# Grand View University

Financial Report
June 30, 2022

## Contents

RSM

RSM US LLP

# Independent Auditor's Report

Board of Trustees
Grand View University

**Opinion**
We have audited the financial statements of Grand View University (the University), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 University as of June 30, 2022 and 2021, 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University 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 University's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

**Auditor's 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

RSM US LLP

Des Moines, Iowa
October 12, 2022

## Grand View University

## Statements of Financial Position
## June 30, 2022 and 2021

| | | **2022** | | 2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | **$** | **4,426,220** | $ | 6,136,460 |
| Student and other receivables, net | | **760,489** | | 751,784 |
| Prepaid expenses | | **715,947** | | 710,812 |
| Inventories | | **251,046** | | 285,767 |
| Contributions receivable, net | | **508,568** | | 242,946 |
| Investments | | **33,554,923** | | 33,769,530 |
| Student loans receivable, net | | **308,679** | | 484,303 |
| Other assets | | **84,888** | | 83,033 |
| Debt service reserve fund | | **1,944,690** | | 2,093,421 |
| Interest rate swap asset | | **297,348** | | - |
| Land, buildings and equipment, net | | **76,871,803** | | 75,992,618 |
| **Total assets** | **$** | **119,724,601** | $ | 120,550,674 |
| **Liabilities and Net Assets** | | | | |
| Liabilities: | | | | |
| Line of credit | **$** | **3,123,202** | $ | - |
| Accounts payable | | **1,186,033** | | 1,906,788 |
| Student deposits | | **542,714** | | 613,042 |
| Deferred revenue | | **1,571,867** | | 5,319,790 |
| Accrued expenses | | **2,318,924** | | 2,432,350 |
| Notes and bonds payable, net | | **37,672,811** | | 39,574,870 |
| Interest rate swap liability | | **-** | | 519,581 |
| Advances from federal government for student loans and grants | | **275,276** | | 402,516 |
| **Total liabilities** | | **46,690,827** | | 50,768,937 |
| Commitments and contingencies (Notes 13 and 15) | | | | |
| Net assets: | | | | |
| Without donor restrictions: | | | | |
| Undesignated | | **38,524,491** | | 35,106,721 |
| Board designated: | | | | |
| United States government loan program | | **153,788** | | 176,739 |
| Long-term investment | | **3,524,888** | | 2,312,301 |
| **Total net assets without donor restrictions** | | **42,203,167** | | 37,595,761 |
| With donor restrictions: | | | | |
| Time-restricted for future periods | | **99,917** | | 104,737 |
| Purpose restricted | | **12,282,835** | | 15,329,499 |
| Purpose restricted—perpetuity | | **18,447,855** | | 16,751,740 |
| **Total net assets with donor restrictions** | | **30,830,607** | | 32,185,976 |
| **Total net assets** | | **73,033,774** | | 69,781,737 |
| **Total liabilities and net assets** | **$** | **119,724,601** | $ | 120,550,674 |

See notes to financial statements.

**Grand View University**

**Statement of Activities**
**Year Ended June 30, 2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Operating revenues: | | | |
| Student tuition and fees | $ 43,482,233 | $ - | $ 43,482,233 |
| Scholarships and fellowships | (23,913,601) | - | (23,913,601) |
| **Net tuition and fees** | 19,568,632 | - | 19,568,632 |
| Gifts | 312,504 | 683,336 | 995,840 |
| Grants | 5,757,543 | 1,107,258 | 6,864,801 |
| Investment income | 98,412 | - | 98,412 |
| Endowment spending utilized in operations | 73,381 | 1,050,607 | 1,123,988 |
| Sales and services of auxiliary enterprises | 8,764,999 | - | 8,764,999 |
| Other income, net | 741,641 | 419,868 | 1,161,509 |
| Net assets released from restrictions | 3,270,761 | (3,270,761) | - |
| **Total operating revenues** | 38,587,873 | (9,692) | 38,578,181 |
| Operating expenses: | | | |
| Instruction and research | 12,231,253 | - | 12,231,253 |
| Academic support | 3,139,887 | - | 3,139,887 |
| Student services | 9,049,037 | - | 9,049,037 |
| Institutional support | 8,219,620 | - | 8,219,620 |
| Auxiliary enterprises | 6,732,897 | - | 6,732,897 |
| **Total operating expenses** | 39,372,694 | - | 39,372,694 |
| **Change in net assets from operating activities** | (784,821) | (9,692) | (794,513) |
| Nonoperating activities: | | | |
| Contributions restricted for building and equipment | - | 61,178 | 61,178 |
| Gifts for nonoperating purposes | 1,533,600 | 1,698,315 | 3,231,915 |
| Federal loan forgiveness | 3,504,600 | - | 3,504,600 |
| Net assets released from restrictions | 43,205 | (43,205) | - |
| Change in fair value of interest rate swap | 816,929 | - | 816,929 |
| Change in fair value of debt service reserve fund | (185,093) | - | (185,093) |
| Investment return from endowment | (247,633) | (2,011,358) | (2,258,991) |
| Endowment spending utilized in operations | (73,381) | (1,050,607) | (1,123,988) |
| **Change in net assets from nonoperating activities** | 5,392,227 | (1,345,677) | 4,046,550 |
| **Change in net assets** | 4,607,406 | (1,355,369) | 3,252,037 |
| Net assets at beginning of year | 37,595,761 | 32,185,976 | 69,781,737 |
| Net assets at end of year | $ 42,203,167 | $ 30,830,607 | $ 73,033,774 |

See notes to financial statements.

**Grand View University**

**Statement of Activities**
**Year Ended June 30, 2021**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Operating revenues: | | | |
| Student tuition and fees | $ 44,368,932 | $ - | $ 44,368,932 |
| Scholarships and fellowships | (22,711,807) | - | (22,711,807) |
| **Net tuition and fees** | 21,657,125 | - | 21,657,125 |
| Gifts | 312,863 | 571,725 | 884,588 |
| Grants | 4,098,134 | 645,036 | 4,743,170 |
| Investment income | 93,719 | - | 93,719 |
| Endowment spending utilized in operations | 62,007 | 953,005 | 1,015,012 |
| Sales and services of auxiliary enterprises | 8,665,172 | - | 8,665,172 |
| Other income, net | 790,684 | 283,882 | 1,074,566 |
| Net assets released from restrictions | 2,348,363 | (2,348,363) | - |
| **Total operating revenues** | 38,028,067 | 105,285 | 38,133,352 |
| Operating expenses: | | | |
| Instruction and research | 12,017,581 | - | 12,017,581 |
| Academic support | 2,971,018 | - | 2,971,018 |
| Student services | 8,252,582 | - | 8,252,582 |
| Institutional support | 7,629,332 | - | 7,629,332 |
| Auxiliary enterprises | 6,827,228 | - | 6,827,228 |
| **Total operating expenses** | 37,697,741 | - | 37,697,741 |
| **Change in net assets from operating activities** | 330,326 | 105,285 | 435,611 |
| Nonoperating activities: | | | |
| Contributions restricted for building and equipment | - | 138,929 | 138,929 |
| Gifts for nonoperating purposes | 245,381 | 84,824 | 330,205 |
| Net assets released from restrictions | 39,188 | (39,188) | - |
| Change in fair value of interest rate swap | 490,886 | - | 490,886 |
| Change in fair value of debt service reserve fund | (29,318) | - | (29,318) |
| Investment return from endowment | 442,441 | 6,878,958 | 7,321,399 |
| Endowment spending utilized in operations | (62,007) | (953,005) | (1,015,012) |
| **Change in net assets from nonoperating activities** | 1,126,571 | 6,110,518 | 7,237,089 |
| **Change in net assets** | 1,456,897 | 6,215,803 | 7,672,700 |
| Net assets at beginning of year | 36,138,864 | 25,970,173 | 62,109,037 |
| Net assets at end of year | $ 37,595,761 | $ 32,185,976 | $ 69,781,737 |

See notes to financial statements.

**Grand View University**

**Statements of Cash Flows**
**Years Ended June 30, 2022 and 2021**

| | 2022 | 2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 3,252,037 | $ 7,672,700 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | 3,426,288 | 3,492,756 |
| Amortization | 60,274 | 61,640 |
| Realized and unrealized (gains) losses on investments, net | 2,740,029 | (6,999,239) |
| Noncash contributions | (1,345,448) | (20,312) |
| Contributions and income restricted for long-term investment | (3,290,894) | (223,037) |
| Change in fair value of interest rate swap | (816,929) | (490,886) |
| Changes in assets and liabilities: | | |
| Student and other receivables | (8,705) | 524,664 |
| Student loans receivable | 6,792 | 30,764 |
| Prepaid expenses | (5,135) | (178,609) |
| Inventories | 34,721 | 38,000 |
| Other assets | (1,855) | (1,851) |
| Contributions receivable | (265,622) | 422,400 |
| Deferred revenue | (243,323) | (303,857) |
| Deferred revenue—Federal PPP Loan Forgiveness | (3,504,600) | - |
| Accounts payable | (361,178) | 248,421 |
| Student deposits | (70,328) | 11,967 |
| Accrued expenses | (113,426) | 159,273 |
| **Net cash (used in) provided by operating activities** | (507,302) | 4,444,794 |
| Cash flows from investing activities: | | |
| Purchase of investments | (10,114,882) | (13,101,357) |
| Proceeds from sales and maturities of investments | 9,083,639 | 13,203,219 |
| Purchase of land, buildings and equipment | (4,665,050) | (799,629) |
| Payments from student loans receivable | 168,832 | 153,804 |
| **Net cash used in investing activities** | (5,527,461) | (543,963) |
| Cash flows from financing activities: | | |
| Payments on notes and bonds payable | (1,962,333) | (1,894,709) |
| Proceeds from line of credit | 3,123,202 | - |
| Payments to federal government for student loans and grants | (127,240) | (188,566) |
| Contributions and income restricted for long-term investments | 3,290,894 | 223,037 |
| **Net cash provided by (used in) financing activities** | 4,324,523 | (1,860,238) |
| **Net increase (decrease) in cash and cash equivalents** | (1,710,240) | 2,040,593 |
| Cash and cash equivalents: | | |
| Beginning | 6,136,460 | 4,095,867 |
| Ending | $ 4,426,220 | $ 6,136,460 |

(Continued)

**Grand View University**

**Statements of Cash Flows (Continued)**
**Years Ended June 30, 2022 and 2021**

| | **2022** | 2021 |
|---|---|---|
| Supplemental disclosures of cash flow information: | | |
| Cash payments for interest | **$ 1,471,171** | $ 1,537,677 |
| | | |
| Supplemental disclosures of noncash investing and financing activities: | | |
| Purchase of property and equipment on account | **$ 100,000** | $ 459,577 |

See notes to financial statements.

## Note 1. Summary of Significant Accounting Policies and Related Matters

**Nature of operations:** Grand View University (the University) is a private, liberal arts institution located in Des Moines, Iowa, serving primarily students from Iowa. It is affiliated with the Evangelical Lutheran Church in America and is accredited by the Higher Learning Commission for baccalaureate degrees as well as master's degrees.

**Basis of presentation:** The financial statements of the University have been prepared on the accrual basis of accounting. The University has adopted authoritative accounting guidance for nonprofit organizations, which requires that resources be classified for reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions.

Descriptions of the two net asset categories and types of transactions affecting each category follow:

***Without donor restrictions:*** Net assets not subject to donor-imposed restrictions.

***With donor restrictions:*** Net assets with donor restrictions include net assets that are subject to donor-imposed restrictions that may or will be met either by actions of the University or the passage of time. In addition, net assets with donor restrictions include net assets with donor-imposed restrictions to be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

**Accounting estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 statements of financial position and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** Cash and cash equivalents include interest-bearing money market accounts and other investments with a maturity of less than three months at the date of purchase other than money market mutual funds included in the investment portfolio. Cash at June 30, 2022 and 2021, included $186,972 and $169,005, respectively, restricted to use in the Federal Perkins Loan Program.

**Accounts and loans receivable:** Accounts receivable are carried at the unpaid balance of the original amount billed to students net of allowance for doubtful accounts of $267,619 and $249,508 at June 30, 2022 and 2021, respectively. Student loans receivable are carried at the amount of unpaid principal net of allowance for doubtful accounts of $350,563 and $367,933 at June 30, 2022 and 2021, respectively. Management determines the allowance for doubtful accounts by calculating a specific percent reserve on the aging of the accounts based on historical experience and by identifying specific past due amounts. Student accounts and loans receivable are written off when deemed uncollectible and when student loans receivable are assigned to the U.S. Department of Education. Recoveries of student accounts and loans receivable previously written off are recorded when received. Recoveries totaled approximately $58,220 and $42,064 for the years ended June 30, 2022 and 2021, respectively. The provisions for bad debts, net, charged to expense totaled approximately $18,000 and $0 for the years ended June 30, 2022 and 2021, respectively.

Interest is charged on student accounts receivable that is past due and is recognized as it is charged. A student account receivable is considered to be past due if any portion of the receivable balance is outstanding at the beginning of the term to which the charges relate or if payments are not received as agreed upon. Once a receivable is sent to a collection agency, accrual of interest is suspended and recorded only if collected.

## Note 1. Summary of Significant Accounting Policies and Related Matters (Continued)

Interest is charged and recognized on student loans receivable after a student is no longer enrolled in an institution of higher education and after a grace period. Interest is recognized as charged. Late fees are charged if payments are not paid by the payment due date and are recognized as they are received. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education or, in the case of loan funds of the University, based on the respective program.

**Inventories:** Bookstore inventories are stated at the lower of weighted average cost or market.

**Investments:** Investments in equity and debt securities are recorded at fair value with gains and losses included in the statements of activities. Other investments are carried at fair value, measured using net asset value (NAV) as the practical expedient as provided by the fund manager. Investments in money market funds are recorded at cost which approximates fair value.

**Debt service reserve fund:** Debt service reserve fund is invested in bonds and is recorded at fair value with gains and losses included in the statements of activities.

**Land, buildings and equipment:** Land, buildings and equipment are stated at cost or, if received by gift, at fair market value at the date of gift. Depreciation is provided on the straight-line basis over the estimated useful lives of depreciable property and equipment. Interest is capitalized on construction projects with construction periods of greater than one year.

| | Years |
|---|---|
| Buildings | 20-60 |
| Equipment and vehicles | 3-10 |

**Advances from federal government for student loans and grants:** Funds provided by the United States government under the Federal Perkins Loan Program were loaned to qualified students and previously reloaned after collection. During the year ended June 30, 2018, this program was discontinued and funds can no longer be reloaned to qualified students and must be remitted back to the federal government upon collection. The University continues to service outstanding loans. These funds are ultimately refundable to the United States government and are included as a liability in the statements of financial position.

**Revenue recognition:** Revenues are reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are recorded when earned and are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date received. Contributions with donor-imposed restrictions that are met within the same reporting period are reported as with donor restriction revenues, and a reclassification to without donor restrictions is made to reflect the expiration of such restrictions.

### Note 1. Summary of Significant Accounting Policies and Related Matters (Continued)

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts are recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. The University determines the allowance for doubtful contributions by identifying troubled receivables and using historical experience applied on aging contributions receivable.

Contributions of exhaustible long-lived assets, or of cash or other assets to be used to acquire them, without donor stipulations concerning the use of such long-lived assets, are reported as revenues with donor restrictions net asset class and released when the asset is placed in service.

Income and net unrealized and realized gains on investments are reported as follows:

- Increases in net assets with donor restrictions if the terms of the gift or the interpretation of relevant State law require that they be added to the principal of a permanent endowment fund.

- Increases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income.

- Increases in net assets without donor restrictions in all other cases.

Grant contributions represent funding with specific provisions and terms in support of specific programs or initiatives. Grant proceeds received in advance of a contract requirement are recorded as deferred grant revenue until conditions are met. The University had no cost-reimbursable grants that had not been recognized at June 30, 2022 and 2021 and had $804,790 and $943,064 received in advance under the federal and state contracts and grants that are recorded in deferred revenue at June 30, 2022 and 2021, respectively.

Tuition and fees are recognized as revenue without donor restriction in the applicable enrollment period that the University provides services to its students. Students are billed tuition and fees prior to the term start date either at a fixed flat rate or on a per credit hour rate based on the program. Tuition, fees and credit hour rates are updated and published annually prior to each academic year. The University recognizes tuition revenue in the same academic year in which the performance obligation is satisfied. The academic year is finished prior to the University's fiscal year end. Adjustments to tuition revenue due to leave of absences or withdrawals are recorded when incurred. Student financial aid is applied prior to the term start dates for cohort programs and subsequent to the add or drop period for master's programs. Financial aid and financing utilized by students includes University scholarships, outside scholarships and loans, Federal Direct Loans, and campus-based federal and institutional loans. Balances due after financial aid is applied are considered to be past due if any portion of the receivable balance is outstanding after the start of the term to which the charges relate or payments are not received as agreed upon. Students with outstanding balances from a prior term are not able to register for future terms until the balance has been paid or the student has an agreed upon payment plan.

Sales and services of auxiliary enterprises are recorded at the point of sale. In addition, included in auxiliary enterprises revenue are charges for room and board. Students are billed room and board prior to the term start date at a fixed fee. The University recognizes the room and board in the academic year in which the performance obligation is satisfied.

**Scholarships and fellowships:** Scholarships and fellowships are offered by the University to attract and retain students. The University offers scholarships and fellowships to students in the form of merit-based scholarships and need-based fellowships at the University's discretion.

## Note 1. Summary of Significant Accounting Policies and Related Matters (Continued)

**Income taxes:** The University is recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University may be subject to federal and state income taxes on any net income from unrelated business activities. The University files a Form 990 (Return of Organization Exempt from Income Tax) annually and unrelated business income (UBI) is reported on Form 990-T, as appropriate. Management has evaluated their material tax positions, which include such matters as the tax-exempt status of the entity and various positions relative to potential sources of UBI. As of June 30, 2022 and 2021, there were no uncertain tax benefits identified and recorded as a liability.

**Operating and nonoperating activities:** The University has reported its activities as operating or nonoperating. Operating activities are an integral part of the programs, services and mission of the University. Nonoperating activities do not directly affect the programs and services of the University, such as contributions restricted for land, buildings and equipment or permanently restricted contributions. The difference between investment return and the spending rate is reported as a nonoperating activity.

**Asset retirement obligations:** The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, in accordance with authoritative accounting guidance regarding asset retirement obligations. The University has a liability recorded of approximately $147,000 for the years ended June 30, 2022 and 2021, which is included with accrued expenses on the statements of financial position.

**Concentration of credit risk:** The University had cash balances with financial institutions in excess of FDIC-insured limits during the year ended June 30, 2022. The University has not experienced any losses due to these concentrations.

**Fair value measurements:** In general, fair value measurements are based upon quoted market prices, where available. If quoted market prices are not available, fair value measurements are estimated using relevant market information and other assumptions as described in Note 12.

**Derivative financial instruments:** Changes in the fair value of derivatives during the year are reported in the statements of activities. The University's participation in interest rate swap agreements as described in Note 7 are considered derivative financial instruments and have been reported in the statements of financial position at June 30, 2022 and 2021, at fair value. Changes in the fair value of the University's participation in the agreements during the year are reported in the statements of activities as change in fair value of interest rate swap agreements. The net cash received or paid under the terms of the University's participation is reported as a component of interest expense.

**Post-employment and pension liabilities:** The University provides post-employment and retirement benefits for academic and nonacademic personnel. Post-employment and retirement expenses for the years ended June 30, 2022 and 2021 totaled $100,237 and $117,686, respectively. The related liability to employees totaled $142,849 and $145,530 as June 30, 2022 and 2021, respectively, and are included on the University's statements of financial position.

## Note 1. Summary of Significant Accounting Policies and Related Matters (Continued)

**Recent accounting pronouncements:** In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, *Reference Rate Reform (Topic 848)—Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in ASU 2020-04 provide optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of LIBOR (London Interbank Offering Rate) and other interbank-offered based reference rates as of the end of December 31, 2021. ASU 2020-04 is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. The University has not entered into a rate related contract modification, and is currently assessing the impact that this guidance will have on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021. The University adopted the ASU during the year ended June 30, 2022, with no significant impact on the financial statements.

**Subsequent events:** Subsequent events have been evaluated for potential recognition and disclosure through October 12, 2022, the date the financial statements were available to be issued.

## Note 2. Contributions Receivable

Unconditional promises to give at June 30, 2022 and 2021, are summarized as follows:

| | 2022 | 2021 |
|---|---|---|
| Restricted for time | $ 190,023 | $ 92,414 |
| Restricted for instruction and operational support | 201,952 | 15,796 |
| Restricted for student scholarships and services | 95,583 | 90,460 |
| Restricted for purchase or renovation of property and equipment | 24,821 | 46,905 |
| Gross unconditional promises to give | 512,379 | 245,575 |
| Less allowance for uncollectible unconditional promises | (46) | (126) |
| Less unamortized discount at rates from 0.29% to 2.73% | (3,765) | (2,503) |
| Net unconditional promises to give | $ 508,568 | $ 242,946 |

| | 2022 | 2021 |
|---|---|---|
| Amount due in: | | |
| Less than one year | $ 487,227 | $ 202,559 |
| One year to five years | 10,132 | 21,320 |
| Over five years | 15,020 | 21,696 |
| Gross unconditional promises to give | $ 512,379 | $ 245,575 |

Included in gross unconditional promises to give are approximately $0 and $5,000 of related-party receivables from members of the Board of Trustees, affiliates of the Board, and officers and employees of the University as of June 30, 2022 and 2021, respectively. There were no unconditional promises to give restricted to time of annuities with donor restrictions as of June 30, 2022 and 2021.

## Note 3. Liquidity

The University's financial assets available within one year from the statements of financial position date for general operating expenses are as follows as of June 30:

| | 2022 | 2021 |
|---|---|---|
| Financial assets at year-end: | | |
| Cash and cash equivalents | $ 4,426,220 | $ 6,136,460 |
| Student and other receivables, net | 760,489 | 751,784 |
| Contributions receivable, net | 483,416 | 199,930 |
| Short-term investments | 2,666,066 | 2,402,499 |
| Other investments appropriated for current use | 1,363,983 | 1,276,199 |
| Total financial assets as of June 30 | 9,700,174 | 10,766,872 |
| Add amount available on line of credit | 1,876,798 | 5,000,000 |
| Total liquidity as of June 30 | $ 11,576,972 | $ 15,766,872 |

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. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a $5,000,000 line of credit with a bank with outstanding borrowings of $3,123,202 and $0 for the years ended June 30, 2022 and 2021, respectively. The line of credit expires annually (February 2023) and the University expects to renew. In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget on a cash basis and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

For the 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 services undertaken to support those activities to be general expenditures.

The University's governing board has designated a portion of its resources to function as an endowment and for other purposes, which are not considered available. Those amounts are identified as net assets without restrictions, board designated. These resources are invested for long-term appreciation and current income and may be spent at the discretion and approval of the Board of Trustees.

## Note 4. Investments

The University's long-term investment portfolio at June 30, 2022 and 2021, consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Endowment investments: | | |
| Equities; U.S. common stocks | $ 3,017,266 | $ 3,688,649 |
| Bonds: | | |
| Government securities | 1,344,340 | 1,192,092 |
| Corporate bonds | 627,697 | 765,733 |
| Equity mutual funds: | | |
| U.S.—large cap | 7,331,998 | 9,135,382 |
| Non-U.S.—large cap | 5,152,233 | 6,544,865 |
| Emerging markets | 1,419,489 | 2,077,125 |
| Fixed income mutual funds: | | |
| U.S.—total return | 3,693,395 | 2,976,288 |
| Alternative investments: | | |
| Absolute return | 2,354,864 | 1,851,480 |
| Private equity | 5,166,075 | 3,292,931 |
| Real assets mutual fund | 1,516,223 | 1,119,302 |
| Money market funds | 1,195,081 | 319,569 |
| | 32,818,661 | 32,963,416 |
| Nonendowment investments, Other | 736,262 | 806,114 |
| | $ 33,554,923 | $ 33,769,530 |

Investment income for the years ended June 30, 2022 and 2021, consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Interest and dividends | $ 564,515 | $ 520,220 |
| Realized gains and (losses), net | 831,834 | 1,451,274 |
| Unrealized gains, net | (3,386,770) | 5,577,283 |
| Investment management fees | (170,158) | (133,659) |
| | $ (2,160,579) | $ 7,415,118 |

The investments of the University are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

## Note 5. Student Loans Receivable

The University makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. Student loans receivable represented 0.26% and 0.40% of total assets as of June 30, 2022 and 2021, respectively.

At June 30, 2022 and 2021, student loans consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Federal government programs | $ 592,891 | $ 778,048 |
| Institutional programs | 66,351 | 74,188 |
| | 659,242 | 852,236 |
| Less allowance for doubtful accounts: | | |
| Beginning of the year | (367,933) | (365,009) |
| (Increases) decreases | 17,370 | (2,924) |
| End of year | (350,563) | (367,933) |
| Student loans receivable, net | $ 308,679 | $ 484,303 |

The University participates in the Perkins Loan federal revolving loan program. Effective July 1, 2018, the new loan disbursements under the Perkins Loan program were suspended. Funds advanced by the federal government are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a decrease in the liability to the government.

At June 30, 2022 and 2021, the following amounts were past due under student loan programs:

| | 2022 | 2021 |
|---|---|---|
| Past due 1-45 days | $ 1,183 | $ 1,117 |
| Past due 45-105 days | 391 | 396 |
| Past due more than 105 days | 407,192 | 427,590 |
| Total past due | $ 408,766 | $ 429,103 |

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Federal student loans receivable are written off when deemed uncollectible and when student loans receivable may be assigned to the U.S. Department of Education. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

### Note 5. Student Loans Receivable (Continued)

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of June 30, 2022:

| | Federal Loans | Institutional Loans | Total |
|---|---|---|---|
| Performing | $ 243,636 | $ 8,414 | $ 252,050 |
| Nonperforming | 349,255 | 57,937 | 407,192 |
| | $ 592,891 | $ 66,351 | $ 659,242 |

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of June 30, 2021:

| | Federal Loans | Institutional Loans | Total |
|---|---|---|---|
| Performing | $ 410,115 | $ 14,531 | $ 424,646 |
| Nonperforming | 367,933 | 59,657 | 427,590 |
| | $ 778,048 | $ 74,188 | $ 852,236 |

For student loans, the credit quality indicator is performance determined by delinquency status (90 days or more past due). Delinquency status is updated monthly by the University's loan servicer. Federal Perkins Loans that are originated and serviced properly under U.S. Department of Education regulations can be assigned to the U.S. Department of Education when deemed no longer collectible. The University is not aware of any material amount of loans not properly originated or serviced under U.S. Department of Education regulations.

### Note 6. Land, Buildings and Equipment

Land, buildings and equipment at June 30, 2022 and 2021, consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Land | $ 10,519,017 | $ 10,519,017 |
| Buildings | 94,586,669 | 94,330,158 |
| Rental properties | 893,045 | 893,045 |
| Vehicles | 366,647 | 368,483 |
| Equipment | 21,923,272 | 21,408,286 |
| Construction in progress | 3,674,893 | 176,391 |
| | 131,963,543 | 127,695,380 |
| Less accumulated depreciation | 55,091,740 | 51,702,762 |
| | $ 76,871,803 | $ 75,992,618 |

Land, buildings and equipment includes the net book value of assets that were acquired after July 1, 2019 of $2,365,392.

## Note 7. Notes, Bonds Payable and Line of Credit and Subsequent Event

Notes and bonds payable at June 30, 2022 and 2021, were comprised of the following:

| | 2022 | 2021 |
|---|---|---|
| Iowa Higher Education Loan Authority (IHELA): | | |
| Loan agreement maturing 2034 (A) | $ 17,975,000 | $ 18,395,000 |
| Loan agreement maturing 2035 (B) (F) | 10,280,000 | 10,855,000 |
| Loan agreements maturing 2021 and 2035 (C) (F) | 5,007,000 | 5,182,000 |
| City of Altoona, loan agreement maturing 2022 (D) (F) | 104,364 | 427,827 |
| City of Bondurant, loan agreement maturing 2035 (E) (F) | 4,860,000 | 5,335,000 |
| | 38,226,364 | 40,194,827 |
| Unamortized bond discount and premium | (159,596) | (165,726) |
| Unamortized debt issuance costs | (393,957) | (454,231) |
| | $ 37,672,811 | $ 39,574,870 |

(A) The agreement dated February 1, 2015, and maturing October 1, 2034, was entered into by the University for the purpose of refunding an IHELA loan agreement, that was originally issued for the purpose of financing construction, improvement and equipping of various campus student housing, classroom, office and athletic facilities. Interest is payable semiannually on April 1 and October 1, and principal is payable annually beginning October 1, 2015. The bonds bear interest at rates ranging from 3.00% to 4.25%. The bonds are callable in whole or part by the borrower on or after October 2023. In accordance with the bond agreement, the University is required to maintain a debt service reserve fund which shall be used solely for the payment of principal and interest on the bonds, and the agreement provides for certain covenants including financial ratios. The agreement is collateralized by a real estate mortgage on specific land, buildings and equipment.

(B) The agreement dated June 15, 2010, relates to the acquisition, construction, equipping and furnishing of a new student housing facility and related housing facility improvements, including parking. Interest is payable monthly, and principal is payable annually. The bond agreement has a variable rate formula adjusted to an index of 70% of one-month LIBOR plus 1.90%, which is reset monthly (3.10% as of June 30, 2022).

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 the full amount of the loan. The agreement was effective July 2017 and provides for the University to receive interest from the counterparty at 70% of one-month LIBOR plus 1.90% and to pay interest to the counterparty at the fixed rate of 3.03% on the outstanding loan balance. The swap terminates on October 1, 2026. At June 30, 2022 and 2021, the fair value of the swap agreement was an asset of approximately $313,400 and a liability of approximately $281,000, respectively.

(C) Tranche A—The agreement dated May 20, 2014, and maturing May 2035 relates to the renovation and construction of the Student Center. Interest is payable monthly with principal payments monthly beginning January 2020. The bond agreement has a variable interest rate indexed to 75% of one-month LIBOR plus 2.00% which is reset monthly (3.28% as of June 30, 2022). The variable rate formula may be adjusted beginning October 1, 2022.

**Note 7. Notes, Bonds Payable and Line of Credit and Subsequent Event (Continued)**

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 the full amount of the loan. The agreement was effective June 1, 2014, and provides for the University to receive interest from the counterparty at 75% of one-month LIBOR plus 2.00% and to pay interest to the counterparty at a fixed rate of 4.052% on the outstanding loan balance. Under the agreement, the University pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap terminates October 1, 2022. At June 30, 2022 and 2021, the fair value of the swap agreement was a liability of approximately $11,000 and $131,000, respectively.

(D) The agreement dated October 31, 2002, was amended on March 1, 2012, with the refunding and reissuance of outstanding bonds totaling $2,924,672. The loan relates to the acquisition, construction, equipping and furnishing of a new student housing facility and related housing facility improvements including, but not limited to, parking and general improvements to the facilities and campus of the University. Interest and principal are payable monthly, the loan agreement has a variable interest rate indexed to 70% of one-month LIBOR plus 2.10% which is reset monthly (3.30% as of June 30, 2022), and matures on October 15, 2022.

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 the full amount of the loan. The agreement provides for the University to receive interest from the counterparty at 70% of one-month LIBOR plus 2.10% and to pay interest to the counterparty at a fixed rate of 3.66% on the outstanding loan balance. Under the agreement, the University pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap terminates October 1, 2022. At June 30, 2022 and 2021, the fair value of the swap agreement was a liability of approximately $100 and $4,500, respectively.

(E) The agreement dated May 1, 2012, and maturing October 1, 2035, relates to the construction, improving and equipping of an addition to an existing student residence hall and related campus improvements including, but not limited to, parking and general improvements to the facilities and campus of the University. Interest is payable monthly and principal is payable annually. The loan agreement has a variable interest rate indexed to 70% of one-month LIBOR plus 2.10% which is reset monthly (3.30% as of June 30, 2022). The variable rate formula may be adjusted beginning October 1, 2022.

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 the full amount of the loan. The agreement provides for the University to receive interest from the counterparty at 70% of one-month LIBOR plus 2.10% and to pay interest to the counterparty at a fixed rate of 3.75% on the outstanding loan balance. Under the agreement, the University pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap terminates October 1, 2022. At June 30, 2022 and 2021, the fair value of the swap agreement was a liability of approximately $5,000 and $103,000, respectively.

(F) The agreement is collateralized by a real estate mortgage on the project and other specified campus property as specified in the Real Estate Mortgage, Security Agreement and Fixture Financing Statement and provides for certain covenants including financial ratios as specified in the Continuing Covenant Agreement dated March 15, 2012, and amended May 20, 2014.

## Note 7. Notes, Bonds Payable and Line of Credit and Subsequent Event (Continued)

Interest expense totaled approximately $1,469,000 and $1,533,000, for the years ended June 30, 2022 and 2021, respectively, under these obligations. The University capitalizes interest as a component of the cost of construction in progress. No interest was capitalized during the years ended June 30, 2022 and 2021.

Debt issuance costs are amortized by the effective interest method over the term of the related debt and are netted against notes and bonds payable.

Maturities of notes and bonds payable for the years ending June 30 are approximately: 2023 $2,054,000; 2024 $2,137,000; 2025 $1,945,000; 2026 $2,314,000; 2027 $2,685,000 and thereafter, $27,091,000.

The University has a $5,000,000 line of credit with a bank with an expiration date of February 28, 2023. Borrowings outstanding totaled $3,123,202 and $0 at June 30, 2022 and 2021, respectively. The interest rate on this line of credit is 0.50% below the prime rate with a 3.50% floor (4.25% at June 30, 2022). Interest expense totaled approximately $340 and $0 for the years ending June 30, 2022 and 2021, respectively, under the line of credit. Subsequent to year end the line of credit was paid in full.

The outstanding borrowings on the line of credit at June 30, 2022, relates to the purchase of 17.09 acres of land that was paid in full in July 2022.

On September 30, the University completed the credit renewal of the Series 2012B and 2014A Bonds. With the credit renewal, these variable rate bonds moved from a LIBOR-based interest rate to one based on SOFR, in line with the discontinuation of LIBOR in 2023. Bond counsel determined that the basis change was sufficient to require an amendment to the bond documents, triggering a refinancing for tax purposes. There were no new monies associated with this transaction.

## Note 8. Retirement Plans

The University has a defined contribution plan covering academic and nonacademic personnel. The University also participates in the defined contribution plans of the Evangelical Lutheran Church in America for its clergy personnel. Retirement plan expense for the years ended June 30, 2022 and 2021, totaled approximately $915,000 and $961,000, respectively.

The University also provides employees the opportunity to defer current compensation under both a 403(b) and a 457(b) plan. Although the University makes no contributions to these plans, the 457(b) plan assets and related liability to employees totaled approximately $736,000 and $806,000 at June 30, 2022 and 2021, respectively, and are included on the University’s statements of financial position.

## Note 9. Endowment Fund and Net Asset Classifications

The University’s Endowment Fund consists of various donor restricted endowment funds and funds designated as endowment, quasi-endowment, by the Board of Trustees. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

## Note 9. Endowment Fund and Net Asset Classifications (Continued)

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the 2008 Iowa legislature as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Grand View University classifies net assets as 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 as permanently restricted is also included in net assets with donor restriction and is temporarily restricted until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the State of Iowa in its enacted version of UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the Endowment Fund; (2) the purposes of the University and the donor-restricted Endowment Fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the University; and (7) the investment policies of the University.

The University has adopted investment and spending policies for its Endowment Fund. The objective of these policies is to provide the University a predictable funding stream for its programs while protecting the purchasing power of the Endowment Fund. To satisfy its long-term rate-of-return objective, the University expects to maintain appropriate diversification among equity, fixed income and alternative investment allocations as stipulated by its investment policy. The purpose is to moderate the overall investment risk of the Endowment Fund.

The Board of Trustees of Grand View University may appropriate for expenditure or accumulate so much of the Endowment Fund as the University determines is prudent for the uses, benefits, purposes and duration for which the Endowment Fund is established. The amount appropriated, the spending policy, is a Board approved percentage applied to the average fair value of the endowment fund assets during the prior three-year period. In cases where the fair value of endowment fund assets fall below the original value of the gifts donated to the permanent endowment, the Board has determined that no funds shall be appropriated. The Board approved spending percentage was 5.00% of a three-year moving average of endowment assets for both fiscal years ended June 30, 2022 and 2021.

Endowment net assets as of June 30, 2022, were as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor restricted endowment funds: | | | |
| Instruction and operational support | $ - | $ 10,147,169 | $ 10,147,169 |
| Student scholarships and services | - | 14,195,080 | 14,195,080 |
| Institutional support | - | 310,414 | 310,414 |
| Academic support | - | 258,633 | 258,633 |
| Property, plant and equipment | - | 1,250,805 | 1,250,805 |
| General endowment | - | 3,136,417 | 3,136,417 |
| Board designated (quasi) endowment funds: | | | |
| Instruction and operational support | 3,524,888 | - | 3,524,888 |
| Total endowment funds | $ 3,524,888 | $ 29,298,518 | $ 32,823,406 |

## Note 9. Endowment Fund and Net Asset Classifications (Continued)

Endowment net assets as of June 30, 2021, were as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor restricted endowment funds: | | | |
| Instruction and operational support | $ - | $ 11,102,691 | $ 11,102,691 |
| Student scholarships and services | - | 15,404,784 | 15,404,784 |
| Institutional support | - | 331,946 | 331,946 |
| Academic support | - | 287,250 | 287,250 |
| Property, plant and equipment | - | 46,807 | 46,807 |
| General endowment | - | 3,488,690 | 3,488,690 |
| Board designated (quasi) endowment funds: | | | |
| Instruction and operational support | 2,312,301 | - | 2,312,301 |
| Total endowment funds | $ 2,312,301 | $ 30,662,168 | $ 32,974,469 |

The changes in endowment net assets for the year ended June 30, 2022, were as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 2,312,301 | $ 30,662,168 | $ 32,974,469 |
| Investment return: | | | |
| Investment income | 47,472 | 423,758 | 471,230 |
| Net appreciation (depreciation) (realized and unrealized) | (295,105) | (2,435,116) | (2,730,221) |
| Total investment return | (247,633) | (2,011,358) | (2,258,991) |
| Gifts | 1,533,601 | 1,698,315 | 3,231,916 |
| Appropriation of endowment funds for expenditure | (73,381) | (1,050,607) | (1,123,988) |
| Endowment net assets, end of year | $ 3,524,888 | $ 29,298,518 | $ 32,823,406 |

**Note 9. Endowment Fund and Net Asset Classifications (Continued)**

The changes in endowment net assets for the year ended June 30, 2021, were as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 1,686,486 | $ 24,651,391 | $ 26,337,877 |
| Investment return: | | | |
| Investment income | 26,377 | 400,349 | 426,726 |
| Net appreciation (depreciation) (realized and unrealized) | 416,064 | 6,478,609 | 6,894,673 |
| Total investment return | 442,441 | 6,878,958 | 7,321,399 |
| Gifts | 245,381 | 84,824 | 330,205 |
| Appropriation of endowment funds for expenditure | (62,007) | (953,005) | (1,015,012) |
| Endowment net assets, end of year | $ 2,312,301 | $ 30,662,168 | $ 32,974,469 |

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration, underwater endowments. As of June 30, 2022 and 2021, the fair value of the underwater endowment funds were $156,426 and $0 on original gift amounts of $1,596,103 and $0, respectively.

## Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Gifts and other unexpended amounts available for: | | |
| Instruction and operational support | $ 4,913,158 | $ 5,922,490 |
| Student scholarships and services | 4,213,379 | 5,578,425 |
| Purchase or renovation of property and equipment | (54,487) | 223,888 |
| Institutional support | 3,210,785 | 3,604,696 |
| Time restrictions | 99,917 | 104,737 |
| | 12,382,752 | 15,434,236 |
| Gifts restricted to be held in perpetuity for which income is restricted for the following: | | |
| Instruction and operational support | 5,408,582 | 5,367,555 |
| Student scholarships and services | 10,997,710 | 10,705,161 |
| Institutional support | 37,312 | 37,312 |
| Academic support | 100,000 | 100,000 |
| Maintenance of property and equipment | 1,390,262 | 35,305 |
| General endowment | 513,989 | 506,407 |
| | 18,447,855 | 16,751,740 |
| | $ 30,830,607 | $ 32,185,976 |

The University's net assets restricted in perpetuity for the years ended June 30, 2022 and 2021, are $18,447,855 and $16,751,740, respectively.

## Note 11. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors and appropriated by the University for the years ended June 30, 2022 and 2021, as follows:

| | 2022 | 2021 |
|---|---|---|
| Instruction and operational support | $ 902,229 | $ 769,407 |
| Student scholarships and services | 1,337,262 | 1,086,902 |
| Purchase or renovation of property and equipment | 192,897 | 46,412 |
| Institutional support | 881,467 | 484,729 |
| | 3,313,855 | 2,387,450 |
| Time restrictions | 111 | 101 |
| | $ 3,313,966 | $ 2,387,551 |

## Note 12. Fair Value Measurements

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. Authoritative accounting guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, authoritative accounting guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

**Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other 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.

**Level 3:** Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the year ended June 30, 2022.

## Note 12. Fair Value Measurements (Continued)

Financial assets and financial liabilities measured at fair value on a recurring basis as of June 30, 2022 and 2021, are as follows:

| | June 30, 2022 | | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments: | | | | |
| Equities: | | | | |
| U.S. common stocks | $ 3,017,266 | $ 3,017,266 | $ - | $ - |
| Bonds: | | | | |
| Government securities | 3,289,030 | - | 3,289,030 | - |
| Corporate bonds | 627,697 | - | 627,697 | - |
| Equity mutual funds: | | | | |
| U.S.—large cap | 7,331,998 | 7,331,998 | - | - |
| Non-U.S.—large cap | 5,152,233 | 5,152,233 | - | - |
| Emerging markets | 1,419,489 | 1,419,489 | - | - |
| Fixed income mutual funds: | | | | |
| U.S.—total return | 3,693,395 | 3,693,395 | - | - |
| Other | 736,262 | 736,262 | - | - |
| | 25,267,370 | $ 21,350,643 | $ 3,916,727 | $ - |
| Alternative investments, valued at net asset value: | | | | |
| Private equity | 5,166,075 | | | |
| Absolute return | 3,871,087 | | | |
| | 9,037,162 | | | |
| Total investments at fair value | $ 34,304,532 | | | |
| Asset, interest rate swaps | $ 297,348 | $ - | $ 297,348 | $ - |

## Note 12. Fair Value Measurements (Continued)

| | June 30, 2021 | | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments: | | | | |
| Equities: | | | | |
| U.S. common stocks | $ 3,688,649 | $ 3,688,649 | $ - | $ - |
| Bonds: | | | | |
| Government securities | 3,285,513 | - | 3,285,513 | - |
| Corporate bonds | 765,733 | - | 765,733 | - |
| Equity mutual funds: | | | | |
| U.S.—large cap | 9,135,382 | 9,135,382 | - | - |
| Non-U.S.—large cap | 6,544,865 | 6,544,865 | - | - |
| Emerging markets | 2,077,125 | 2,077,125 | - | - |
| Fixed income mutual funds: | | | | |
| U.S.—total return | 2,976,288 | 2,976,288 | - | - |
| Other | 806,114 | 806,114 | - | - |
| | 29,279,669 | $ 25,228,423 | $ 4,051,246 | $ - |
| Alternative investments, valued at net asset value: | | | | |
| Private equity | 3,292,931 | | | |
| Absolute return | 2,970,782 | | | |
| | 6,263,713 | | | |
| Total investments at fair value | $ 35,543,382 | | | |
| Liability, interest rate swaps | $ 519,581 | $ - | $ 519,581 | $ - |

During the year ended June 30, 2022, the University did not make significant transfers between Level 1, 2 or 3 assets and liabilities.

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available in an active market (Level 1). If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow (Level 2).

The interest rate swaps are valued using a discounted cash flow model that uses verifiable yield curve inputs to calculate the fair value and is classified within Level 2 of the valuation hierarchy. This method is not dependent on the input of any significant judgments or assumptions by management.

Alternative investments are valued at the NAV of units held by the University in each account at year end. The methods used to measure NAV may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date. Alternative investments are valued at NAV using the practical expedient.

### Note 12. Fair Value Measurements (Continued)

The following table provides a summary of information for alternative investments, measured at fair value using a net asset value per share, or equivalent, as of June 30:

| | Fair Value | |
|---|---|---|
| Description | 2022 | 2021 |
| Private equity (A) | $ 5,166,075 | $ 3,292,931 |
| Absolute return (B) | 3,871,087 | 2,970,782 |
| | $ 9,037,162 | $ 6,263,713 |

(A) These funds represent investments in portfolios of private equity partnerships in the secondary market, investments in healthcare and life science companies, and investments in projects and companies that own energy assets, primarily in the form of senior private debt in the United States and Canada. These funds offer no liquidation.

(B) These funds represent investments in public and private real estate debt, infrastructure and hedge funds. At June 30, 2022 and 2021, approximately $2,355,000 and $1,851,000, respectively, of the funds are subject to quarterly redemptions with notice provided 95 days before quarter end. No liquidation is offered on approximately $1,517,000 and $1,119,000 of the funds at June 30, 2022 and 2021, respectively.

The University had unfunded commitments totaling approximately $4,172,000 and $3,097,000 as of June 30, 2022 and 2021, respectively.

Alternative investments are redeemable with the investee fund at NAV under the original terms of the subscription agreement. Due to the nature of these investments, changes in market conditions and the overall economic environment may significantly impact the NAV of the funds, and therefore the value of the University's interest. It is therefore reasonably possible that, if the University were to sell all or a portion of these investments, the transaction value could be significantly different than the fair value reported as of June 30.

### Note 13. Commitments

The University guarantees a loan and security agreement whereby the bank will periodically advance funds to the Iowa Student Loan Liquidity Corporation (the Corporation) for the purpose of providing funds to the Corporation to make private student loans to students attending the University under the Bridges Private Student Loans Program. The program was discontinued after the 2015-2016 academic year. The University has guaranteed 100% of the outstanding principal balance on the loan and security agreement. The University is liable for this obligation upon an event of default or the maturity date of June 30, 2040. Approximately $131,000 and $144,000 remains outstanding on the loan and security agreement as of June 30, 2022 and 2021, respectively.

The University was a recipient of a Paycheck Protection Program (PPP) loan of $3,504,600 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), that was reflected as deferred revenue as of June 30, 2021. Under the program terms, PPP loans are forgiven and recognized as grant revenue if the loan proceeds are used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the loan. The University submitted for forgiveness in January 2021 and received full forgiveness in February 2022. Therefore, the amount was recognized as grant revenue upon approval in fiscal year 2022.

## Note 14. Functional Classification of Expenses

The following reflects the classification of the University's expenses, by both the underlying nature of the expense and function, for the years ended June 30, 2022 and 2021. An individual expense is allocated to the underlying activity through which it was incurred. Depreciation, general maintenance and interest expense are allocated on a reasonable basis which has been consistently applied based on actual usage or project purpose. Fundraising expenses for the University consist of development, alumni, grant services and capital campaign costs.

| | 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Program Services | | | | | Institutional Support | | | |
| | Instruction and Research | Academic Support | Student Services | Auxiliary | Total Program Services | Supporting Activities | Fundraising | Total Institutional Support | Total Expenses |
| Salaries and benefits | $ 9,461,588 | $ 1,947,282 | $ 4,388,738 | $ 244,200 | $ 16,041,808 | $ 3,906,777 | $ 617,853 | $ 4,524,630 | $ 20,566,438 |
| Services, supplies and other | 591,885 | 862,478 | 3,181,227 | 3,099,312 | 7,734,902 | 3,167,763 | 135,848 | 3,303,611 | 11,038,513 |
| Facilities operations | 992,561 | 162,582 | 556,087 | 892,703 | 2,603,933 | 198,373 | 9,899 | 208,272 | 2,812,205 |
| Depreciation and amortization | 894,527 | 153,221 | 619,396 | 1,663,043 | 3,330,187 | 144,102 | 12,273 | 156,375 | 3,486,562 |
| Interest | 290,692 | 14,324 | 303,589 | 833,639 | 1,442,244 | 24,308 | 2,424 | 26,732 | 1,468,976 |
| Total expenses | $ 12,231,253 | $ 3,139,887 | $ 9,049,037 | $ 6,732,897 | $ 31,153,074 | $ 7,441,323 | $ 778,297 | $ 8,219,620 | $ 39,372,694 |

| | 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Program Services | | | | | Institutional Support | | | |
| | Instruction and Research | Academic Support | Student Services | Auxiliary | Total Program Services | Supporting Activities | Fundraising | Total Institutional Support | Total Expenses |
| Salaries and benefits | $ 9,305,493 | $ 2,088,099 | $ 4,367,744 | $ 266,009 | $ 16,027,345 | $ 3,928,009 | $ 635,551 | $ 4,563,560 | $ 20,590,905 |
| Services, supplies and other | 521,654 | 547,115 | 2,409,196 | 3,060,757 | 6,538,722 | 2,630,421 | 111,850 | 2,742,271 | 9,280,993 |
| Facilities operations | 971,875 | 164,254 | 554,164 | 911,684 | 2,601,977 | 126,826 | 9,639 | 136,465 | 2,738,442 |
| Depreciation and amortization | 919,623 | 156,907 | 615,055 | 1,702,699 | 3,394,284 | 147,601 | 12,511 | 160,112 | 3,554,396 |
| Interest | 298,936 | 14,643 | 306,423 | 886,079 | 1,506,081 | 24,446 | 2,478 | 26,924 | 1,533,005 |
| Total expenses | $ 12,017,581 | $ 2,971,018 | $ 8,252,582 | $ 6,827,228 | $ 30,068,409 | $ 6,857,303 | $ 772,029 | $ 7,629,332 | $ 37,697,741 |

## Note 15. Risks and Uncertainties

The COVID-19 pandemic is currently impacting communities, education institutions, in addition to the global financial markets. This pandemic has resulted in social distancing, travel bans, governmental stay-at-home orders, and quarantines, and these may limit access to our facilities, students, suppliers, management, support staff and professional advisors. At this time, it is not possible to fully assess the future impact of the COVID-19 pandemic on the University's operations and capital requirements, but the aforementioned factors, among other things, may impact our operations, financial condition and demand for our services, as well as our overall ability to react timely and mitigate the impact of this event. Depending on its severity and longevity, the COVID-19 pandemic may have a material adverse effect on our operations.

The COVID-19 pandemic had a financial impact to the operating results presented for the fiscal years ended June 30, 2022 and 2021.

The University experienced lost revenue in the amount of approximately $3,800,000 and $2,030,000 for the fiscal years ended June 30, 2022 and 2021, respectively. The lost revenue included reductions in tuition, room and board, and bookstore revenue due to lower enrollment than expected; and included a reduction in conferencing revenue.

The University also incurred additional operating expenses related to the pandemic of approximately $294,000 and $771,000 for fiscal years ended June 30, 2022 and 2021, respectively. These expenses include technology and training costs related to the transition of moving courses online, supplies related to safety measures and precautions put in place for campus, HVAC replacements, increased health services, and a variety of other expenses.

## Note 15. Risks and Uncertainties (Continued)

The University received $2,665,537 in Higher Education Emergency Relief (HEERF) Institutional Grants for the fiscal year ended June 30, 2022, to assist with the financial impact experienced from the lost revenue and additional costs incurred, including $500,000 from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSSA/HEERF II) and $2,165,537 from the American Rescue Plan Act (ARP/HEERF III). The University received $2,455,616 in Higher Education Emergency Relief (HEERF) Institutional Grants for the fiscal year ended June 30, 2021, including $902,664 from the Coronavirus Aid, Relief, and Economic Security Act (CARES/HEERF I) and $1,552,952 from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSSA/HEERF II). The University also received $348,111 and $89,011 from the CARES Act Strengthening Institutions Program (SIP) for the fiscal years ended June 30, 2022 and 2021, respectively. The federal grants received are included in grants without donor restrictions.

The University was awarded $237,449 and $70,717 in Federal Emergency Management Agency (FEMA) grants in the fiscal years ended June 30, 2022 and 2021, respectively, to assist with additional expenses related to the University's pandemic response. The FEMA grant is also included in grants without donor restrictions.

The University awarded $2,211,128 in HEERF Grants to students from the American Rescue Plan Act (ARP/HEERF III) in the fiscal year ended June 30, 2022.The University awarded $1,184,176 in HEERF Grants to students, including $272,978 from the CARES Act/HEERF I, $902,664 from CRRSSA/HEERF II, and $8,534 from the American Rescue Plan Act (ARP/HEERF III) in the fiscal year ended June 30, 2021. In compliance with HEERF guidance, these grants were awarded to students enrolled at the University on or after March 13, 2020, who exhibit exceptional financial need. The grants may be used for any component of their cost of attendance or for emergency costs that arise due to coronavirus, such as: tuition, food, housing, health care (including mental health), or child care. The total amount of these grants is expensed with the scholarships and fellowships, while the federal grants received to fund these awards are included in grants without donor restrictions, leaving no net impact to the financial statements.