

Grand View University

Financial Report
June 30, 2020

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Independent Auditor's Report

RSM US LLP

Board of Trustees
Grand View University

Report on the Financial Statements

We have audited the accompanying financial statements of Grand View University which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand View University as of June 30, 2020 and 2019, 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.

RSM US LLP

Des Moines, Iowa
October 30, 2020

Grand View University

**Statements of Financial Position
June 30, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 4,095,867	\$ 865,584
Student and other receivables, net	1,276,448	1,205,892
Prepaid expenses	532,203	407,873
Inventories	323,767	325,080
Contributions receivable, net	665,346	620,585
Investments	26,786,770	26,320,934
Student loans receivable, net	668,871	902,467
Other assets	81,182	78,954
Debt service reserve fund	2,158,492	2,099,471
Land, buildings and equipment, net	78,729,528	80,931,602
Total assets	\$ 115,318,474	\$ 113,758,442
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,702,150	\$ 1,582,877
Student deposits	601,075	621,823
Deferred revenue	5,623,647	2,070,703
Accrued expenses	2,273,077	2,249,089
Notes and bonds payable, net	41,407,939	43,287,194
Interest rate swap liability	1,010,467	193,812
Advances from federal government for student loans and grants	591,082	840,864
Total liabilities	53,209,437	50,846,362
Net assets:		
Without donor restrictions:		
Undesignated	34,246,824	35,068,665
Board designated:		
United States government loan program	205,554	241,971
Long-term investment	1,686,486	1,513,191
Total net assets without donor restrictions	36,138,864	36,823,827
With donor restrictions		
Time-restricted for future periods	117,244	119,230
Purpose restricted	9,185,297	9,753,271
Purpose restricted—perpetuity	16,667,632	16,215,752
Total net assets with donor restrictions	25,970,173	26,088,253
Total net assets	62,109,037	62,912,080
Total liabilities and net assets	\$ 115,318,474	\$ 113,758,442

See notes to financial statements.

Grand View University

**Statement of Activities
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Student tuition and fees	\$ 44,708,881	\$ -	\$ 44,708,881
Scholarships and fellowships	(21,685,479)	-	(21,685,479)
Net tuition and fees	23,023,402	-	23,023,402
Gifts	297,762	571,781	869,543
Grants	870,723	780,174	1,650,897
Investment income	98,096	-	98,096
Endowment spending utilized in operations	59,696	862,423	922,119
Sales and services of auxiliary enterprises	8,229,304	-	8,229,304
Other income, net	886,753	302,895	1,189,648
Net assets released from restrictions	2,375,369	(2,375,369)	-
Total operating revenues	35,841,105	141,904	35,983,009
Operating expenses:			
Instruction and research	11,920,258	-	11,920,258
Academic support	2,997,492	-	2,997,492
Student services	7,570,760	-	7,570,760
Institutional support	7,502,952	-	7,502,952
Auxiliary enterprises	6,615,692	-	6,615,692
Total operating expenses	36,607,154	-	36,607,154
Change in net assets from operating activities	(766,049)	141,904	(624,145)
Nonoperating activities:			
Contributions restricted for building and equipment	-	32,895	32,895
Gifts for nonoperating purposes	182,538	454,312	636,850
Net assets released from restrictions	679,274	(679,274)	-
Change in fair value of interest rate swap	(816,655)	-	(816,655)
Change in fair value of debt service reserve fund	45,172	-	45,172
Investment return from endowment	50,453	794,506	844,959
Endowment spending utilized in operations	(59,696)	(862,423)	(922,119)
Change in net assets from nonoperating activities	81,086	(259,984)	(178,898)
Change in net assets	(684,963)	(118,080)	(803,043)
Net assets at beginning of year	36,823,827	26,088,253	62,912,080
Net assets at end of year	\$ 36,138,864	\$ 25,970,173	\$ 62,109,037

See notes to financial statements.

Grand View University

**Statement of Activities
Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Student tuition and fees	\$ 43,065,292	\$ -	\$ 43,065,292
Scholarships and fellowships	(19,880,684)	-	(19,880,684)
Net tuition and fees	23,184,608	-	23,184,608
Gifts	296,362	471,459	767,821
Grants	244,895	654,845	899,740
Investment income	95,803	-	95,803
Endowment spending utilized in operations	62,393	900,749	963,142
Sales and services of auxiliary enterprises	8,519,527	-	8,519,527
Other income, net	967,298	392,287	1,359,585
Net assets released from restrictions	2,659,974	(2,659,974)	-
Total operating revenues	36,030,860	(240,634)	35,790,226
Operating expenses:			
Instruction and research	12,157,278	-	12,157,278
Academic support	3,132,000	-	3,132,000
Student services	7,800,406	-	7,800,406
Institutional support	7,234,766	-	7,234,766
Auxiliary enterprises	6,914,269	-	6,914,269
Total operating expenses	37,238,719	-	37,238,719
Change in net assets from operating activities	(1,207,859)	(240,634)	(1,448,493)
Nonoperating activities:			
Contributions restricted for building and equipment	-	459,130	459,130
Gifts for nonoperating purposes	14,063	794,713	808,776
Net assets released from restrictions	1,312,920	(1,312,920)	-
Change in fair value of interest rate swap	(864,195)	-	(864,195)
Change in fair value of debt service reserve fund	94,844	-	94,844
Investment return from endowment	54,751	853,129	907,880
Endowment spending utilized in operations	(62,393)	(900,749)	(963,142)
Change in net assets from nonoperating activities	549,990	(106,697)	443,293
Change in net assets	(657,869)	(347,331)	(1,005,200)
Net assets at beginning of year	37,481,696	26,435,584	63,917,280
Net assets at end of year	\$ 36,823,827	\$ 26,088,253	\$ 62,912,080

See notes to financial statements.

Grand View University

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (803,043)	\$ (1,005,200)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,575,502	3,680,031
Amortization	61,640	60,886
Realized and unrealized gains on investments, net	(482,815)	(463,023)
Noncash contributions	(389,676)	(58,466)
Contributions and income restricted for long-term investment	(484,775)	(1,253,843)
Change in fair value of interest rate swap	816,655	864,195
Changes in assets and liabilities:		
Student and other receivables	(70,556)	24,189
Student loans receivable	39,405	6,948
Prepaid expenses	(124,330)	330,769
Inventories	1,313	(10,259)
Other assets	(2,228)	(2,026)
Contributions receivable	(44,761)	966,747
Deferred revenue	157,683	873,981
Deferred revenue—Federal PPP Loan	3,504,600	-
Accounts payable	(291,584)	168,282
Student deposits	(20,748)	70,007
Accrued expenses	(85,352)	175,882
Net cash provided by operating activities	5,356,930	4,429,100
Cash flows from investing activities:		
Purchase of investments	(14,804,874)	(6,302,231)
Proceeds from sales and maturities of investments	14,805,770	5,949,845
Purchase of land, buildings and equipment	(962,571)	(835,222)
Payments from student loans receivable	194,191	244,302
Net cash used in investing activities	(767,484)	(943,306)
Cash flows from financing activities:		
Net payments on line of credit	-	(1,500,000)
Payments on notes and bonds payable	(1,940,895)	(2,859,876)
(Payments to) advances from federal government for student loans and grants	(249,781)	11,834
Contributions and income restricted for long-term investments	831,513	1,287,616
Net cash used in financing activities	(1,359,163)	(3,060,426)
Net increase in cash and cash equivalents	3,230,283	425,368
Cash and cash equivalents:		
Beginning	865,584	440,216
Ending	\$ 4,095,867	\$ 865,584

(Continued)

Grand View University

Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Supplemental disclosures of cash flow information:		
Cash payments for interest	<u>\$ 1,611,842</u>	<u>\$ 1,696,318</u>
Supplemental disclosures of noncash investing and financing activities:		
Purchase of property and equipment on account	<u>\$ 503,360</u>	<u>\$ 92,503</u>

See notes to financial statements.

Grand View University

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 generally accepted accounting principles (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, 2020 and 2019, included \$212,184 and \$268,166, 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 \$392,520 and \$392,795 at June 30, 2020 and 2019, respectively. Student loans receivable are carried at the amount of unpaid principal net of allowance for doubtful accounts of \$365,009 and \$339,265 at June 30, 2020 and 2019, 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 \$23,300 and \$20,400 for the years ended June 30, 2020 and 2019, respectively. The provisions for bad debts, net, charged to expense totaled approximately \$0 and \$15,000 for the years ended June 30, 2020 and 2019, 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.

Grand View University

Notes to Financial Statements

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.

	<u>Years</u>
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.

Grand View University

Notes to Financial Statements

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 net assets if the terms of the gift impose restrictions on the use of the income.
- Increases in net assets without donor restrictions net assets 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.

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.

Grand View University

Notes to Financial Statements

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, 2020 and 2019, 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 and \$150,000, for the years ended June 30, 2020 and 2019, respectively, 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, 2020. 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, 2020 and 2019, 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, 2020 and 2019 totaled approximately \$203,992 and \$141,943, respectively. The related liability to employees totaled \$175,878 and \$113,470 as June 30, 2020 and 2019, respectively, and are included on the University's statements of financial position.

Subsequent events: Subsequent events have been evaluated for potential recognition and disclosure through October 30, 2020, the date the financial statements were issued.

Recent accounting pronouncements: In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that clarifies and improves the scope and accounting guidance around contributions of cash and other assets received and made by nonprofit organizations. The updated standard is effective for annual periods beginning after December 15, 2018. The University adopted the ASU on July 1, 2019, with no significant impact on the financial statements.

Grand View University

Notes to Financial Statements

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

In March 2020, the FASB issued 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 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.

Note 2. Contributions Receivable

Unconditional promises to give at June 30, 2020 and 2019, are summarized as follows:

	2020	2019
Restricted for time	\$ 36,062	\$ 40,292
Restricted for instruction and operational support	465,655	29,555
Restricted for student scholarships and services	98,949	89,681
Restricted for purchase or renovation of property and equipment	68,733	476,913
Gross unconditional promises to give	669,399	636,441
Less allowance for uncollectible unconditional promises	(211)	(4,078)
Less unamortized discount at rates from 0.72% to 2.73%	(3,842)	(11,778)
Net unconditional promises to give	<u>\$ 665,346</u>	<u>\$ 620,585</u>
	2020	2019
Amount due in:		
Less than one year	\$ 367,468	\$ 157,587
One year to five years	265,869	439,562
Over five years	36,062	39,292
Gross unconditional promises to give	<u>\$ 669,399</u>	<u>\$ 636,441</u>

Included in gross unconditional promises to give are approximately \$10,000 and \$373,000 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, 2020 and 2019, respectively. Included in unconditional promises to give restricted to time are \$12,223 and \$13,070 of annuities with donor restrictions as of June 30, 2020 and 2019, respectively.

Grand View University

Notes to Financial Statements

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:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 4,095,867	\$ 865,584
Student and other receivables, net	1,276,448	1,205,892
Contributions receivable, net	363,415	141,731
Short-term investments	1,919,396	1,121,073
Other investments appropriated for current use	1,137,536	1,087,699
Total financial assets as of June 30	<u>8,792,662</u>	<u>4,421,979</u>
Add amount available on line of credit	5,000,000	5,000,000
Total liquidity as of June 30	<u>\$ 13,792,662</u>	<u>\$ 9,421,979</u>

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 no outstanding borrowings at June 30, 2020. The line of credit expires annually (February 2021) 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.

Grand View University

Notes to Financial Statements

Note 4. Investments

The University's long-term investment portfolio at June 30, 2020 and 2019, consisted of the following:

	2020	2019
Endowment investments:		
Equities; U.S. common stocks	\$ 2,490,863	\$ 3,338,161
Bonds:		
Government securities	1,332,298	2,055,796
Corporate bonds	707,401	1,350,428
Equity mutual funds:		
U.S.—large cap	7,434,728	5,363,271
Non-U.S.—large cap	4,807,814	5,018,775
Emerging markets	1,479,682	-
Fixed income mutual funds:		
U.S.—total return	2,099,764	2,706,256
Non-U.S.—total return	1,007,459	1,054,686
Alternative investments:		
Absolute return	2,678,621	2,316,033
Private equity	1,214,671	1,002,728
Real assets mutual fund	543,441	937,674
Money market funds	375,730	590,296
	<u>26,172,472</u>	<u>25,734,104</u>
Nonendowment investments:		
Money market funds	1,274	968
Other	613,024	585,862
	<u>614,298</u>	<u>586,830</u>
	<u>\$ 26,786,770</u>	<u>\$ 26,320,934</u>

Investment income for the years ended June 30, 2020 and 2019, consisted of the following:

	2020	2019
Interest and dividends	\$ 611,520	\$ 728,090
Realized gains and losses, net	(649,805)	(38,716)
Unrealized gains and losses, net	1,087,448	406,895
Investment management fees	(106,108)	(92,586)
	<u>\$ 943,055</u>	<u>\$ 1,003,683</u>

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.

Grand View University

Notes to 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 0.58% and 0.79% of total assets as of June 30, 2020 and 2019, respectively.

At June 30, 2020 and 2019, student loans consisted of the following:

	2020	2019
Federal government programs	\$ 949,518	\$ 1,153,934
Institutional programs	84,362	87,798
	<u>1,033,880</u>	<u>1,241,732</u>
Less allowance for doubtful accounts:		
Beginning of the year	(339,265)	(354,120)
(Increases) decreases	(25,744)	14,855
End of year	<u>(365,009)</u>	<u>(339,265)</u>
Student loans receivable, net	<u>\$ 668,871</u>	<u>\$ 902,467</u>

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, 2020 and 2019, the following amounts were past due under student loan programs:

	2020	2019
Past due 1-45 days	\$ 1,141	\$ 2,513
Past due 45-105 days	113	1,239
Past due more than 105 days	424,704	395,507
Total past due	<u>\$ 425,958</u>	<u>\$ 399,259</u>

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.

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of June 30, 2020:

	Federal Loans	Institutional Loans	Total
Performing	\$ 584,510	\$ 24,666	\$ 609,176
Nonperforming	365,008	59,696	424,704
	<u>\$ 949,518</u>	<u>\$ 84,362</u>	<u>\$ 1,033,880</u>

Grand View University

Notes to Financial Statements

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, 2019:

	Federal Loans	Institutional Loans	Total
Performing	\$ 814,669	\$ 31,556	\$ 846,225
Nonperforming	339,265	56,242	395,507
	<u>\$ 1,153,934</u>	<u>\$ 87,798</u>	<u>\$ 1,241,732</u>

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, 2020 and 2019, consisted of the following:

	2020	2019
Land	\$ 10,481,797	\$ 10,337,030
Buildings	94,416,303	94,193,336
Rental properties	846,343	846,343
Vehicles	343,117	364,264
Equipment	21,024,200	20,688,437
Construction in progress	548,337	103,689
	<u>127,660,097</u>	<u>126,533,099</u>
Less accumulated depreciation	48,930,569	45,601,497
	<u>\$ 78,729,528</u>	<u>\$ 80,931,602</u>

Note 7. Notes, Bonds Payable and Line of Credit

Notes and bonds payable at June 30, 2020 and 2019, were comprised of the following:

	2020	2019
Iowa Higher Education Loan Authority (IHELA):		
Loan agreement maturing 2034 (A)	\$ 18,905,000	\$ 19,230,000
Loan agreement maturing 2035 (B) (F)	11,405,000	11,930,000
Loan agreements maturing 2021 and 2035 (C) (F)	5,218,000	5,515,000
City of Altoona, loan agreement maturing 2022 (D) (F)	739,683	1,040,348
City of Bondurant, loan agreement maturing 2035 (E) (F)	5,825,000	6,320,000
	<u>42,092,683</u>	<u>44,035,348</u>
Unamortized bond discount and premium	(168,872)	(170,642)
Unamortized debt issuance costs	(515,872)	(577,512)
	<u>\$ 41,407,939</u>	<u>\$ 43,287,194</u>

Grand View University

Notes to Financial Statements

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

- (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 (2.02% as of June 30, 2020).

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, 2020 and 2019, the fair value of the swap agreement was a liability of approximately \$574,000 and an asset of approximately \$44,000, 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 (2.13% as of June 30, 2020). The variable rate formula may be adjusted beginning October 1, 2022. At June 30, 2020 and 2019, the outstanding balance on this tranche was \$5,218,000 and \$5,400,000, respectively.

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, 2020 and 2019, the fair value of the swap agreement was a liability of approximately \$234,000 and \$142,000, respectively.

Tranche B—Also as a part of the agreement the University has additional proceeds available for drawdown, maturing May 2021, with maximum borrowings of \$8,000,000 for the purpose of financing the renovation and construction of the Student Center. Interest is payable monthly commencing upon the drawdown of funds and principal is payable annually beginning in October 2016. The bond agreement has a variable interest rate indexed to 75% of one-month LIBOR plus 2.00% which is reset monthly (2.13% as of June 30, 2020). At June 30, 2020 and 2019, the outstanding balance on this tranche was \$0 and \$115,000, respectively.

Grand View University

Notes to Financial Statements

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

(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 (2.22% as of June 30, 2020), 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, 2020 and 2019, the fair value of the swap agreement was a liability of approximately \$13,000 and \$6,000, 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 (2.22% as of June 30, 2020). 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, 2020 and 2019, the fair value of the swap agreement was a liability of approximately \$189,000 and \$90,000, 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.

Interest expense totaled approximately \$1,599,000 and \$1,675,000, for the years ended June 30, 2020 and 2019, 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, 2020 and 2019.

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: 2021 \$1,898,000; 2022 \$1,968,000; 2023 \$6,209,000; 2024 \$1,702,000; 2025 \$1,530,000 and thereafter, \$28,786,000.

Grand View University

Notes to Financial Statements

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

The University has a \$5,000,000 line of credit with a bank with an expiration date of February 28, 2021. No borrowings were outstanding at June 30, 2020 and 2019. The interest rate on this line of credit is 0.50% below the prime rate with a 3.50% floor (3.50% at June 30, 2020). Interest expense totaled approximately \$7,600 and \$8,000 for the years ending June 30, 2020 and 2019, respectively, under the line of credit.

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, 2020 and 2019, totaled approximately \$917,000 and \$950,000, 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 \$613,000 and \$586,000 at June 30, 2020 and 2019, 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.

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.

Grand View University

Notes to Financial Statements

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

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 5.50% of a three-year moving average of endowment assets for both the fiscal years ended June 30, 2020 and 2019.

Endowment net assets as of June 30, 2020, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds:			
Instruction and operational support	\$ -	\$ 8,855,845	\$ 8,855,845
Student scholarships and services	-	12,400,849	12,400,849
Institutional support	-	259,472	259,472
Academic support	-	233,564	233,564
Property, plant and equipment	-	36,993	36,993
General endowment	-	2,864,668	2,864,668
Board designated (quasi) endowment funds:			
Instruction and operational support	1,686,486	-	1,686,486
Total endowment funds	<u>\$ 1,686,486</u>	<u>\$ 24,651,391</u>	<u>\$ 26,337,877</u>

Endowment net assets as of June 30, 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds:			
Instruction and operational support	\$ -	\$ 8,771,949	\$ 8,771,949
Student scholarships and services	-	12,034,184	12,034,184
Institutional support	-	251,777	251,777
Academic support	-	237,424	237,424
Property, plant and equipment	-	36,458	36,458
General endowment	-	2,933,204	2,933,204
Board designated (quasi) endowment funds:			
Instruction and operational support	1,513,191	-	1,513,191
Total endowment funds	<u>\$ 1,513,191</u>	<u>\$ 24,264,996</u>	<u>\$ 25,778,187</u>

Grand View University

Notes to Financial Statements

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

The changes in endowment net assets for the year ended June 30, 2020, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,513,191	\$ 24,264,996	\$ 25,778,187
Investment return:			
Investment income	30,104	483,347	513,451
Net appreciation (depreciation) (realized and unrealized)	20,349	311,159	331,508
Total investment return	50,453	794,506	844,959
Gifts	182,538	454,312	636,850
Appropriation of endowment funds for expenditure	(59,696)	(862,423)	(922,119)
Endowment net assets, end of year	\$ 1,686,486	\$ 24,651,391	\$ 26,337,877

The changes in endowment net assets for the year ended June 30, 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,506,770	\$ 23,517,903	\$ 25,024,673
Investment return:			
Investment income	27,798	605,293	633,091
Net appreciation (depreciation) (realized and unrealized)	26,953	247,836	274,789
Total investment return	54,751	853,129	907,880
Gifts	14,063	794,713	808,776
Appropriation of endowment funds for expenditure	(62,393)	(900,749)	(963,142)
Endowment net assets, end of year	\$ 1,513,191	\$ 24,264,996	\$ 25,778,187

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, 2020 and 2019, \$0 and \$1,138, respectively, of the University's donor restricted endowment funds were underwater. As of June 30, 2020 and 2019, the fair value of the underwater endowment funds were \$0 and \$95,139 on original gift amounts of \$0 and \$96,277, respectively.

Grand View University

Notes to Financial Statements

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2020 and 2019:

	2020	2019
Gifts and other unexpended amounts available for:		
Instruction and operational support	\$ 3,638,886	\$ 3,538,791
Student scholarships and services	2,532,982	2,510,117
Purchase or renovation of property and equipment	111,272	620,696
Institutional support	2,902,157	3,083,667
Time restrictions	117,244	119,230
	<u>9,302,541</u>	<u>9,872,501</u>
Gifts restricted to be held in perpetuity for which income is restricted for the following:		
Instruction and operational support	5,367,556	5,367,556
Student scholarships and services	10,620,855	10,169,316
Institutional support	37,312	37,312
Academic support	100,000	100,000
Maintenance of property and equipment	35,305	35,305
General endowment	506,604	506,263
	<u>16,667,632</u>	<u>16,215,752</u>
	<u>\$ 25,970,173</u>	<u>\$ 26,088,253</u>

The University's net assets restricted in perpetuity for the years ended June 30, 2020 and 2019, are \$16,667,632 and \$16,215,752, 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, 2020 and 2019, as follows:

	2020	2019
Instruction and operational support	\$ 730,049	\$ 866,059
Student scholarships and services	1,078,154	1,272,534
Purchase or renovation of property and equipment	697,496	1,307,004
Institutional support	547,834	522,922
	<u>3,053,533</u>	<u>3,968,519</u>
Time restrictions	1,110	4,375
	<u>\$ 3,054,643</u>	<u>\$ 3,972,894</u>

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, 2020.

Grand View University

Notes to Financial Statements

Note 12. Fair Value Measurements (Continued)

Financial assets and financial liabilities measured at fair value on a recurring basis as of June 30, 2020 and 2019, are as follows:

	June 30, 2020			
	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	\$ 2,490,863	\$ 2,490,863	\$ -	\$ -
Bonds:				
Government securities	3,490,790	-	3,490,790	-
Corporate bonds	707,401	-	707,401	-
Equity mutual funds:				
U.S.—large cap	7,434,728	7,434,728	-	-
Non-U.S.—large cap	4,807,814	4,807,814	-	-
Emerging markets	1,479,682	1,479,682	-	-
Fixed income mutual funds:				
U.S.—total return	2,099,764	2,099,764	-	-
Non-U.S.—total return	1,007,459	1,007,459	-	-
Other	613,024	-	613,024	-
	<u>24,131,525</u>	<u>\$ 19,320,310</u>	<u>\$ 4,811,215</u>	<u>\$ -</u>
Alternative investments, valued at net asset value:				
Private equity	1,214,671			
Absolute return	3,222,062			
	<u>4,436,733</u>			
Total investments at fair value	<u>\$ 28,568,258</u>			
Liability, interest rate swaps	\$ 1,010,467	\$ -	\$ 1,010,467	\$ -

Grand View University

Notes to Financial Statements

Note 12. Fair Value Measurements (Continued)

	June 30, 2019			
	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	\$ 3,338,161	\$ 3,338,161	\$ -	\$ -
Bonds:				
Government securities	4,155,267	-	4,155,267	-
Corporate bonds	1,350,428	-	1,350,428	-
Equity mutual funds:				
U.S.—large cap	5,363,271	5,363,271	-	-
Non-U.S.—large cap	5,018,775	5,018,775	-	-
Fixed income mutual funds:				
U.S.—total return	2,706,256	2,706,256	-	-
Non-U.S.—total return	1,054,686	1,054,686	-	-
Real assets mutual funds	605,037	605,037	-	-
Other	585,862	-	585,862	-
	<u>24,177,743</u>	<u>\$ 18,086,186</u>	<u>\$ 6,091,557</u>	<u>\$ -</u>
Alternative investments, valued at net asset value:				
Private equity	1,002,728			
Absolute return	2,648,670			
	<u>3,651,398</u>			
Total investments at fair value	<u>\$ 27,829,141</u>			
Liability, interest rate swaps	<u>\$ 193,812</u>	<u>\$ -</u>	<u>\$ 193,812</u>	<u>\$ -</u>

During the year ended June 30, 2020, 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.

Grand View University

Notes to Financial Statements

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:

Description	Fair Value	
	2020	2019
Private equity (A)	\$ 1,214,671	\$ 1,002,728
Absolute return (B)	3,222,062	2,648,670
	<u>\$ 4,436,733</u>	<u>\$ 3,651,398</u>

- (A) These funds represent 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, 2020 and 2019, approximately \$919,000 and \$993,000, respectively, of the funds are subject to quarterly redemptions with notice provided 30 days before quarter end. At June 30, 2020 and 2019, approximately \$1,759,000 and \$757,000, respectively, of the funds are subject to quarterly redemptions with notice provided 95 days before quarter end. At June 30, 2020 and 2019, approximately \$0 and \$565,000, respectively, of the funds are subject to quarterly redemptions with 65-days' notice and contain a 25% investor level gate per quarter. No liquidation is offered on approximately \$543,500 and \$333,000 of the funds at June 30, 2020 and 2019, respectively.

The University had unfunded commitments towards illiquid private equity funds totaling approximately \$4,395,000 and \$2,048,000 as of June 30, 2020 and 2019, 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. As of both June 30, 2020 and 2019, \$144,000 remains outstanding on the loan and security agreement.

The University is 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 is reflected as deferred revenue as of June 30, 2020. 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 will be submitting for forgiveness in October and expects to have it approved in full. Therefore, the amount included in deferred revenue will be recognized as grant revenue in fiscal year 2021.

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Notes to Financial Statements

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, 2020 and 2019. 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.

	2020								
	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	\$ 9,382,707	\$2,056,513	\$4,196,985	\$ 369,672	\$16,005,877	\$3,848,437	\$625,197	\$4,473,634	\$20,479,511
Services, supplies and other	543,283	606,483	1,991,451	2,794,470	5,935,687	2,598,060	108,082	2,706,142	8,641,829
Facilities operations	746,677	158,693	439,878	772,841	2,118,089	115,942	8,239	124,181	2,242,270
Depreciation and amortization	942,402	160,872	630,260	1,739,739	3,473,273	151,030	12,839	163,869	3,637,142
Interest	305,189	14,931	312,186	938,970	1,571,276	32,603	2,523	35,126	1,606,402
Total expenses	<u>\$11,920,258</u>	<u>\$2,997,492</u>	<u>\$7,570,760</u>	<u>\$6,615,692</u>	<u>\$29,104,202</u>	<u>\$6,746,072</u>	<u>\$756,880</u>	<u>\$7,502,952</u>	<u>\$36,607,154</u>

	2019								
	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	\$ 9,333,945	\$2,076,991	\$4,045,072	\$ 325,029	\$15,781,037	\$3,887,757	\$648,151	\$4,535,908	\$20,316,945
Services, supplies and other	743,121	731,000	2,280,262	3,007,624	6,762,007	2,242,641	136,928	2,379,569	9,141,576
Facilities operations	795,503	143,333	508,586	795,337	2,242,759	107,267	6,530	113,797	2,356,556
Depreciation and amortization	969,412	165,440	647,777	1,789,306	3,571,935	155,736	13,246	168,982	3,740,917
Interest	315,297	15,236	318,709	996,973	1,646,215	33,952	2,558	36,510	1,682,725
Total expenses	<u>\$12,157,278</u>	<u>\$3,132,000</u>	<u>\$7,800,406</u>	<u>\$6,914,269</u>	<u>\$30,003,953</u>	<u>\$6,427,353</u>	<u>\$807,413</u>	<u>\$7,234,766</u>	<u>\$37,238,719</u>

Note 15. Risks and Uncertainties

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 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 year ended June 30, 2020.

In March 2020, at the start of the pandemic, the University recommended that students move off-campus and issued room and board refunds of approximately \$552,000 to students who left campus. Approximately \$58,000 of these refunds were funded by credits received from the University's food service provider, which resulted in a net reduction in room and board revenue of approximately \$494,000.

The University also made the decision to pay student workers for their regularly scheduled hours that could not be worked due to the pandemic. The financial impact of this decision was approximately \$41,000 of additional payroll expense.

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Notes to Financial Statements

Note 15. Risks and Uncertainties (Continued)

The University also incurred additional operating expenses related to the pandemic of approximately \$67,000. 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, and a variety of other expenses. Other revenue changes include a reduction of summer conferencing and housing fees, and other expense changes include some savings from the reduction of in-person campus activities and travel.

The University also awarded \$629,686 in CARES Act emergency grants to students who encountered financial hardships caused by the disruption of campus operations due to the coronavirus pandemic. Student eligibility was determined according to the parameters set by the CARES Act, including Title IV eligibility and spring 2020 enrollment for students who were not exclusively in on-line courses at the time of the disruption. 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.