Linfield College

Financial Report

2019-20

McMinnville, Oregon

Linfield College

Vice President for Finance & Administration/CFO
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Summary

The year 2020 will be memorable for a number of achievements at Linfield College; fall 2019 enrollment surpassing targets and increasing over fall 2018 enrollments, an increase in fiscal year 2020 Tuition and fees (net) over fiscal year 2019, a ten million dollar pledge for the W. M. Keck Science Center – largest in College history, the COVID-19 pandemic, and an approval from the Board of Trustees to change the name from Linfield College to Linfield University.

Tuition and fees revenue were higher for fiscal year 2020 as a result of Fall 2019 full time equivalent (FTE) enrollment which increased over Fall 2018. The Fall 2019 term enrollment exceeded the first-year enrollment goal by 89 students. The Portland Campus Bachelors of Science in Nursing (BSN) program remained steady meeting its enrollment goals for Fall, Spring, and Summer for fiscal year 2020. Tuition and fees (net) were further enhanced by a 2% increase in tuition and fees for the fiscal year.

During June 2020, Linfield College received a ten million dollar pledge from the W. M. Keck Foundation toward funding of the W. M. Keck Science Center on the McMinnville Campus. This gift is the largest single donation in College History. This project will have a transformational impact on this College. Construction is scheduled to start in Spring 2021.

Early 2020, news of the coronavirus was circulating around the globe. While Linfield was aware of the virus, the impact on higher-education was realized when the governor prohibited in-person instruction by Oregon's colleges and universities. Linfield immediately set in motion teams to address student and faculty needs to successfully complete Spring Term and ensure graduating students met their requirements on schedule. Linfield held a virtual graduation for the Class of 2020.

The execution of the Governor's order resulted in student refunds of room and board fees decreasing related revenues. Reductions in travel and costs related to auxiliary services mitigated the impact of the lower revenues. Linfield also utilized CARES Act institutional funds of approximately $720,000 from the Department of Education to further offset revenue lost through student refunds.

The CARES Act provided grants to award to students that would mitigate the impacts of distant learning and dislocation from campuses. The below table summarizes the students helped through Higher Education Emergency Relief Funds (HEERF).

$720,663	1,560	$720,663	559
• Linfield's CARES Act Emergency Relief Funds	• Estimated number of Linfield students eligible to participate	• Linfield's CARES Act Emergency Relief Funds approved	• Total number of students receiving an Emergency Student Fund award

Linfield College

Also, during fiscal year 2020, Linfield Board of Trustee's authorized a name change from Linfield College to Linfield University in recognition of the strategic growth and operational plans of President Miles Davis and the Board of Trustees. The name change was made official on July 1, 2020. The initial structure as a University includes a College of Arts and Sciences, a School of Business, and a School of Nursing. The University has adopted a new seal and logo to reflect the change in branding associated with the new name.

New Seal

New Logo

By year-end, Linfield's endowments remained strong. Linfield's endowments were impacted by the market's reaction to the international pandemic. The market had rebounded at year-end from lows experienced following the pandemic shut-down. The College following Board of Trustee direction, drew upon the quasi-endowment to support enrollment growth and college expansion expenses.

Linfield College continued to impress achieving recognition as reflected in the following press release headlines:

- Linfield Named Top Oregon Liberal Arts College for Earnings and First-Generation Students
- Linfield's School of Business, College of Arts and Science hire first deans
- Evenstads establish new scholarship at Linfield to increase diversity in wine industry
- Record amount raised during fifth-annual giving day
- Linfield College launches nursing master's degree: Leadership in Healthcare Ecosystems
- W.M. Keck Foundation announces $10 million gift for Linfield College's new science facility
- Linfield offers free transfer applications, $16,500 to Concordia-Portland students
- Linfield president Dr. Miles K. Davis elected to the NAICU board
- Linfield ranks in top 100 online bachelor's programs in U.S. News & World Report
- Linfield graduates have highest median earnings of Oregon schools
- Wine wins! (Linfield wine studies and business students took a top prize in the 2019 Intercollegiate Wine Business Invitational)
- Linfield receives platinum seal for excellence in student voter turnout
- Linfield College clinches 64th consecutive winning season, longest streak in football
- Linfield is Oregon's No. 1 college for job placement
- U.S. News recognizes Linfield for 'best ethnic diversity'
- Washington Monthly names Linfield top Oregon college for adult learners
- Linfield named top liberal arts college in Oregon by Money

Linfield College

Given the unique challenges faced during fiscal year 2019 / 2020, Linfield College has achieved many milestones and continues to provide students, faculty and staff a supportive community, where success is both an individual and collaborative effort. The College is a close-knit community environment encouraging students, faculty and staff to learn, grow, explore, and adapt to the changing world. The vision of connecting learning, life and community thrives at Linfield College (now Linfield University).

Respectfully submitted,

MDRodriguez

Mary Ann Rodriquez
Vice President Finance and Administration / CFO

Linfield College
June 30, 2020 and 2019

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Independent Auditor's Report

Board of Trustees
Linfield College
McMinnville, Oregon

We have audited the accompanying financial statements of Linfield College (College), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses 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 College'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 College'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 the College 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The letter from the Vice President for Finance and Administration is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Fort Wayne, Indiana
November 11, 2020

Linfield College

Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Assets - Current		
Cash and cash equivalents	$ 8,328,502	$ 9,285,626
Accounts and notes receivable, net (Note 8)	5,411,107	3,844,240
Interest receivable	111,223	126,674
Prepaid expenses and other assets	2,178,658	1,435,313
Contributions receivable, net (Note 10)	5,983,146	1,080,820
Inventory	33,170	21,574
Investments (Note 6)	2,218,652	2,601,984
Total current assets	24,264,458	18,396,231
Assets - Noncurrent		
Accounts and notes receivable, net (Note 8)	4,808,544	4,223,051
Interest receivable	33,424	33,424
Prepaid expenses and other assets	84,167	4,211
Contributions receivable, net (Note 10)	6,767,901	826,882
Investments (Note 6)	119,435,095	125,034,529
Assets held in trust by others	14,959,920	9,255,127
Plant assets, net (Note 11)	110,490,034	111,438,523
Total noncurrent assets	256,579,085	250,815,747
Total assets	$ 280,843,543	$ 269,211,978
Liabilities and Net Assets		
Liabilities - Current		
Accounts payable and accrued liabilities	$ 6,848,047	$ 7,513,833
Deferred revenue	2,264,823	3,930,093
Capital leases	345,279	345,279
Bonds payable (Note 12)	1,246,046	1,186,046
U.S. Government grants refundable	175,074	-
Obligations for split-interest agreements	373,362	68,831
Total current liabilities	11,252,631	13,044,082
Liabilities - Noncurrent		
Accounts payable and accrued liabilities	787,903	955,678
Capital leases	-	345,279
Bonds payable (Note 12)	32,582,124	33,828,170
U.S. Government grants refundable	4,896,923	5,374,494
Obligations for split-interest agreements	1,506,247	2,024,530
Total non-current liabilities	39,773,197	42,528,151
Total liabilities	51,025,828	55,572,233
Net Assets (Note 3)		
Without donor restriction	106,306,329	107,147,902
With donor restriction	123,511,386	106,491,843
Total net assets	229,817,715	213,639,745
Total liabilities and net assets	$ 280,843,543	$ 269,211,978

Linfield College

Statements of Activities

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Income and Other Support						
Tuition and fees, net	$ 39,951,508	$ -	$ 39,951,508	$ 38,896,138	$ -	$ 38,896,138
Contributions	881,767	1,512,363	2,394,130	1,138,505	3,153,929	4,292,434
Contracts and grants	2,301,242	516	2,301,758	960,344	6,866	967,210
Net investment income designated for operations	290,814	-	290,814	549,672	-	549,672
Other income	2,667,337	445,312	3,112,649	2,238,112	1,000	2,239,112
Auxiliary enterprises	9,917,499	-	9,917,499	11,995,684	-	11,995,684
Endowment return designated for operations	4,229,941	2,756,471	6,986,412	6,172,602	2,539,903	8,712,505
Net assets released from restrictions, operating	5,841,255	(5,841,255)	-	2,762,846	(2,762,846)	-
Total revenue, income and other support	66,081,363	(1,126,593)	64,954,770	64,713,903	2,938,852	67,652,755
Expenses						
Instruction	26,442,431	-	26,442,431	29,364,560	-	29,364,560
Academic support	5,025,204	-	5,025,204	5,348,605	-	5,348,605
Student services	14,041,436	-	14,041,436	12,540,561	-	12,540,561
Auxiliary enterprises	6,045,789	-	6,045,789	6,784,459	-	6,784,459
Institutional support	9,805,350	-	9,805,350	10,584,880	-	10,584,880
Fundraising	1,945,389	-	1,945,389	1,776,518	-	1,776,518
Total expenses	63,305,599	-	63,305,599	66,399,583	-	66,399,583
Change in Net Assets Before Other Activities	2,775,764	(1,126,593)	1,649,171	(1,685,680)	2,938,852	1,253,172
Other Activities						
Contributions for endowment and capital acquisition	26,034	14,580,747	14,606,781	499,804	2,222,461	2,722,265
Gain on sale of plant assets	-	-	-	827,429	-	827,429
Realized and unrealized gains (losses) on investments	(355,367)	(1,264,036)	(1,619,403)	671,872	2,810,751	3,482,623
Endowment return designated for operations, net	(4,229,941)	(2,756,471)	(6,986,412)	(6,172,602)	(2,539,903)	(8,712,505)
Net investment income, nonoperating	650,893	1,989,989	2,640,882	651,367	1,887,473	2,538,840
Net assets released from restrictions, nonoperating	906,462	(906,462)	-	780,101	(780,101)	-
Change in value of split-interest agreements	(507,399)	6,394,350	5,886,951	(260,305)	1,470,243	1,209,938
Reclassification	(108,019)	108,019	-	-	-	-
Total other activities	(3,617,337)	18,146,136	14,528,799	(3,002,334)	5,070,924	2,068,590
Change in Net Assets	(841,573)	17,019,543	16,177,970	(4,688,014)	8,009,776	3,321,762
Net Assets, Beginning of Year	107,147,902	106,491,843	213,639,745	111,835,916	98,482,067	210,317,983
Net Assets, End of Year	$ 106,306,329	$ 123,511,386	$ 229,817,715	$ 107,147,902	$ 106,491,843	$ 213,639,745

See Notes to Financial Statements

Linfield College

Statements of Functional Expenses

Years Ended June 30, 2020 and 2019

	Program Services					Supporting Services			
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Total Program	Institutional Support	Operation and Maintenance	Fundraising	Total
2020									
Salaries and wages	$ 15,042,597	$ 2,293,798	$ 5,478,702	$ 464,909	$ 23,280,006	$ 3,030,913	$ 2,466,182	$ 1,065,368	$ 29,842,469
Employee benefits	5,372,904	848,740	1,734,075	87,602	8,043,321	658,218	1,103,078	400,994	10,205,611
Depreciation	1,614,515	306,828	857,338	369,142	3,147,823	717,474	-	-	3,865,297
Interest and amortization	699,682	132,970	371,545	159,975	1,364,172	310,931	-	-	1,675,103
Operation and maintenance	1,509,128	286,799	801,376	345,046	2,942,349	556,126	(3,612,989)	114,514	-
Contracted services	463,710	211,356	664,663	2,010,580	3,350,309	1,873,921	3,512,751	94,988	8,831,969
Other	1,739,895	944,713	4,133,737	2,608,535	9,426,880	2,657,767	(3,469,022)	269,525	8,885,150
	$ 26,442,431	$ 5,025,204	$ 14,041,436	$ 6,045,789	$ 51,554,860	$ 9,805,350	$ -	$ 1,945,389	$ 63,305,599

	Program Services					Supporting Services			
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Total Program	Institutional Support	Operation and Maintenance	Fundraising	Total
2019									
Salaries and wages	$ 16,549,115	$ 2,542,326	$ 5,405,299	$ 474,924	$ 24,971,664	$ 4,694,101	$ 2,244,273	$ 871,239	$ 32,781,277
Employee benefits	5,408,992	805,756	1,574,335	94,315	7,883,398	1,567,123	929,552	307,101	10,687,174
Depreciation	1,710,758	311,606	736,649	395,258	3,154,271	621,434	-	-	3,775,705
Interest and amortization	755,331	137,580	325,244	174,513	1,392,668	274,374	-	-	1,667,042
Operation and maintenance	1,335,527	243,259	575,076	308,563	2,462,425	403,323	(2,947,557)	81,809	-
Contracted services	667,933	132,088	666,478	2,504,868	3,971,367	1,064,085	750,520	68,908	5,854,880
Other	2,936,904	1,175,990	3,257,480	2,832,018	10,202,392	1,960,440	(976,788)	447,461	11,633,505
	$ 29,364,560	$ 5,348,605	$ 12,540,561	$ 6,784,459	$ 54,038,185	$ 10,584,880	$ -	$ 1,776,518	$ 66,399,583

See Notes to Financial Statements

Linfield College

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	$ 16,177,970	$ 3,321,762
Items not requiring (providing) operating activities cash flows		
Depreciation	3,865,297	3,775,705
Amortization of debt issuance costs	34,504	34,504
Amortization of discount/premium on debt	(100,550)	(100,550)
Increase (decrease) in allowance for uncollectible accounts, notes and contributions receivable	(6,319)	39,495
Contributions received and payments on contributions receivable restricted for long-term investment	(1,032,505)	(4,061,071)
Contributions received and payments on contributions receivable restricted for capital investment	(2,865,694)	(332,622)
Gain on sale of plant assets	-	(827,429)
Realized and unrealized (gains) losses on investments	1,619,403	(3,482,623)
Changes in		
Interest receivable	15,451	13,181
Accounts and notes receivable	(1,874,629)	1,583,320
Contributions receivable	(10,964,667)	2,361,786
Inventory	(11,596)	(3,919)
Prepaid expenses and other assets	(823,301)	(599,727)
Accounts payable and accrued liabilities	(1,012,499)	3,255,064
Deferred revenue	(1,665,270)	(973,318)
U.S. Government grants refundable	(302,497)	477,571
Assets held in trusts by others	(5,704,793)	(1,099,019)
Obligations for split-interest agreements	60,914	296,867
Net cash (used in) provided by operating activities	(4,590,781)	3,678,977
Investing Activities		
Proceeds from sales of plant assets	-	997,692
Purchase of plant assets	(2,887,960)	(16,485,383)
Proceeds from sales and maturities of investments	45,958,836	39,581,398
Purchase of investments	(41,595,473)	(23,478,715)
Net cash provided by investing activities	1,475,403	614,992
Financing Activities		
Proceeds from contributions received and payments on contributions receivable restricted for long-term investment	1,032,505	4,061,071
Proceeds from contributions received and payments on contributions receivable restricted for capital investment	2,865,694	332,622
Principal payments on notes payable and capital leases	(345,279)	(347,518)
Principal payments on bonds payable	(1,120,000)	(1,065,000)
Payments on obligations for split-interest agreements	(274,666)	(285,143)
Net cash provided by financing activities	2,158,254	2,696,032
Increase (Decrease) in Cash and Cash Equivalents	(957,124)	6,990,001
Cash and Cash Equivalents, Beginning of Year	9,285,626	2,295,625
Cash and Cash Equivalents, End of Year	$ 8,328,502	$ 9,285,626
Supplemental Cash Flows Information		
Cash paid for interest	$ 1,691,775	$ 1,733,088
Gifts of marketable assets for current or long-term use	489,774	2,233,788
Plant asset acquisitions in accounts payable	460,490	431,642
Plant asset acquisition related to value of free rent provided	-	2,700,000

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

Nature of Operations

Linfield College (College) is a not-for-profit, accredited four year, comprehensive undergraduate, private, coeducational, liberal arts and science institution located in McMinnville and Portland, Oregon. The College serves more than 1,980 students from 23 states and 20 foreign countries and offers 54 majors. The College's revenues and other support are derived principally from student tuition, fees, room and board and donor contributions. In addition, the College processes federal and state assistance grants and loans for its students to help pay for their educational costs. Some federal, state and private grants are also received for research and development.

Accrual Basis Accounting

The financial statements of the College have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles.

Use of Estimates

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

Cash and Cash Equivalents

The College considers all short-term fixed income investments (highly liquid debt instruments with a maturity of three months or less at purchase), to represent cash equivalents, except for certain cash equivalents included in the investment portfolio that are intended to be invested on a long term basis, which are also not considered cash and cash equivalents for purposes of the statement of cash flows. The cash and cash equivalents total was $8,328,502 and $9,285,626 at June 30, 2020 and 2019, respectively. The cash and cash equivalent balances were held in money market, bank certificates of deposit or petty cash on hand.

At June 30, 2020, the College's cash accounts exceeded federally insured limits by approximately $8,448,000.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is initially included in net assets with donor restrictions, but then shown as net assets released from restrictions in the same year. Other investment returns are reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

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

The College follows the provisions of Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

The College has certain investments in real estate and related assets that were recorded at cost when purchased or fair value on the date of gift, as appropriate. These investments remain at their initial value and are evaluated annually for impairment. There was no such impairment as of June 30, 2019 and 2018.

Accounts and Notes Receivable

Accounts receivable are stated at the amount of consideration from students of which the College has an unconditional right to receive plus any accrued and unpaid interest. The College provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts that are unpaid after the due date bear interest at 1 percent per month for the first three months following the end of the applicable semester, after which the balances are transitioned to a service provider to aid with collections and are charged 5 percent annually. Accounts past due more than 120 days are considered delinquent. Interest continues to accrue on delinquent accounts. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

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

Inventory

Inventory consists primarily of Campus Mail Center postage and Facilities/Departmental bulk purchased paper supplies as of June 30, 2020 and 2019, and is recorded at the lower of cost (first in, first out) and net realizable value.

Tuition and Auxiliary Services Revenue

Tuition revenue is recognized over the term of the semester as the College provides services to students. Revenue is reported at the amount of consideration which the College expects to be entitled in exchange for providing tuition and auxiliary services. The College determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships and other price concessions provided to students.

Contributions

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

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

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

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

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue without donor restrictions and then released from restriction.

Plant Assets

The College's plant facilities are stated at cost or fair value at the date of donation (in the case of gifts), less accumulated depreciation. All plant assets, other than land, are depreciated over their estimated useful lives using the straight-line method. Estimated useful lives used to calculate depreciation are as follows:

	Years
Buildings - main campus	70
Buildings - smaller residential	30
Building improvements	30
Land improvements	30
Furniture and equipment	10
Library books	10
Vehicles	10
Software	5
Land and art work	Not depreciated

Bond Issuance Costs

Bond issuance costs (including bond issue costs, bond discounts and bond premiums) represent amounts amortized by the College in connection with the issuance of the 2010 and 2015 Oregon Facilities Authority Bonds. See Note 12 for further discussion.

The remaining unamortized portion of bond issuance costs and discounts are reported (per FASB ASU 2015-03, Subtopic 835-30, *Simplifying the Presentation of Debt Issuance Costs*), as a contra bonds payable liability account and along with unamortized premiums are included in bonds payable on the statements of financial position. Amortization is calculated using a method that approximates the effective yield over the life of the bonds.

Long-lived Asset Impairment

The College evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds it fair value. No asset impairment was recognized during the years ended June 30, 2020 and 2019.

Deferred Revenue

Deferred revenue consists primarily of prepayments of tuition and fees related to future academic semesters which is recognized over the periods to which the fees relate.

Split-Interest Agreements

The College uses an actuarial method to record certain split-interest arrangements. Under this method, the present value of the payments to beneficiaries is estimated based upon life expectancy tables when the gift is received. The present value of those payments is recorded as a liability and the remainder as net assets with donor restrictions. Periodic adjustments are made between the liability and the net assets to record actuarial gains or losses. The discount rates used by the College in calculating present value of all split-interest agreements range from 1 percent to 10 percent at June 30, 2020 and 2019. Obligations for split-interest agreements include certain liabilities related to charitable gift annuities. These liabilities totaled $894,185 and $946,955 at June 30, 2020 and 2019, respectively.

Net Assets – Basis of Presentation

Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. The definitions used to clarify and report net assets are as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor imposed stipulations and are available for use in general operations or are part of what's invested in property, plant and equipment (net of related debt). However, the governing board may designate any of these funds for specific purposes (*i.e.,* specific purpose reserves or endowments).

Net Assets With Donor Restrictions – Net assets subject to donor imposed stipulations (1) that will be met either by actions of the College or the passage of time or (2) that are to be permanently maintained by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among program services, institutional support and fund raising categories based on total operating costs.

Income Taxes

The College is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) of the IRC, except to the extent of unrelated business income tax under Sections 511 through 515 of the IRC. Unrelated business income tax is insignificant or nonexistent and, therefore, no tax provision has been made.

Accounting principles generally accepted in the United States of America require the College's management to evaluate tax positions taken by the College and recognize a tax liability (or asset) if the College has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed tax positions taken by the College and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The College is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The College's management believes it is no longer subject to income tax examinations for years prior to 2017.

Note 2: Revenue From Contracts With Students

Tuition, Residential Services, Meal Plan Services and Other Auxiliary Revenue

Revenue from contracts with students for tuition, residential services, meal plan and other auxiliary services is reported at the amount that reflects the consideration to which the College expects to be entitled in exchange for providing instruction and housing, food and other services. These amounts are due from students, third-party payers and others and are net of scholarships and institutional aid of $39,461,980 and $37,246,757 for the years ended June 30, 2020 and 2019, respectively.

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

If a student withdraws during the academic term, the student is refunded based on the terms published in the student handbook. No refunds are awarded after the end of the fourth week of the academic term. The College determines the refund liability at June 30 based on actual experience subsequent to June 30.

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

Transaction Price and Recognition

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

From time to time the College will incur student credit balances and student deposits which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2020 and 2019, the College has a liability for refunds or deposits from students recorded of less than $100,000 for each of the years ended June 30, 2020 and 2019.

Subsequent changes that are determined to be the result of an adverse change in the student's ability to pay are recorded as bad debt expense.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

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

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

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

Disaggregation of Revenue

The composition of net student fees revenue by segment for the years ended June 30, 2020 and 2019, is as follows:

	2020	2019
Net tuition and fees	$ 39,951,508	$ 38,896,138
Room	5,862,763	7,200,797
Board	3,215,296	3,898,546
Other	839,440	896,341
	$ 49,869,007	$ 50,891,822

The composition of revenue based on timing of revenue recognition for the years ended June 30, 2020 and 2019, is as follows:

	2020	2019
Services transferred over time	$ 45,814,271	$ 46,096,935
Sales at point in time	4,054,736	4,794,887
	$ 49,869,007	$ 50,891,822

Contract Balances

The following table provides information about the College's receivables from contracts with students:

	2020	2019
Accounts receivable, beginning of the year	$ 3,024,948	$ 4,508,535
Accounts receivable, end of the year	4,984,455	3,024,948

During the years ended June 30, 2020 and 2019, the College recognized revenue of $2,089,402 and $2,002,522, respectively, that was recognized as deferred revenue at the beginning of the year. The College expects to recognize revenue of $2,155,428 of tuition revenue in fiscal 2021 when the summer 2020 academic term is completed.

Note 3: Net Assets

	2020	2019
Without Donor Restrictions		
Internally designated purposes (A)	$ 2,768,293	$ 3,333,466
Quasi-endowment funds (B)	21,157,430	25,354,508
Special annuities and institutional student loan funds	776,255	839,076
Net investment in plant	80,832,794	76,699,849
Institutional portion of Perkins/Nursing loan funds	771,557	921,003
Total net assets without donor restrictions	106,306,329	107,147,902
With Donor Restrictions		
Subject to the passage of time or expenditure for specified purpose		
Operational and academic projects, one-time scholarships and pending endowments	5,460,987	4,867,838
Endowment distributions held for expenditure		
Instruction and operations	2,031,987	2,081,858
Student aid	769,806	653,280
Endowments		
Earnings subject to future appropriations		
Instruction and operations	13,993,578	11,750,359
Student aid	14,937,779	15,676,867
Perpetual endowment funds - original gift corpus		
Instruction and operations	24,652,206	26,254,193
Student aid	31,386,470	30,108,543
Split-interest agreements	16,655,767	11,218,722
Loan funds	331,804	331,602
Plant funds and designations for construction projects	13,291,002	3,548,581
Total net assets with donor restrictions	123,511,386	106,491,843
Total net assets	$ 229,817,715	$ 213,639,745

(A) A variety of reserve or set aside funds. Examples are student course/lab fees, academic projects, grants, capital campaign, reserves (for faculty development and initiatives, wine education studies, technology, enrollment, academic and administrative equipment needs, library, student life/leadership programs, etc.), IPO fees, vehicles, building repairs, energy conservation projects, insurance, strategic initiatives, accreditation, etc.

(B) The College's Board of Trustees (governing Board) through specific action has created internal use designations on all quasi-endowment net assets without donor restrictions. These internal use designations also follow the College's endowment investment and spending policy and thus annually support specific programs and operations that the College relies upon.

Note 4: 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 during the years ended June 30, 2020 and 2019, as follows:

	2020	2019
Purpose restrictions accomplished		
Instruction and operations	$ 1,512,230	$ 393,227
Academic support	75,554	140,101
Student services	624,050	428,310
Institutional support	188,915	159,139
Scholarships	1,807,501	1,779,374
Operations and maintenance of property and equipment	1,792,366	49,101
Annuity/trust/life income	747,101	593,695
Total net assets released from restrictions	$ 6,747,717	$ 3,542,947

Note 5: Tuition and Fees

Student tuition and fee revenues for the years ended June 30, 2020 and 2019, consist of the following:

	2020	2019
Tuition and fees	$ 79,413,488	$ 76,142,895
Less		
Unfunded financial aid (institutional tuition discount)	(36,867,706)	(34,540,643)
Funded financial aid (endowed or other designations)	(2,594,274)	(2,706,114)
Tuition and fees, net	$ 39,951,508	$ 38,896,138

Note 6: Investments

Investments at June 30 consisted of the following:

	2020	2019
Restricted cash and cash equivalents	$ 11,616,711	$ 12,400,706
Fixed income securities	27,049,628	25,833,619
Equity mutual funds		
Domestic	35,269,226	37,506,302
International	27,182,489	29,422,883
Marketable alternatives	9,580,008	11,279,967
Split-interest agreements and other assets with trustees		
Cash and cash equivalents held for reinvestment	76,021	94,444
Equity and mutual funds	2,634,331	2,640,986
Fixed income funds	1,603,613	1,815,886
	115,012,027	120,994,793
Real property held for investment	6,641,720	6,641,720
Total investments	$ 121,653,747	$ 127,636,513

	2020	2019
Short-term investments	$ 2,218,652	$ 2,601,984
Long-term investments	119,435,095	125,034,529
	$ 121,653,747	$ 127,636,513

Certain net asset balances (Note 4) in the financial statements differ from investment balances below due to other assets, liabilities or timing of transactions between funds. The values of total investments by function at June 30, 2020 and 2019, were as follows:

	2020	2019
Endowments with and without donor restrictions	$ 102,599,548	$ 108,079,531
Split-interest agreements	3,852,672	4,360,517
Bond funds and reserves	2,913,444	2,936,850
CD's and other bank investments	9,950,607	9,924,538
Assets invested in real estate, non-endowed	2,276,720	2,276,720
Other investments	60,756	58,357
Total investments	$ 121,653,747	$ 127,636,513

Endowment funds are in an investment pool that is professionally managed under the total return concept (unit fair value method), unless special considerations or donor stipulations require that they be held separately or unless in real estate holdings.

All split-interest agreement assets are invested with money managers separate from the endowment investment pool, unless special considerations require that they be held collectively. At June 30, 2020 and 2019, the split-interest agreement assets primarily consisted of equity and fixed income mutual funds.

The College signed a 40 year operating land lease on July 1, 2003, as the lessor for the land included in real property held for investment. The College has leased 342,817 square feet of land. The minimum future rental income associated with this lease is as follows:

2021	$ 198,426
2022	198,426
2023	198,426
2024	200,080
2025	208,347
Thereafter	833,390
	$ 1,837,095

Revenue from the lease is recognized ratably over the life of the lease.

Note 7: Disclosures About Fair Value of Assets

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

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets

Linfield College
Notes to Financial Statements
June 30, 2020 and 2019

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

	2020			
		Fair Value Measurements Using		
	Total Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Restricted cash and cash equivalents	$ 11,616,711	$ 2,333,621	$ 9,283,090	$ -
Domestic equity mutual funds				
Large cap mutual funds	29,359,097	29,359,097	-	-
Small cap mutual funds	5,910,129	5,910,129	-	-
International equity mutual funds				
Large cap mutual funds	20,853,052	20,853,052	-	-
Small cap mutual funds	2,534,401	2,534,401	-	-
Emerging markets	3,795,036	3,795,036	-	-
Fixed income securities				
Bond funds	24,826,314	24,826,314	-	-
Agency funds	1,874,322	1,874,322	-	-
Commercial paper	348,992	348,992	-	-
Marketable alternatives	9,580,008	-	9,580,008	-
Split-interest agreements and other assets with trustees				
Fixed income funds	1,603,613	-	1,603,613	-
Equity funds	1,943,604	1,943,604	-	-
Mutual funds				
International growth funds	367,147	367,147	-	-
Real estate funds	115,817	115,817	-	-
Other mutual funds	207,763	-	207,763	-
Restricted cash and cash equivalents held for reinvestment	76,021	76,021	-	-
Real property held for investment (A)	6,641,720	-	-	-
Total investments	$ 121,653,747			
Assets Held in Trust by Others	14,959,920	-	-	14,959,920

Linfield College
Notes to Financial Statements
June 30, 2020 and 2019

	2019			
		Fair Value Measurements Using		
	Total Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Restricted cash and cash equivalents	$ 12,400,706	$ 2,199,995	$ 10,200,711	$ -
Domestic equity mutual funds				
Large cap mutual funds	31,130,993	31,130,993	-	-
Small cap mutual funds	6,375,309	6,375,309	-	-
International equity mutual funds				
Large cap mutual funds	21,836,609	21,836,609	-	-
Small cap mutual funds	3,179,794	3,179,794	-	-
Emerging markets	4,406,480	4,406,480	-	-
Fixed income securities				
Bonds funds	25,484,627	25,484,627	-	-
Commercial paper	348,992	348,992	-	-
Marketable alternatives	11,279,967	-	11,279,967	-
Split-interest agreements and other assets with trustees				
Fixed income funds	1,815,886	-	1,815,886	-
Equity funds	2,103,659	2,103,659	-	-
Mutual funds				
International growth funds	406,136	406,136	-	-
Real estate funds	131,191	131,191	-	-
Restricted cash and cash equivalents held for reinvestment	94,444	94,444	-	-
Real property held for investment (A)	6,641,720	-	-	-
Total investments	$ 127,636,513			
Assets Held in Trust by Others	9,255,127	-	-	9,255,127

(A) Real property held for investment is valued at the lower of cost or market and has therefore not been classified in the fair value hierarchy. The amount included above is intended to permit reconciliation of the fair value hierarchy to the amount presented in the statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2020. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below. The College has no assets or liabilities measured at fair value on a nonrecurring basis.

Investments

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

Assets Held in Trusts by Others

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

Level 3 Valuation Process

Fair value determinations for Level 3 measurements of securities and trusts are the responsibility of the Business Office. The Business Office obtains information to generate fair value estimates on a monthly or quarterly basis. The Business Office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States of America.

Level 3 Reconciliation

The College has been designated the irrevocable beneficiary of the income of a portion of certain perpetual trust funds held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the College; however, the College will never receive the assets of the trusts. The related assets are neither in the possession of nor under the control of the College, but are recorded at their estimated fair value. The amounts received or accrued from these trusts was $242,550 and $321,649 for 2020 and 2019, respectively, and is included in the change in value of split-interest agreements for the years then ended.

The College's interest in these irrevocable perpetual agreements held or controlled by a third party is classified as Level 3. The underlying investments in these trusts include marketable securities as well as directly held real estate. The value of the College's beneficial interest is primarily established using unobservable inputs, such as specific estimates of cash flows. Since the College has an irrevocable right to receive the income earned for the trust's assets, the fair value of the College's beneficial interest is estimated to approximate the fair value of the trust's assets.

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

	Assets Held in Trusts by Others
Balance, July 1, 2018	$ 8,156,108
Dividends	1,446
Sales	(323,095)
Total realized and unrealized gains included in change in net assets	1,420,668
Balance, June 30, 2019	9,255,127
Dividends	1,641
Sales	(244,191)
Total realized and unrealized gains included in change in net assets	5,947,343
Balance, June 30, 2020	$ 14,959,920

The unrealized gains for the assets held in trusts by others are included in the change in value of split-interest agreements on the statements of activities.

Unobservable (Level 3) Inputs

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

	Fair Value at June 30, 2020	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
Assets held in trust by others	$ 14,959,920	Discounted cash flows	Discount rates Market return rates	3% - 7%

	Fair Value at June 30, 2019	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
Assets held in trust by others	$ 9,255,127	Discounted cash flows	Discount rates Market return rates	3% - 7%

Sensitivity of Significant Unobservable Inputs

The following is a discussion of the sensitivity of significant unobservable inputs, the interrelationships between those inputs and other unobservable inputs used in recurring fair value measurement and of how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement:

Assets Held in Trust by Others

The significant unobservable inputs used in the fair value measurement of the College's assets held in trust by others are fair market values, discount rates and market return rates. The discount rate of the trust is the interest rate utilized to discount future cash flows in a present value cash flow calculation. The discount rate used often represents the return market participants' would demand on similar assets. Therefore, significant increases (decreases) in the discount rate used would result in (lower) higher fair value measurement.

Note 8: Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2020 and 2019, consist of the following:

	2020	2019
Accounts receivable		
Student accounts: Current students	$ 1,452,166	$ 1,432,621
Student accounts: Prior students	1,111,686	1,223,272
Other receivables	3,148,131	1,185,247
	5,711,983	3,841,140
Less allowance for doubtful accounts	(727,528)	(816,192)
Net accounts receivable	4,984,455	3,024,948
Notes receivable		
Perkins loans	2,391,326	2,899,405
Nursing student loans	3,333,955	2,672,000
	5,725,281	5,571,405
Less allowance for doubtful accounts	(490,085)	(529,062)
Net notes receivable	5,235,196	5,042,343
Total accounts and notes receivable, net	$ 10,219,651	$ 8,067,291

It is the College's obligation to collect loans made under the Perkins Loan Program (Program). The loans are payable, including interest at 5 percent, over approximately 10 years following college attendance. Principal payments, interest and losses due to cancelation are shared by the College and the U.S. Government in proportion to their share of funds provided (approximately 83.6 percent of the funds have been provided by the U.S. Government). The Program provides for cancelation of the loans if the student is employed in certain occupations following graduation (employment cancelations). Such employment cancelations are absorbed in full by the U.S. Government.

Note 9: Credit Quality of Financing Receivables

The College's financing receivables consist of the Federal Perkins Loans balance (no longer revolving) and the revolving Federal Nursing Student Loans (NSL) for which the College acts as an agent for the federal Government. Student loans represent 2.0 percent and 2.1 percent of total assets of the College as of June 30, 2020 and 2019, respectively.

The availability of funds for loans under the Nursing loan program is dependent on reimbursements to the pool from repayments on outstanding loans. The federal liability portion (the College also contributed a smaller portion) of funds held in the federal loan programs at June 30, 2020, was $5,071,997, and is ultimately refundable to the Government and is classified as a liability in the statements of financial position.

Allowances for estimated losses are established based on prior collection experience and observed trends in the rate of default, analyzed periodically. Loan balances are written off when they are deemed to be permanently uncollectible. Since student loans under the Perkins loan program and NSL can be assigned to the Government when no longer collectible, a Perkins Loan write off will reduce a portion of the amount refundable to the Government.

The Perkins loan program authorization to make new loans ended with fiscal year 2018 and all of the federal portion of these funds will be returned to the federal Government as collected (paid back) from students.

Balances of financing receivables as of June 30, 2020 and 2019, are presented as follows:

	2020	2019
Perkins loans	$ 2,391,326	$ 2,899,405
Nursing student loans	3,333,955	2,672,000
	5,725,281	5,571,405
Less allowance for doubtful accounts	(490,085)	(529,062)
Notes receivable, net	$ 5,235,196	$ 5,042,343

For each class of financing receivables, the following table presents the performing and nonperforming portion of the financing receivables as of June 30, 2020 and 2019:

	Performing	Nonperforming (Defaulted)	2020 Total
Perkins loans	$ 2,204,118	$ 187,208	$ 2,391,326
Nursing student loans	3,231,214	102,741	3,333,955
Total	$ 5,435,332	$ 289,949	$ 5,725,281

	Performing	Nonperforming (Defaulted)	2019 Total
Perkins loans	$ 2,609,650	$ 289,755	$ 2,899,405
Nursing student loans	2,586,860	85,140	2,672,000
Total	$ 5,196,510	$ 374,895	$ 5,571,405

The aging of financing receivables as of June 30, 2020 and 2019, is presented as follows:

2020 Aging	31-60	61-90	91+	Total past due	Total current	Total
Perkins loans	$ 74,148	$ 127,784	$ 137,179	$ 339,111	$ 2,052,215	$ 2,391,326
Nursing student loans	11,145	-	128,798	139,943	3,194,012	3,333,955
Total	$ 85,293	$ 127,784	$ 265,977	$ 479,054	$ 5,246,227	$ 5,725,281

2019 Aging	31-60	61-90	91+	Total past due	Total current	Total
Perkins loans	$ 73,905	$ 59,413	$ 291,299	$ 424,617	$ 2,474,788	$ 2,899,405
Nursing student loans	68,115	18,864	99,121	186,100	2,485,900	2,672,000
Total	$ 142,020	$ 78,277	$ 390,420	$ 610,717	$ 4,960,688	$ 5,571,405

Note 10: Contributions Receivable

Contributions receivable at June 30 consist of the following:

	2020	2019
Due within one year	$ 6,240,015	$ 1,129,313
Due in one to five years	6,764,507	911,459
Due in more than five years	3,500	-
	13,008,022	2,040,772
Less		
Unamortized discount (0.29% - 2020; 2.42% - 2019)	(25,106)	(22,523)
Allowance for doubtful pledges	(231,869)	(110,547)
	$ 12,751,047	$ 1,907,702

Note 11: Plant Assets

Plant assets at June 30, 2020 and 2019, consist of the following:

	2020	2019
Land	$ 11,867,862	$ 11,867,862
Land improvements	9,435,974	7,336,730
Buildings	97,837,682	97,837,682
Building improvements	26,907,614	26,385,941
Furniture and equipment	22,119,704	21,906,530
Library holdings	13,888,588	13,851,717
Vehicles	708,953	670,350
Software	402,949	344,092
Artwork	129,435	129,435
Construction in progress	2,817,692	2,869,308
	186,116,453	183,199,647
Less accumulated depreciation	(75,626,419)	(71,761,124)
	$ 110,490,034	$ 111,438,523

Note 12: Bonds Payable

At June 30, 2020 and 2019, bonds payable consisted of the following:

	2020	2019
Oregon Facilities Authority Bonds of 2010		
Series A, 4.75% to 5.25%, due serially to 2040 (A)	$ 23,385,000	$ 23,385,000
Oregon Facilities Authority Bonds of 2015		
Series A, 3.75% to 5.00%, due serially to 2030 (B)	9,950,000	11,070,000
	33,335,000	34,455,000
Add unamortized bond premium	1,055,772	1,156,322
Less unamortized debt issuance costs and discounts	(562,602)	(597,106)
	$ 33,828,170	$ 35,014,216

(A) On August 1, 2010, the College entered into a Loan Agreement with the State Treasurer of the State of Oregon, acting on behalf of the State of Oregon and on behalf of the Oregon Facilities Authority to issue bonds with an aggregate principal amount of $23,385,000 (the 2010 Bonds).

The proceeds of the 2010 Bonds were loaned to the College for (1) the refunding of all of the Issuer's outstanding Revenue Bonds (Linfield College Project), 1998 Series A; (2) the refunding of all of the Issuer's outstanding Revenue Bonds (Linfield College Project), 2001 Series A; (3) the planning, construction and financing of capital construction, improvement, remodeling, renovation and acquisition and installation of equipment for the renovation of Northup Hall and other capital improvements including the construction, remodel, retro fit, and/or conversion of buildings to different uses and payment of architectural and engineering costs for the foregoing; (4) a reserve fund; (5) capitalized interest; and (6) the payment of costs of issuance of the 2010 Bonds.

As of June 30, 2020 and 2019, the reserve fund had assets remaining of $1,092,189 and $1,150,592 (at cost), respectively. The College is responsible for bond principal and interest payments that vary from 4.75 percent to 5.25 percent. Principal reduction begins in October 2028 with the final maturation occurring on October 1, 2040. Bonds maturing on or after October 1, 2020, will be subject to redemption at the option of the College, in whole or in part on any date on or after October 1, 2020, in such maturities as are selected by the College, at a price of par plus accrued and unpaid interest. Other mandatory redemption provisions are outlined in the bond prospectus for bonds maturing in 2028, 2031, 2034 and 2040. Each of these bonds is unsecured and is to be redeemed through annual budgeted revenue. Unamortized bond issuance costs totaled $297,734 and $311,912 as of June 30, 2020 and 2019, respectively.

(B) On June 16, 2015, the College entered into a Loan Agreement with the State Treasurer of the State of Oregon, acting on behalf of the State of Oregon and on behalf of the Oregon Facilities Authority to issue bonds with an aggregate principal amount of $14,245,000 (the 2015 Bonds).

On July 8, 2015, the College closed on the new 2015 Series A State of Oregon, Oregon Facilities Authority Revenue Bonds at a Par amount of $14,245,000. The remaining 2005 Bonds had a call date on October 1, 2015, and were eligible for "current refunding" within 90 days (beginning July 1, 2015) of the call date.

The proceeds of the 2015 Bonds were loaned to the College for (1) the refunding of the Issuer's remaining outstanding Revenue Bonds (Linfield College Project), 2005 Series A and (2) the payment of costs of issuance of the 2015 Bonds. As of June 30, 2020 and 2019, Bond reserve fund had assets remaining of $1,821,216 and $1,786,075 (at cost), respectively. The College is responsible for bond principal and interest payments that vary from 3.75 percent to 5.00 percent.

Principal reduction began in October 2016 with the final maturation occurring on October 1, 2030. Bonds maturing on or after October 1, 2026, will be subject to redemption at the option of the College, in whole or in part on any date on or after October 1, 2025, in such maturities as are selected by the College, at a price of par plus accrued and unpaid interest. Other mandatory redemption provisions are outlined in the bond prospectus. Each of these bonds is unsecured and is to be redeemed through annual budgeted revenues. Unamortized bond issuance costs totaled $161,970 and $177,395 as of June 30, 2020 and 2019, respectively.

The College's investment grade rating of Baa1 was reviewed by Moody's Investor Services in February 2020 and lowered to Baa2. The above 2010 and 2015 Oregon Facilities Authority bonds contained certain covenants, which include the maintenance of certain financial ratios, as defined in the agreements. For the year ended June 30, 2020, management is not aware of any violations of these covenants.

The future maturities of bonds payable excluding any amortization of bond issuance costs or discount/premium are as follows:

	Principal	Interest	Total Payments
2021	$ 1,180,000	$ 1,634,275	$ 2,814,275
2022	1,240,000	1,573,775	2,813,775
2023	1,300,000	1,510,275	2,810,275
2024	1,370,000	1,443,525	2,813,525
2025	1,440,000	1,373,275	2,813,275
Thereafter until 2041	26,805,000	10,917,943	37,722,943
	$ 33,335,000	$ 18,453,068	$ 51,788,068

Note 13: Capital Lease Obligations

At June 30, 2020 and 2019, capital lease obligations consisted of the following:

	2020	2019
Capital lease covering certain data processing and network equipment for 5 years	$ 345,279	$ 690,558
	$ 345,279	$ 690,558

Annual maturities of capital lease obligations at June 30 are:

	Capital Lease Obligations
2021	$ 376,966
Less amount representing interest	(31,687)
	$ 345,279

Plant assets include the following property under capital leases at June 30, 2020 and 2019:

	2020	2019
Equipment	$ 1,753,980	$ 1,753,980
Less accumulated depreciation	(527,285)	(366,503)
	$ 1,226,695	$ 1,387,477

Note 14: Line of Credit

The College has a $5,000,000 revolving line of credit expiring on March 31, 2021. At June 30, 2020 and 2019, there were no monies borrowed against this unsecured line. Interest varies with the prime rate plus 0.25 percent and is payable monthly.

Note 15: Retirement Plan

The College has a defined-contribution retirement plan for all eligible staff and faculty. The plan provides for employee deferrals and for contributions by the College. Effective July 1, 2019, the University contributed 9.00 percent of eligible earnings to the plan for newly hired eligible staff and all newly hired eligible faculty. All employees hired on or after July 1, 2019, have a 5-year vesting schedule of twenty percent (20 percent) per year from the date of hire. For employees hired prior to July 1, 2019, the University contributed 9.00 percent for staff and 12.00 percent for faculty of eligible employees' earnings with no vesting schedule. The University's contributions totaled $2,398,244 and $2,479,759 in 2020 and 2019, respectively.

Note 16: Auxiliary Enterprises

Auxiliary enterprises consist of food service, bookstore operations, residence life and hosting of camps and conferences.

The College is leasing its bookstore to Barnes & Noble. Barnes & Noble is providing all bookstore services for the College under the terms of a lease agreement that has been renewed until June 30, 2022. During the term of the lease, Barnes & Noble will pay the College a guaranteed payment or a percentage of bookstore sales, whichever is greater.

The College has an ongoing contract with Sodexo Management, Inc. for the College's food service operations.

Certain expenses for the operation and maintenance of the College's physical plant have been allocated between education and general and auxiliary enterprises based on a square footage allocation of campus space. Interest has also been allocated to auxiliary enterprises for the portion that was incurred for food service and residence life facilities.

Note 17: Endowment Funds

The College's endowment consists of approximately 400 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) earnings from the endowments until those amounts per the endowment agreements are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the Act and (d) accumulations to the permanent endowment made in accordance with the direction (if any) of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the Act, the College permits spending from underwater endowment funds in accordance with the prudent measures required under the law.

Also, in accordance with the Act, the College considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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

Endowment net assets consist of the following at June 30, 2020 and 2019, excluding split-interest agreement funds:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Instruction and operations	$ -	$ 36,871,989	$ 36,871,989
Student aid	-	44,620,544	44,620,544
Contributions receivable	-	3,477,500	3,477,500
Board-designated endowment funds	21,157,430	-	21,157,430
Total endowment net assets	$ 21,157,430	$ 84,970,033	$ 106,127,463

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Instruction and operations	$ -	$ 37,250,264	$ 37,250,264
Student aid	-	45,522,777	45,522,777
Contributions receivable	-	1,016,921	1,016,921
Board-designated endowment funds	25,354,508	-	25,354,508
Total endowment net assets	$ 25,354,508	$ 83,789,962	$ 109,144,470

Changes in endowment net assets for the year ended June 30, 2020 and 2019, are as follows, excluding balances associated with annuities and trusts:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 25,354,508	$ 83,789,962	$ 109,144,470
Investment return			
Investment and other income	555,118	1,898,673	2,453,791
Net depreciation	(440,007)	(1,395,499)	(1,835,506)
Total investment return	115,111	503,174	618,285
Contributions	26,034	3,435,093	3,461,127
Appropriation of endowment assets for expenditure	(4,338,223)	(2,758,196)	(7,096,419)
Endowment net assets, end of year	$ 21,157,430	$ 84,970,033	$ 106,127,463

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 44,329,042	$ 80,208,856	$ 124,537,898
Investment return			
Investment and other income	722,569	1,831,365	2,553,934
Net appreciation	564,514	2,642,258	3,206,772
Total investment return	1,287,083	4,473,623	5,760,706
Contributions	200	1,942,371	1,942,571
Appropriation of endowment assets for expenditure	(20,261,817)	(2,834,888)	(23,096,705)
Endowment net assets, end of year	$ 25,354,508	$ 83,789,962	$ 109,144,470

(b) Return Objectives and Risk Parameters

Endowment and other Board-designated funds are invested on the basis of a total return policy to provide income and to realize appreciation on invested assets. Under this policy, a portion of capital gains, in addition to investment income, can be used to support operations. In certain circumstances, the Board of Trustees has authorized spending from endowment funds that have a fair value less than the historical gift value. In all cases, authorized spending amounts are utilized in accordance with donor imposed restrictions on the use of income earned by the endowment funds.

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the organizations must hold in perpetuity or for a donor specified period as well as Board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a custom index composed of 35 percent Russell 3000 index, 25 percent of the MSCI ACWI Ex U.S. IMI index, 20 percent Barclays U.S. Aggregate Bond index, 15 percent Custom Marketable Alternatives Index, and 5 percent of Linfield's Real Estate actual return, while assuming a moderate level of investment risk. The primary objective is to achieve a total return that exceeds the combination of the annual withdrawal per the Endowment's spending policy, the effect of inflation, and management fees. The Board recognizes and acknowledges prudent risk must be assumed in order to achieve these long-term investment objectives.

(c) Strategies Employed for Achieving Objectives

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

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year 4.5 percent of its endowment funds' average fair value using the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long term expected return on its endowment. The primary objective is to achieve a total return that exceeds the combination of the annual withdrawal per the Endowment's spending policy, the effect of inflation and management fees. The Board recognizes and acknowledges prudent risk must be assumed in order to achieve these long-term investment objectives. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

At June 30, 2020 and 2019, the spending rate adopted by the College was 4.5 percent of a 20 quarter moving average market value of pooled net assets with the allocation of earned income made annually. For 2019, an additional spend from the board-designated endowment was authorized to fund the purchase of certain plant assets and operations. There was linan additional spend authorized in 2020 for operations.

Substantially all investments of the College held for endowment are pooled for investment purposes. Income earned on endowment fund investments is allocated on the basis of each fund's proportionate interest in the pooled investment portfolio.

(e) Underwater Endowments – Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the College to retain as a fund of perpetual duration. If losses reduce the assets of a donor-restricted endowment fund below the donor-restricted corpus, it reduces total net assets with donor restrictions. There were no underwater endowments at June 30, 2020 and 2019.

The College's policy regarding spending from Underwater Endowments is "For underwater endowments with market values less than the restricted gift book value, the College will continue to spend at the spending rate above, but will monitor the underwater endowments annually at June 30." There have been no changes to that policy during the current fiscal year and the College followed the policy.

Note 18: Liquidity and Availability

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

	2020	2019
Total assets	$ 280,843,543	$ 269,211,978
Less plant assets and other non-financial assets	(127,745,949)	(122,154,748)
Financial assets, at year-end	153,097,594	147,057,230
Less those unavailable for general expenditures within one year, due to		
Contractual or donor-imposed restrictions		
Donor-restricted endowment	(84,970,033)	(83,789,962)
Split-interest agreements	(3,551,771)	(4,021,057)
Loan funds	(331,804)	(331,602)
Other donor-imposed restrictions	(8,262,780)	(7,602,976)
Board or internal designations		
Quasi-endowment fund, net of anticipated draw	(12,781,708)	(23,812,063)
Special annuities and institutional loan funds	(776,255)	(839,076)
Investments held in required bond reserves	(2,913,444)	(2,936,850)
Noncurrent assets		
Accounts and notes receivable	(4,808,544)	(4,223,051)
Interest receivable	(33,424)	(33,424)
Contributions receivable and plant funds designated for capital	(13,322,627)	(30,186)
	$ 21,345,204	$ 19,436,983

The College seeks to maintain financial assets consisting of cash and short-term investments on hand to meet 60 to 90 days of normal operating expenses, which are, on the average approximately $5.2 million per month (30 days). However, June 30 and December 31 are low points in the College's cash flow cycle due to the majority of tuition dollars coming in during August – September and January – February, so the liquidity reported above at June 30 is lower than at most other times during the year.

As part of its liquidity management, the College invests cash in excess of daily requirements in various short-term investments including multiple certificates of deposit up to $250,000 each and short-term treasury instruments. This is handled through a banking trust/custody arrangement and the funds have daily liquidity. Also, the College's quasi-endowment funds are invested mostly in institutional mutual funds that have daily liquidity. Although the College does not normally spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment have been and could be made available if necessary through Board action, but that would reduce future income to the College's operating budget and other programs.

In addition, the College maintains a $5 million line of credit that is available in the event of an unexpected liquidity event, but has not been used in over 10 years. The College has used a disciplined budget approach which has allowed accumulation of some reserves for unforeseen events or revenue declines and these have been very useful.

Note 19: Commitments and Contingencies

The College receives and expends money under federal grant programs and is subject to audits by cognizant governmental agencies. Management believes that any liabilities arising from such audits will not have a material effect on the College.

The College had in the past placed certain of its medical insurance coverage with the Pioneer Educators Health Trust (PEHT), formulated by seven similar western colleges and universities for the purpose of providing medical, dental and vision insurance to higher education institutions. Under the agreement, member institutions were required to make contributions to the fund at such times and in an amount as determined by the Trustees for the various benefit programs sufficient to provide the benefits and pay the administrative expenses of the Plan, which are not otherwise paid by the College directly and to establish and maintain a minimum reserve as determined by the Trustee. The College withdrew from PEHT on March 31, 2018, and has paid all of the subsequent known claims. There are still rulings pending with the DOL (Department of Labor) concerning how past deposits and refunds were handled administratively in the Trust, but the College expects to eventually receive a refund of some prior contributions to the Trust.

Contributions

Approximately 88 percent and 64 percent of contributions receivable were from two donors at June 30, 2020 and 2019, respectively.

Approximately 74 percent and 29 percent of contribution revenue resulted from two donors and one donor in 2020 and 2019, respectively.

The College has contributions receivable of approximately $356,000 and $477,000 from related parties at June 30, 2020 and 2019, respectively.

Investments

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

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

The following information is required by the U.S. Department of Education for the year ended June 30, 2020:

	2020
Property, plant and equipment, net of accumulated depreciation pre-implementation	$ 104,773,994
Property, plant and equipment, net of accumulated depreciation post-implementation without outstanding debt for purchase	2,898,348
Net assets with donor restictions - restricted in perpetuity	71,945,482

Note 21: Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus Events

As a result of the spread of the SARS-CoV-2 virus and the incident of COVID-19, the state of Oregon issued shelter-in-place orders and other measures around public gatherings and business operations to slow the spread of the virus. Furthermore, colleges and universities across the country took unprecedented action to protect the health and safety of students, including our campus. Beginning in March 2020, we announced that campus operations were being suspended and all students were transitioned to a distance education framework through the end of the Spring Term 2020. In addition, all summer classes were conducted through distance education and all summer conferences and events were cancelled or postponed. Given the uncertainty in the epidemiological and economic outlook, there may be short and long-term implications for our instruction, student experience and operations. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act* (CARES). The CARES Act created a Higher Education Emergency Relief Fund specifically for emergency aid grants to students for expenses related to the disruption of campus operations due to COVID-19 and also direct aid to institutions to cover costs associated with the significant changes to the delivery of instruction due to COVID-19. The College was awarded a student share and an institutional share that totaled $1,441,325 under this program. Prior to June 30, 2020, the College distributed $720,663 directly to eligible students through emergency grants and expended approximately $720,662 to offset room and board refunds.

Note 22: Subsequent Events

Subsequent events are events or transactions that occur after the date of the statements of financial position but before financial statements are issued. The College recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing the financial statements. The College's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of financial position but arose after the date of the statement of financial position and before financial statements were issued. Subsequent events have been evaluated through November 11, 2020, which is the date the financial statements were issued.

Subsequent to year-end, the College changed its name to Linfield University.

In October 2020, the College issued $46,135,000 in fixed rate, tax-exempt bonds through Yamhill County, Oregon under Series 2020A for the construction and/or renovation of certain major facilities and refunding of Series 2010A Oregon Facilities Authority tax-exempt bonds. The Series 2020A bonds bears interest rates ranging from 4.00 percent to 5.00 percent and are payable in semiannual interest and annual principal installments through 2050. Additionally, the College issued $9,440,000 in fixed rate, taxable bonds through Yamhill County, Oregon under Series 2020B for the sole purpose of defeasing the Series 2015A Oregon Facility Authority bonds. The Series 2020B bonds bear interest rates of 4.5 percent and are payable in semi-annual interest and annual principal installments through 2030. Cost of issuance totaled approximately $380,000. The Series 2020A and 2020B bonds are secured by a security interest in the College's unrestricted revenues. The refunding and defeasance of current bond debt will result in a net present value savings of approximately $245,000 for the College.

Subsequent to year-end, the College signed construction commitments for various projects for approximately $4,500,000.

Effective October 1, 2020, the College suspended its contributions to the employee 403(b) plan. The action was taken to bring the fiscal year ending June 30, 2021, contingency budget into balance.

Linfield College

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