issuance of 2020 and 2017 series of tax-exempt bonds by the state for the benefit of the University, the University has leased to the state, and the state has subleased to the University, the related buildings, land, and equipment. The University does not receive rental payments under its leases to the state and is required only to make rental payments to the state at times and in amounts sufficient to pay principal and interest on the outstanding tax-exempt bonds under its leases from the state. The lease agreements expire upon repayment of all indebtedness secured by the leases.

Aggregate annual maturities of debt at June 30, 2022, are:

2023	\$ 1,479,537
2024	1,514,228
2025	1,301,147
2026	1,338,525
2027	1,376,984
Thereafter	<u>9,452,885</u>
	<u>\$ 16,463,306</u>

The debt agreements contain certain financial covenants. As of June 30, 2022 and 2021, the University is not aware of any violations of these covenants.

The University charged \$535,133 and \$832,041, to interest expense for the years ended June 30, 2022 and 2021, respectively.

Note 8: Annuities and Trusts Payable

The University has been the recipient of several gift annuities, which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The University has recorded a liability at June 30, 2022 and 2021, of \$248,389 and \$293,218, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from 2% to 8%.

The University administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the University's use. The portion of the trust attributable to the future interest of the University is recorded in the statements of activities as restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the University's consolidated statements of financial position. On an annual basis, the University revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using discount rates of 2% to 8% and applicable mortality tables. The University has recorded a liability at June 30, 2022 and 2021, of \$1,047,357 and \$1,084,388, respectively.

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Note 9: Derivative Financial Instruments — Interest Rate Swap Agreements

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the University entered into an interest rate swap agreement for its variable rate debt. On February 17, 2012, the University entered into a 10-year interest rate swap agreement with the intent of reducing the impact of changes in interest rates on its Huntington National Bank variable rate debt. The agreement provided for the University to receive interest from the counterparty at the USD-SIFMA Municipal Swap Index rate and to pay interest to the counterparty at a fixed rate of 2.95% on a notional amount of \$300,000 at June 30, 2021. The difference between the rates, was settled monthly and was included in interest expense. The agreement was recorded at fair value with subsequent changes in fair value included in other items.

The table below presents certain information regarding the University’s interest rate swap agreements:

	2021
Fair value of liability for interest rate swap agreement	\$ (1,844)
Statement of financial position location of fair value amount	Accrued expenses
Loss recognized in change in net assets	\$ 7,337
Location of loss recognized in change in net assets	Change in value of interest rate swap

The corresponding debt was paid in full in March 2022. Accordingly, there are no balances recorded related to this swap agreement at June 30, 2022.

Note 10: Internal Borrowings

During 2010, borrowings within the University were made from the endowment fund for capital projects. The borrowings from the endowment fund totaled \$6,967,451 and \$7,354,765 at June 30, 2022 and 2021, respectively. The loan is being used for renovations to the Engineering and Business Building, and the Wellness Center. This loan is being amortized over 25 years, bears interest monthly at LIBOR plus 1.4%, and will be repaid from unrestricted operations.

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Note 11: Net Assets With Donor Restriction

Net assets with donor restrictions at June 30, 2022 and 2021, are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose		
Unexpended property and equipment funds	\$ 244,861	\$ 706,580
Other purposes of the University	574,766	701,194
	<u>819,627</u>	<u>1,407,774</u>
Subject to the passage of time		
Trusts and gift annuities	1,255,044	1,440,411
Endowments		
Subject to appropriation and expenditure when a specified event occurs	63,279,228	86,943,213
Subject to endowment spending policy and appropriation		
Scholarships and operations	70,494,430	67,787,476
Annuity, life income and charitable remainder and perpetual trusts	8,336,393	10,223,030
	<u>78,830,823</u>	<u>78,010,506</u>
Total endowments	<u>142,110,051</u>	<u>164,953,719</u>
Total net assets with donor restrictions	<u>\$ 144,184,722</u>	<u>\$ 167,801,904</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished		
Educational program expenses	\$ 47,894	\$ 50,298
Other	109,049	-
Property and equipment acquired and placed into service	1,737,658	369,663
Time restrictions expired, passage of time	-	60,367
	<u>\$ 1,894,601</u>	<u>\$ 480,328</u>

Note 12: Endowment

The University's endowment consists of approximately 500 individual funds established for a variety of purposes. The endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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The University's governing body has interpreted the State of Ohio Uniform Prudent Management of Institutional Funds Act (Ohio UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (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 donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by Ohio UPMIFA. In accordance with Ohio UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

The endowment assets are comprised of investments, beneficial interests, assets held in trust and the internal loan. The composition of net assets by type of endowment fund at June 30, 2022 and 2021, was:

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 1,545,715	\$ -	\$ 1,545,715
Donor-restricted endowment funds	-	142,110,051	142,110,051
Total endowment funds	\$ 1,545,715	\$ 142,110,051	\$ 143,655,766
	2021		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 1,821,159	\$ -	\$ 1,821,159
Donor-restricted endowment funds	-	164,953,719	164,953,719
Total endowment funds	\$ 1,821,159	\$ 164,953,719	\$ 166,774,878

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Changes in endowment net assets for the years ended June 30, 2022 and 2021, were:

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 1,821,159	\$ 164,953,719	\$ 166,774,878
Investment return (loss)			
Investment income	5,618,458	-	5,618,458
Net appreciation (depreciation)	206,098	(23,663,985)	(23,457,887)
Total investment return (loss)	5,824,556	(23,663,985)	(17,839,429)
Change in value of split-interest agreements	-	(1,827,986)	(1,827,986)
Contributions	-	2,648,303	2,648,303
Appropriation of endowment assets for expenditure	(6,100,000)	-	(6,100,000)
Endowment net assets, end of year	<u>\$ 1,545,715</u>	<u>\$ 142,110,051</u>	<u>\$ 143,655,766</u>
	2021		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 1,478,000	\$ 132,891,202	\$ 134,369,202
Investment return			
Investment income	3,911,862	-	3,911,862
Net appreciation	2,125,660	28,652,742	30,778,402
Total investment return	6,037,522	28,652,742	34,690,264
Change in value of split-interest agreements	-	2,043,932	2,043,932
Contributions	-	1,365,843	1,365,843
Appropriation of endowment assets for expenditure	(5,694,363)	-	(5,694,363)
Endowment net assets, end of year	<u>\$ 1,821,159</u>	<u>\$ 164,953,719</u>	<u>\$ 166,774,878</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or Ohio UPMIFA. At June 30, 2022, funds with original gift values of \$3,283,523, fair values of \$3,074,088 and deficiencies of \$209,435 were reported in net assets with donor restrictions. These deficiencies primarily resulted from unfavorable market fluctuations that occurred after investment of restricted contributions, as well as continued appropriation for certain purposes that was deemed prudent by the governing body. There were no such deficiencies at June 30, 2021.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods. Under the University's policies, endowment assets are invested in a manner that is intended to produce results that shall exceed the Consumer Price Index plus 5% over a five-year moving period without undue exposure to investment risk. The University expects its endowment funds to provide an average rate of return of approximately 8% annually over time. Actual returns in any given year may vary from this amount.

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

The University has a policy (the spending policy) of appropriating for expenditure each year up to 5%, with Board approval, of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which expenditure is planned. The spending rate for fiscal year ending June 30, 2022, was 4.40%. The administration may request spending up to the 5 percent level annually based on market conditions that must be approved by the Board of Trustees. In establishing this policy, the University considered the long-term expected return on its endowment and inflationary trends. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the University's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 13: Related Party Transactions

The University currently maintains investments and trust asset accounts with institutions that also have representatives serving on the Board of Trustees of the University. Total investments and trust assets held with these institutions amount to approximately \$19,100,000 and \$52,000,000 as of June 30, 2022 and 2021, respectively. The fees paid to related parties, inclusive of investment, insurance, and other fees for services performed by these parties amounted to approximately \$15,481 and \$34,349 for 2022 and 2021, respectively.

Note 14: Pension and Other Postretirement Benefit Plans

The University maintains a 403(b) defined-contribution plan covering substantially all employees. The Board of Trustees annually determines the amount, if any, of the University's contributions to the plan. Pension expense was approximately \$2,291,000 and \$1,822,000 for 2022 and 2021, respectively.

The University has a noncontributory defined benefit postretirement health care plan covering all employees who meet the eligibility requirements. The University's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the University may determine to be appropriate from time to time. The University expects to contribute \$147,000 to the plan in 2023.

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The University uses a June 30 measurement date for the plan. Information about the plan's funded status and pension cost follows:

	Other Benefits	
	2022	2021
Change in benefit obligation		
Beginning of year	\$ (1,673,106)	\$ (1,883,179)
Service cost	(32,430)	(67,748)
Interest cost	(43,931)	(45,850)
Actuarial gain (loss)	367,062	(99,579)
Plan amendment	-	363,050
Participant contributions	(100,477)	(100,855)
Benefit payments	162,277	161,055
End of year	<u>(1,320,605)</u>	<u>(1,673,106)</u>
Funded status at end of year	<u>\$ (1,320,605)</u>	<u>\$ (1,673,106)</u>

Liabilities recognized in accrued expenses in the consolidated statements of financial position:

	Other Benefits	
	2022	2021
Accrued benefit liability	<u>\$ (1,320,605)</u>	<u>\$ (1,673,106)</u>

Amounts recognized in net assets without donor restrictions not yet recognized as components of net periodic benefit cost consist of:

	Other Benefits	
	2022	2021
Net loss	\$ 229,157	\$ 622,646
Prior service credit	<u>(331,590)</u>	<u>(363,050)</u>
	<u>\$ (102,433)</u>	<u>\$ 259,596</u>

Other significant balances and costs as of June 30 are:

	Other Benefits	
	2022	2021
Benefit costs	\$ 71,328	\$ 137,838
Employer contributions	61,800	60,200
Benefits paid	162,277	161,055

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Components of net periodic benefit cost are:

	Other Benefits	
	2022	2021
Service cost	\$ 32,430	\$ 67,748
Interest cost	43,931	45,850
Amortization of prior service credit	(31,460)	-
Recognized net actuarial loss	26,427	24,240
	<u>\$ 71,328</u>	<u>\$ 137,838</u>

The estimated net loss for the other defined benefit postretirement plan that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next fiscal year is \$5,635.

Weighted-average assumptions used to determine benefit obligations:

	Other Benefits	
	2022	2021
Discount rate	4.50%	3.50%
Rate of compensation increase	N/A	N/A
Health care cost trend	6.50%	6.50%

Weighted-average assumptions used to determine benefit costs:

	Other Benefits	
	2022	2021
Discount rate	2.757%	3.50%
Rate of compensation increase	N/A	N/A
Health care cost trend	6.50%	6.50%

For measurement purposes, a 6.50% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2022 and 2021.

On December 8, 2003, the *Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Act)* was signed into law. The Act introduces a prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide benefits at least actuarially equivalent to Medicare Part D. The University has determined that this benefit has no effect on the measurement of plan benefit obligations and periodic benefit costs.

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The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2022:

	Other Benefits
2023	\$ 147,046
2024	127,271
2025	112,950
2026	82,773
2027	82,054
2028 - 2032	372,050

Note 15: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

	2022			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Money market funds	\$ 5,761,819	\$ 5,761,819	\$ -	\$ -
U.S. Treasury securities and government agency bonds	1,993,287	1,650,020	343,267	-
Corporate debt securities	9,200,729	-	9,200,729	-
Mortgage-backed securities, GSEs	235,449	-	235,449	-
Municipal bonds	157,831	-	157,831	-
Mutual funds				
Equity	27,750,341	27,750,341	-	-
Fixed income	15,280,806	15,280,806	-	-
International	26,213,033	26,213,033	-	-
Alternative funds	9,850,023	9,850,023	-	-
Common stocks				
Industrials	2,362,303	2,362,303	-	-
Consumer discretionary	1,406,668	1,406,668	-	-
Consumer staples	1,212,859	1,212,859	-	-
Energy	1,196,904	1,196,904	-	-
Financial	3,435,289	3,435,289	-	-
Materials	1,330,046	1,330,046	-	-
Information technology	5,011,503	5,011,503	-	-
Health care	4,109,449	4,109,449	-	-
Other	2,957,411	2,957,411	-	-
Alternative investments				
Hedge funds (A)	11,179,026	-	-	-
Investment in real estate	3,000,000	-	-	3,000,000
Total investments	133,644,776	109,528,474	9,937,276	3,000,000
Annuity and Life Income Funds Held in Trust				
Corporate debt securities	989,450	-	989,450	-
Money market funds	3,101	3,101	-	-
Value, growth and blended fixed income	4,108,118	4,108,118	-	-
Total annuities	5,100,669	4,111,219	989,450	-
Beneficial Interest in Perpetual Trusts	5,465,869	-	-	5,465,869
Beneficial Interest in Charitable Remainder Trusts	227,144	-	-	227,144

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	2021			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Money market funds	\$ 10,124,585	\$ 10,124,585	\$ -	\$ -
U.S. Treasury securities and government agency bonds	1,988,655	1,560,006	428,649	-
Corporate debt securities	6,217,029	-	6,217,029	-
Mortgage-backed securities, GSEs	311,312	-	311,312	-
Municipal bonds	221,576	-	221,576	-
Mutual funds				
Equity	42,448,887	42,448,887	-	-
Fixed income	15,533,595	15,533,595	-	-
International	26,535,535	26,535,535	-	-
Alternative funds	10,050,510	10,050,510	-	-
Common stocks				
Industrials	2,451,930	2,451,930	-	-
Consumer discretionary	2,101,897	2,101,897	-	-
Consumer staples	1,025,999	1,025,999	-	-
Energy	949,253	949,253	-	-
Financial	4,036,563	4,036,563	-	-
Materials	1,109,776	1,109,776	-	-
Information technology	5,758,044	5,758,044	-	-
Health care	3,922,881	3,922,881	-	-
Other	3,451,196	3,451,196	-	-
Alternative investments				
Hedge funds (A)	9,804,525	-	-	-
Investment in real estate	2,700,000	-	-	2,700,000
Total investments	<u>150,743,748</u>	<u>131,060,657</u>	<u>7,178,566</u>	<u>2,700,000</u>
Annuity and Life Income Funds Held in Trust				
Corporate debt securities	1,151,346	-	1,151,346	-
Money market funds	3,743	3,743	-	-
Value, growth and blended fixed income	4,799,747	4,799,747	-	-
Total annuities	<u>5,954,836</u>	<u>4,803,490</u>	<u>1,151,346</u>	<u>-</u>
Beneficial Interest in Perpetual Trusts	6,762,673	-	-	6,762,673
Beneficial Interest in Charitable Remainder Trusts	230,037	-	-	230,037
Interest Rate Swap Agreements	(1,844)	-	(1,844)	-

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

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Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2022. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below. The University has no assets or liabilities measured at fair value on a nonrecurring basis.

Investments and Annuity and Life Income Funds Held in Trust

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement, which approximates the fair value of the underlying assets of the trusts. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Beneficial Interest in Charitable Remainder Trusts

Fair value is estimated at the present value of the future assets expected to be received from the trusts upon dissolution. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

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Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Beneficial Interest in Perpetual Trusts	Beneficial Interest in Charitable Remainder Trusts	Investment in Real Estate
Balance, July 1, 2020	\$ 5,492,560	\$ 331,560	\$ 2,548,000
Total realized and unrealized gains (losses) included in change in net assets	1,270,113	(101,523)	152,000
Balance, June 30, 2021	6,762,673	230,037	2,700,000
Total realized and unrealized gains (losses) included in change in net assets	(1,296,804)	(2,893)	300,000
Balance, June 30, 2022	<u>\$ 5,465,869</u>	<u>\$ 227,144</u>	<u>\$ 3,000,000</u>
Total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains related to assets and liabilities still held at the reporting date			
June 30, 2022	<u>\$ (1,296,804)</u>	<u>\$ (2,893)</u>	<u>\$ 300,000</u>
June 30, 2021	<u>\$ 1,270,113</u>	<u>\$ (101,523)</u>	<u>\$ 152,000</u>

The unrealized gains (losses) for the perpetual trusts and charitable remainder trusts are included in revenue, gains, and other support.

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Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements:

	Fair Value at June 30, 2022	Valuation Technique	Unobservable Inputs	Range
Beneficial interest in perpetual trusts	\$ 5,465,869	Discounted cash flows	Discount rates Market return rates	3% - 7%
Beneficial interest in charitable remainder trusts	227,144	Discounted cash flows	Mortality assumptions Market return rates	4% - 8%
Investment in real estate	3,000,000	Discounted cash flows	Discount rates Market comparables	3% - 10%

	Fair Value at June 30, 2021	Valuation Technique	Unobservable Inputs	Range
Beneficial interest in perpetual trusts	\$ 6,762,673	Discounted cash flows	Discount rates Market return rates	3% - 7%
Beneficial interest in charitable remainder trusts	230,037	Discounted cash flows	Mortality assumptions Market return rates	4% - 8%
Investment in real estate	2,700,000	Discounted cash flows	Discount rates Market comparables	3% - 10%

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Note 16: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 28,336,287	\$ 22,742,807
Accounts receivable, net of allowance	1,950,195	1,516,654
Contributions receivable	107,847	290,962
Investments	6,750,000	6,100,000
Beneficial interest in perpetual trust and charitable remainder trusts	150,340	132,336
	\$ 37,294,669	\$ 30,782,759

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities, as well as the conduct of service undertaken to support those activities, to be general expenditures.

The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit (Note 6). At June 30, 2022, the University has \$63,279,228 of accumulated earnings on endowment net assets, while not expected to be needed, represent the spendable yet restricted portion of the University's donor-restricted endowment that could be used to meet cash needs, if necessary. Student loan receivables are not considered to be available to meet general expenditures because principal and interest payments on these loans are used solely to make new loans.

In addition to financial assets available to meet general expenditures within one year, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 17: Revenue from Contracts with Students

Tuition and Auxiliary Services Revenue

Revenue from contracts with students for tuition, residential services, bookstore, and meal plan services is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and housing, food, and other services. These amounts are due from students, third-party payers, and others and are net of scholarships and institutional aid of \$32,882,092 and \$32,345,647 for the years ended June 30, 2022 and 2021, respectively.

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Revenue is recognized as performance obligations are satisfied, which is primarily ratably over the academic term with the exception of certain meal plans, bookstore fees, and other miscellaneous fees that are recognized at a point in time. Generally, the University bills students prior to the beginning of the semester, and student accounts receivable are due in full before classes begin.

If a student withdraws within the first week of the beginning of the academic term, the student is entitled to a full refund. If a student withdraws during the second week of the academic term, the student is entitled to a 75% refund. If a student withdraws during the third week of the academic term, the student is entitled to a 50% refund. If a student withdraws during the fourth week of the academic term, the student is entitled to a 25% refund. No refunds are awarded after the end of the fourth week of the academic term. The University determines the refund liability at year-end based on actual experience subsequent to year-end.

Tuition, residential services, and meal plan services revenue are considered to be separate performance obligations. The University allocates the fees charged to students to tuition and housing, food, and other services based on standalone charges to students for tuition and those other services.

Transaction Price and Recognition

The University determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid in accordance with the University's policies for granting certain merit-based aid. The University determines its estimates of explicit price concessions based on its discount policies and merit awards.

From time to time the University will incur student credit balances and student deposits which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2022, and 2021, the University has a liability for refunds or deposits from students recorded of \$379,141 and \$393,650, respectively.

The University has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payers (for example, students' governmental programs and others) that have different reimbursement and payment methodologies
- Demographic and enrollment trends
- Institutional aid and federal and state aid programs

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Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Because all of its performance obligations relate to contracts with a duration of less than one year, the University has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing instruction to students. The performance obligations for these contracts are generally completed when the academic term is completed.

The University expects to recognize revenue of \$1,673,850 of tuition revenue in fiscal 2023 when the summer 2022 academic term is completed.

Disaggregation of Revenue

The composition of revenues by segment for the years ended June 30, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Net tuition and fees	\$ 35,734,644	\$ 35,871,927
Room	7,629,366	7,240,839
Board	4,371,462	4,239,988
Other	<u>147,420</u>	<u>659,735</u>
	<u><u>\$ 47,882,892</u></u>	<u><u>\$ 48,012,489</u></u>

The composition of revenue based on timing of revenue recognition for the years ended June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Services transferred over time	\$ 43,364,010	\$ 43,112,766
Sales at point in time	<u>4,518,882</u>	<u>4,899,723</u>
	<u><u>\$ 47,882,892</u></u>	<u><u>\$ 48,012,489</u></u>

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Contract Balances

The following table provides information about the University's receivables and contract liabilities:

	<u>2022</u>	<u>2021</u>
Accounts receivable, beginning of the year	\$ 924,753	\$ 759,968
Accounts receivable, end of the year	1,099,597	924,753
Deferred revenue, beginning of the year	\$ 1,491,160	\$ 1,009,712
Deferred revenue, end of the year	1,673,850	1,491,160

Deferred revenue balances are included within accrued expenses on the consolidated statements of financial position.

Note 18: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 22% of contribution revenue resulted from one donor in 2022. There was no such contribution in 2021.

Investments

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the investment amounts reported in the consolidated statements of financial position.

Claims

The University is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets, and cash flows of the University.

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Note 19: Coronavirus Events

The spread of the SARS-CoV-2 virus and the incident of COVID-19 impacted and disrupted the University's operations over the past year. Adhering to public safety measures and government mandates resulted in events and activities being limited or cancelled, including changes to how the University delivered educational and related auxiliary services during fiscal 2022 and 2021. Given the uncertainty and the disruption caused by COVID-19, there may be continuing short and long-term implications to the University's operations and the ultimate financial effects cannot be reasonably estimated at this time.

Higher Education Emergency Relief Funds

Federal relief efforts have been created to help offset revenue losses and expense increases that colleges and universities faced because of COVID-19. The *Coronavirus Aid, Relief, and Economic Security Act* (CARES) created a Higher Education Emergency Relief Fund (HEERF) to provide financial relief to students and institutions who were impacted by the COVID-19 pandemic. The *Coronavirus Response and Relief Supplemental Appropriations Act* (CRRSAA) and the American Rescue Plan (ARP) provided additional rounds of HEERF (II and III). The HEERF funds contained two components, an institutional award, and a student aid award. The student aid portion must be distributed to students in the form of emergency financial aid grants to generally cover any component of the cost of attendance for the distribution of education or emergency costs that arose due to COVID-19. The institutional portion can be used for multiple items, but largely to cover lost revenue, defray and pay for expenses related to the disruption of campus operations due to COVID-19, and reimburse for costs associated with a transition to distance education environment, among other items.

The following cumulative amounts have been awarded as HEERF as of June 30, 2022 and 2021:

	2022			2021		
	Student	Institutional	Total	Student	Institutional	Total
	Portion	Portion		Portion	Portion	
Awarded						
HEERF I	\$ 1,104,794	\$ 1,104,793	\$ 2,209,587	\$ 1,104,794	\$ 1,104,793	\$ 2,209,587
HEERF II	1,104,794	2,130,886	3,235,680	1,104,794	2,130,886	3,235,680
HEERF III	2,873,761	2,873,761	5,747,522	2,873,761	2,873,761	5,747,522
	<u>\$ 5,083,349</u>	<u>\$ 6,109,440</u>	<u>\$ 11,192,789</u>	<u>\$ 5,083,349</u>	<u>\$ 6,109,440</u>	<u>\$ 11,192,789</u>

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The following amounts have been applied to the grant for the years ending June 30, 2022 and 2021:

	2022			2021		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
Amounts Applied						
HEERF I	\$ -	\$ -	\$ -	\$ 236,336	\$ -	\$ 236,336
HEERF II	-	-	-	1,104,794	2,130,886	3,235,680
HEERF III	2,873,761	-	2,873,761	-	2,873,761	2,873,761
	<u>\$ 2,873,761</u>	<u>\$ -</u>	<u>\$ 2,873,761</u>	<u>\$ 1,341,130</u>	<u>\$ 5,004,647</u>	<u>\$ 6,345,777</u>

Employee Retention Credit

Additionally, the CARES Act subsequently expanded under the Consolidated Appropriations Act (CAA) and contained a business relief provision known as the Employee Retention Credit (ERC), a refundable payroll tax credit for “qualified wages” paid to retain full-time employees. Employers qualified either under a gross receipts decline test or a partial suspension of operations based on a government mandate. The University has filed and received credits totaling \$6,363,363, which is recorded as grant revenue in the 2022 consolidated statement of activities.

Note 20: U.S. Department of Education Financial Responsibility Ratio

The following information is required by the U.S. Department of Education for the year ended June 30, 2022:

	2022
Property, plant and equipment, net of accumulated depreciation pre-implementation	\$ 124,597,541
Property, plant and equipment, net of accumulated depreciation post-implementation without outstanding debt for purchase	14,888,158
Total revenue and gains without donor restrictions	71,808,254

Note 21: Subsequent Events

Subsequent events have been evaluated through October 13, 2022, which is the date the consolidated financial statements were available to be issued.

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Note 22: Future Changes in Accounting Principles

New Lease Accounting Standards

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the consolidated balance sheets as both a right-of-use asset and a liability. The standard has two types of leases for consolidated statements of operations recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The University is evaluating the effect the standard will have on the consolidated financial statements.