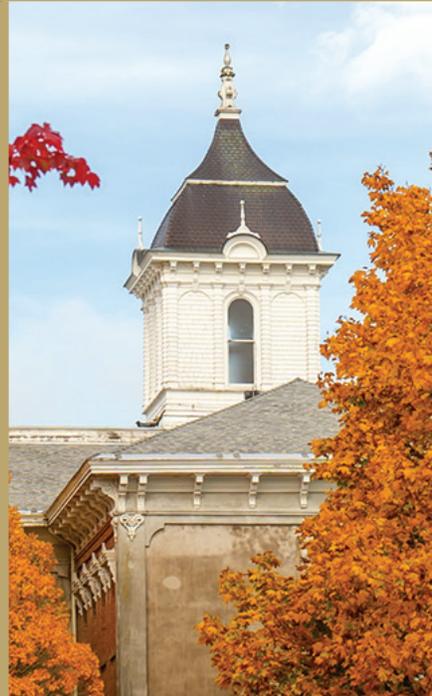




LINFIELD UNIVERSITY



UNCOMMON RESILIENCE

2021-22 Financial Report



Linfield University
June 30, 2022 and 2021

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Independent Auditor's Report

Board of Trustees
Linfield University
McMinnville, Oregon

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS,LLP

Fort Wayne, Indiana
November 22, 2022

Linfield University
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Assets - Current		
Cash and cash equivalents	\$ 15,845,504	\$ 9,879,432
Accounts and notes receivable, net (Note 8)	7,260,946	4,331,849
Interest receivable	11,339	51,063
Prepaid expenses and other assets	3,254,067	1,183,440
Contributions receivable, net (Note 10)	3,655,780	2,244,933
Inventory	24,845	25,433
Investments (Note 6)	5,604,360	9,186,925
Total current assets	35,656,841	26,903,075
Assets - Noncurrent		
Accounts and notes receivable, net (Note 8)	3,268,589	4,418,210
Interest receivable	68,943	89,734
Prepaid expenses and other assets	57,805	88,134
Contributions receivable, net (Note 10)	1,796,926	4,316,776
Investments (Note 6)	123,717,261	162,343,975
Assets held in trust by others	15,663,573	15,080,757
Plant assets, net (Note 11)	128,429,529	117,302,180
Total noncurrent assets	273,002,626	303,639,766
Total assets	\$ 308,659,467	\$ 330,542,841
Liabilities and Net Assets		
Liabilities - Current		
Accounts payable and accrued liabilities	\$ 7,751,592	\$ 7,120,771
Deferred revenue	2,114,191	2,135,313
Bonds payable (Note 12)	3,109,716	2,984,587
U.S. Government grants refundable	575,969	469,695
Obligations for split-interest agreements	653,903	483,878
Total current liabilities	14,205,371	13,194,244
Liabilities - Noncurrent		
Accounts payable and accrued liabilities	456,402	501,561
Bonds payable (Note 12)	53,042,968	56,152,684
U.S. Government grants refundable	3,776,653	4,193,327
Obligations for split-interest agreements	943,594	1,456,605
Total non-current liabilities	58,219,617	62,304,177
Total liabilities	72,424,988	75,498,421
Net Assets (Note 3)		
Without donor restriction	116,490,671	117,687,148
With donor restriction	119,743,808	137,357,272
Total net assets	236,234,479	255,044,420
Total liabilities and net assets	\$ 308,659,467	\$ 330,542,841

Linfield University
Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Income, and Other Support						
Tuition and fees, net	\$ 38,632,059	\$ -	\$ 38,632,059	\$ 39,872,955	\$ -	\$ 39,872,955
Contributions	1,857,558	2,017,081	3,874,639	1,591,396	1,356,787	2,948,183
Contracts and grants	3,684,032	3,985,038	7,669,070	2,364,902	738,663	3,103,565
Net investment income designated for operations	73,519	-	73,519	320,087	-	320,087
Other income	1,258,380	451,632	1,710,012	1,040,186	164,560	1,204,746
Auxiliary enterprises	11,508,572	-	11,508,572	11,529,455	-	11,529,455
Endowment return designated for operations	1,985,692	3,018,064	5,003,756	2,362,247	2,943,031	5,305,278
Net assets released from restrictions, operating	10,280,759	(10,280,759)	-	12,825,068	(12,825,068)	-
Total revenue, income, and other support	<u>69,280,571</u>	<u>(808,944)</u>	<u>68,471,627</u>	<u>71,906,296</u>	<u>(7,622,027)</u>	<u>64,284,269</u>
Expenses						
Instruction	27,020,162	-	27,020,162	25,768,957	-	25,768,957
Academic support	5,557,860	-	5,557,860	6,051,703	-	6,051,703
Student services	17,771,491	-	17,771,491	12,565,869	-	12,565,869
Auxiliary enterprises	4,779,462	-	4,779,462	5,388,798	-	5,388,798
Institutional support	9,742,145	-	9,742,145	10,245,325	-	10,245,325
Fundraising	2,638,559	-	2,638,559	2,254,160	-	2,254,160
Total expenses	<u>67,509,679</u>	<u>-</u>	<u>67,509,679</u>	<u>62,274,812</u>	<u>-</u>	<u>62,274,812</u>
Change in Net Assets Before Other Activities	<u>1,770,892</u>	<u>(808,944)</u>	<u>961,948</u>	<u>9,631,484</u>	<u>(7,622,027)</u>	<u>2,009,457</u>
Other Activities						
Contributions for endowment and capital acquisition	-	1,408,236	1,408,236	-	1,592,056	1,592,056
Loss on sale of plant assets	(901,048)	-	(901,048)	(787,450)	-	(787,450)
Gain on extinguishment of debt	-	-	-	493,170	-	493,170
Realized and unrealized gains (losses) on investments	(25,508)	(19,085,523)	(19,111,031)	5,196,798	20,973,840	26,170,638
Endowment return designated for operations, net	(1,985,692)	(3,018,064)	(5,003,756)	(2,362,247)	(2,943,031)	(5,305,278)
Net investment income (loss), nonoperating	17,176	3,013,757	3,030,933	(920,860)	1,910,893	990,033
Net assets released from restrictions, nonoperating	679,580	(679,580)	-	747,285	(747,285)	-
Change in value of split-interest agreements	(286,403)	1,091,180	804,777	(549,972)	614,051	64,079
Reclassification	(465,474)	465,474	-	(67,389)	67,389	-
Total other activities	<u>(2,967,369)</u>	<u>(16,804,520)</u>	<u>(19,771,889)</u>	<u>1,749,335</u>	<u>21,467,913</u>	<u>23,217,248</u>
Change in Net Assets	<u>(1,196,477)</u>	<u>(17,613,464)</u>	<u>(18,809,941)</u>	<u>11,380,819</u>	<u>13,845,886</u>	<u>25,226,705</u>
Net Assets, Beginning of Year	<u>117,687,148</u>	<u>137,357,272</u>	<u>255,044,420</u>	<u>106,306,329</u>	<u>123,511,386</u>	<u>229,817,715</u>
Net Assets, End of Year	<u>\$ 116,490,671</u>	<u>\$ 119,743,808</u>	<u>\$ 236,234,479</u>	<u>\$ 117,687,148</u>	<u>\$ 137,357,272</u>	<u>\$ 255,044,420</u>

See Notes to Financial Statements

Linfield University
Statements of Functional Expenses
Years Ended June 30, 2022 and 2021

	Program Services					Supporting Services			
	Instruction	Academic	Student	Auxiliary	Total Program	Institutional	Operation and		Total
		Support	Services	Enterprises			Support	Maintenance	
2022									
Salaries and wages	\$ 15,048,879	\$ 2,304,097	\$ 5,574,868	\$ 361,083	\$ 23,288,927	\$ 2,977,613	\$ 2,503,786	\$ 1,248,423	\$ 30,018,749
Employee benefits	4,040,730	613,499	1,379,950	75,272	6,109,451	938,392	890,265	357,484	8,295,592
Depreciation	2,648,122	544,700	1,741,702	468,413	5,402,937	954,783	-	258,593	6,616,313
Interest and amortization	803,063	165,184	528,184	142,050	1,638,481	289,545	-	78,420	2,006,446
Operation and maintenance	1,939,273	398,895	1,275,484	343,028	3,956,680	699,207	(4,845,260)	189,373	-
Contracted services	538,625	328,460	1,148,791	2,728,892	4,744,768	954,968	1,451,209	153,188	7,304,133
Other	2,001,470	1,203,025	6,122,512	660,724	9,987,731	2,927,637	-	353,078	13,268,446
	<u>\$ 27,020,162</u>	<u>\$ 5,557,860</u>	<u>\$ 17,771,491</u>	<u>\$ 4,779,462</u>	<u>\$ 55,128,975</u>	<u>\$ 9,742,145</u>	<u>\$ -</u>	<u>\$ 2,638,559</u>	<u>\$ 67,509,679</u>

	Program Services					Supporting Services			
	Instruction	Academic	Student	Auxiliary	Total Program	Institutional	Operation and		Total
		Support	Services	Enterprises			Support	Maintenance	
2021									
Salaries and wages	\$ 15,253,349	\$ 2,534,381	\$ 5,470,041	\$ 369,110	\$ 23,626,881	\$ 2,649,299	\$ 2,542,721	\$ 1,209,519	\$ 30,028,420
Employee benefits	4,271,223	771,354	1,508,602	78,392	6,629,571	605,579	970,269	379,742	8,585,161
Depreciation	1,659,299	389,678	809,134	346,992	3,205,103	804,859	-	-	4,009,962
Interest and amortization	957,417	224,844	466,871	200,215	1,849,347	464,404	-	-	2,313,751
Operation and maintenance	2,491,311	585,071	1,214,853	520,982	4,812,217	989,440	(6,020,652)	218,995	-
Contracted services	57,779	216,295	900,532	2,768,430	3,943,036	2,155,211	852,217	166,924	7,117,388
Other	1,078,579	1,330,080	2,195,836	1,104,677	5,709,172	2,576,533	1,655,445	278,980	10,220,130
	<u>\$ 25,768,957</u>	<u>\$ 6,051,703</u>	<u>\$ 12,565,869</u>	<u>\$ 5,388,798</u>	<u>\$ 49,775,327</u>	<u>\$ 10,245,325</u>	<u>\$ -</u>	<u>\$ 2,254,160</u>	<u>\$ 62,274,812</u>

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

	2022	2021
Operating Activities		
Change in net assets	\$ (18,809,941)	\$ 25,226,705
Items not requiring (providing) operating activities cash flows		
Depreciation	6,616,313	4,009,962
Amortization of debt issuance costs	34,248	25,686
Amortization of discount/premium on debt	(278,835)	(202,990)
Gain on extinguishment of debt	-	(493,170)
Decrease in allowance for uncollectible accounts, notes and contributions receivable	(222,695)	(109,769)
Contributions received and payments on contributions receivable restricted for long-term investment	(749,565)	(3,832,380)
Contributions received and payments on contributions receivable restricted for capital investment	(2,045,898)	(4,350,247)
Loss on disposal of plant assets	901,048	787,450
Realized and unrealized (gains) losses on investments	19,111,031	(26,170,638)
Changes in		
Interest receivable	60,515	3,850
Accounts and notes receivable	(1,706,182)	1,514,060
Contributions receivable	1,258,404	6,254,639
Inventory	588	7,737
Prepaid expenses and other assets	(2,040,298)	991,251
Accounts payable and accrued liabilities	2,039,185	(1,797,614)
Deferred revenue	(21,122)	(129,510)
U.S. Government grants refundable	(310,400)	(408,975)
Assets held in trusts by others	(582,816)	(120,837)
Obligations for split-interest agreements	(69,936)	333,475
Net cash provided by operating activities	3,183,644	1,538,685
Investing Activities		
Purchase of plant assets	(20,098,233)	(9,825,562)
Proceeds from sales and maturities of investments	49,532,049	18,586,412
Purchase of investments	(26,433,801)	(42,292,927)
Net cash provided by (used in) investing activities	3,000,015	(33,532,077)
Financing Activities		
Proceeds from contributions received and payments on contributions receivable restricted for long-term investment	749,565	3,832,380
Proceeds from contributions received and payments on contributions receivable restricted for capital investment	2,045,898	4,350,247
Net proceeds from issuance of bonds payable	-	27,159,575
Principal payments on notes payable and capital leases	-	(345,279)
Principal payments on bonds payable	(2,740,000)	(1,180,000)
Payments on obligations for split-interest agreements	(273,050)	(272,601)
Net cash provided by (used in) financing activities	(217,587)	33,544,322
Increase in Cash and Cash Equivalents	5,966,072	1,550,930
Cash and Cash Equivalents, Beginning of Year	9,879,432	8,328,502
Cash and Cash Equivalents, End of Year	\$ 15,845,504	\$ 9,879,432
Supplemental Cash Flows Information		
Cash paid for interest	\$ 2,590,938	\$ 2,134,522
Plant asset acquisitions in accounts payable	790,963	2,244,486
Issuance of new debt		
Proceeds from issuance of bonds payable	-	55,575,000
Plus bond premium on new debt	-	4,477,937
Less bond origination costs on new debt	-	(738,362)
Less refinancing of 2010 and 2015 bonds	-	(32,155,000)
Net proceeds from issuance of debt	\$ -	\$ 27,159,575

Linfield University

Notes to Financial Statements

June 30, 2022 and 2021

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

Nature of Operations

Linfield University (University) is a not-for-profit, accredited, comprehensive graduate and undergraduate, private, coeducational, liberal arts, and science institution located in McMinnville and Portland, Oregon. Effective July 1, 2020, Linfield College changed its name to Linfield University. The University serves more than 1,798 students from 26 states and 12 foreign countries and offers 62 majors. The University's revenues and other support are derived principally from student tuition, fees, room and board, and donor contributions. In addition, the University processes federal and state assistance grants, and loans for its students to help pay for their educational costs. The University receives federal, state, and private grants for research and development.

Accrual Basis Accounting

The financial statements of the University 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 University 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 statements of cash flows. The cash and cash equivalents total was \$15,845,504 and \$9,879,432 at June 30, 2022 and 2021, respectively. The cash and cash equivalent balances were held in money market, bank certificates of deposit, or petty cash on hand.

At June 30, 2022, the University's cash accounts exceeded federally insured limits by approximately \$19,192,000.

Linfield University

Notes to Financial Statements

June 30, 2022 and 2021

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 statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

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

The University 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 University 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, 2022 and 2021.

Accounts and Notes Receivable

Accounts receivable are stated at the amount of consideration from students of which the University has an unconditional right to receive plus any accrued and unpaid interest. The University 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% 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% 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.

Linfield University

Notes to Financial Statements

June 30, 2022 and 2021

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 University provides an allowance for doubtful loans which is based upon a review of outstanding loans, historical collection information and existing conditions. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

Inventory

Inventory consists primarily of Campus Mail Center postage as of June 30, 2022 and 2021, and is recorded at cost.

Tuition and Auxiliary Services Revenue

Tuition revenue is recognized over the term of the semester as the University provides services to students. Revenue is reported at the amount of consideration which the University expects to be entitled in exchange for providing tuition and auxiliary services. The University 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 University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

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

Linfield University

Notes to Financial Statements

June 30, 2022 and 2021

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

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the 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 with donor restrictions and then released from restriction.

Plant Assets

The University'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:

	<u>Years</u>
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

Linfield University
Notes to Financial Statements
June 30, 2022 and 2021

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred each year was:

	2022	2021
Total interest expense incurred on borrowings for project	\$ 356,425	\$ -
Interest income from investment proceeds of borrowings for project	-	-
Net interest cost capitalized	\$ 356,425	\$ -
	2022	2021
Interest costs capitalized	\$ 356,425	\$ -
Interest costs charged to expense	2,206,157	2,380,491
Total interest incurred	\$ 2,562,582	\$ 2,380,491

Bond Issuance Costs

Bond issuance costs (including bond issue costs, bond discounts and bond premiums) represent amounts amortized by the University in connection with the issuance of the Series 2020A and Series 2020B Yamhill County Revenue and Refunding 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 University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2022 and 2021.

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.

Linfield University

Notes to Financial Statements

June 30, 2022 and 2021

Split-Interest Agreements

The University 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 University in calculating present value of all split-interest agreements range from 0.6% to 10 % at June 30, 2022 and 2021. Obligations for split-interest agreements include certain liabilities related to charitable gift annuities. These liabilities totaled \$818,738 and \$835,360 at June 30, 2022 and 2021, 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 University or the passage of time or (2) that are to be permanently maintained 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.

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.

Contracts and Grants Revenue

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

Income Taxes

The University 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.

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Accounting principles generally accepted in the United States of America require the University's management to evaluate tax positions taken by the University and recognize a tax liability (or asset) if the University 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 University and has concluded that as of June 30, 2022 and 2021, 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 University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The University's management believes it is no longer subject to income tax examinations for years prior to 2019.

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 University expects to be entitled in exchange for providing instruction and housing, food, and other services. These amounts are due from students, third-party payers and others and are net of scholarships and institutional aid of \$38,159,299 and \$40,420,493 for the years ended June 30, 2022 and 2021, 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 University bills students prior to the beginning of the semester and student accounts receivable are due in full before classes begin.

If a student withdraws 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 University 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 University allocates the fees charged to students to tuition and housing, food and other services based on standalone charges to students for tuition and those other services.

Transaction Price and Recognition

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

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June 30, 2022 and 2021

From time to time the University will incur student credit balances and student deposits which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. The University has a liability for refunds or deposits from students recorded of less than \$100,000 for each of the years ended June 30, 2022 and 2021.

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

The University 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, 2022 and 2021, is as follows:

	2022	2021
Net tuition and fees	\$ 38,632,059	\$ 39,872,955
Room	6,814,568	7,212,340
Board	4,039,027	4,149,970
Other	1,913,358	1,371,891
	\$ 51,399,012	\$ 52,607,156

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

	<u>2022</u>	<u>2021</u>
Services transferred over time	\$ 45,446,627	\$ 47,085,295
Sales at point in time	<u>5,952,385</u>	<u>5,521,861</u>
	<u>\$ 51,399,012</u>	<u>\$ 52,607,156</u>

Contract Balances

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

	<u>2022</u>	<u>2021</u>
Accounts receivable, beginning of the year	\$ 4,453,318	\$ 4,984,455
Accounts receivable, end of the year	4,008,242	4,453,318

Significant changes in contract liabilities during the years ended June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 2,120,924	\$ 2,237,238
Effects of		
Revenue recognized that was included in the contract liability balance at the beginning of the period	(2,120,924)	(2,237,238)
Increases due to cash received, excluding amounts recognized as revenue during the period	<u>2,057,622</u>	<u>2,120,924</u>
	<u>\$ 2,057,622</u>	<u>\$ 2,120,924</u>

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Notes to Financial Statements
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Note 3: Net Assets

	<u>2022</u>	<u>2021</u>
Without Donor Restrictions		
Internally designated purposes (A)	\$ 9,370,438	\$ 5,286,734
Quasi-endowment funds (B)	15,523,429	24,347,412
Special annuities and institutional student loan funds	774,150	746,031
Net investment in plant	90,142,353	86,564,504
Institutional portion of Perkins/Nursing loan funds	680,301	742,467
Total net assets without donor restrictions	<u>116,490,671</u>	<u>117,687,148</u>
With Donor Restrictions		
Subject to the passage of time or expenditure for specified purpose		
Operational and academic projects, one-time scholarships, and pending endowments	4,656,126	5,586,944
Endowment distributions held for expenditure		
Instruction and operations	2,956,411	2,460,123
Student aid	1,077,682	866,094
Endowments		
Earnings subject to future appropriations		
Instruction and operations	12,227,576	19,253,388
Student aid	15,976,775	25,087,339
Perpetual endowment funds - original gift corpus		
Instruction and operations	27,819,426	28,030,593
Student aid	33,119,204	32,376,651
Split-interest agreements	17,284,063	17,191,420
Loan funds	228,243	332,534
Plant funds and designations for construction projects	4,398,302	6,172,186
Total net assets with donor restrictions	<u>119,743,808</u>	<u>137,357,272</u>
Total net assets	<u>\$ 236,234,479</u>	<u>\$ 255,044,420</u>

- (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 University'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 University's endowment investment and spending policy and thus annually support specific programs and operations that the University relies upon.

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Notes to Financial Statements
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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, 2022 and 2021, as follows:

	2022	2021
Purpose restrictions accomplished		
Instruction and operations	\$ 1,174,988	\$ 1,217,071
Academic support	150,716	69,049
Student services	4,024,370	662,220
Institutional support	3,288,721	1,199,823
Scholarships	1,886,071	2,222,661
Operations and maintenance of property and equipment	157,903	7,934,682
Annuity/trust/life income	277,570	266,847
	<u> </u>	<u> </u>
Total net assets released from restrictions	<u>\$ 10,960,339</u>	<u>\$ 13,572,353</u>

Note 5: Tuition and Fees

Student tuition and fee revenues for the years ended June 30, 2022 and 2021, consist of the following:

	2022	2021
Tuition and fees	\$ 76,791,358	\$ 80,293,448
Less		
Unfunded financial aid (institutional tuition discount)	(35,843,544)	(37,614,974)
Funded financial aid (endowed or other designations)	(2,315,755)	(2,805,519)
	<u> </u>	<u> </u>
Tuition and fees, net	<u>\$ 38,632,059</u>	<u>\$ 39,872,955</u>

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Notes to Financial Statements
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Note 6: Investments

Investments at June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Restricted cash and cash equivalents	\$ 17,244,096	\$ 36,819,671
Fixed income securities	24,313,443	27,700,866
Equity mutual funds		
Domestic	39,773,262	48,130,354
International	28,211,083	35,047,822
Marketable alternatives	9,468,067	12,505,060
Split-interest agreements and other assets with trustees		
Cash and cash equivalents held for reinvestment	51,172	77,310
Equity and mutual funds	2,062,616	2,705,667
Fixed income funds	1,556,162	1,902,430
	<u>122,679,901</u>	<u>164,889,180</u>
Real property held for investment	<u>6,641,720</u>	<u>6,641,720</u>
Total investments	<u>\$ 129,321,621</u>	<u>\$ 171,530,900</u>

	<u>2022</u>	<u>2021</u>
Short-term investments	\$ 5,604,360	\$ 9,186,925
Long-term investments	<u>123,717,261</u>	<u>162,343,975</u>
	<u>\$ 129,321,621</u>	<u>\$ 171,530,900</u>

Certain net asset balances (Note 3) 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, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Endowments with and without donor restrictions	\$ 104,738,755	\$ 129,034,693
Split-interest agreements	3,256,741	4,390,402
Bond funds and reserves	8,066,570	23,557,242
CD's and other bank investments	10,888,768	12,208,594
Assets invested in real estate, non-endowed	2,276,720	2,276,720
Other investments	<u>94,067</u>	<u>63,249</u>
Total investments	<u>\$ 129,321,621</u>	<u>\$ 171,530,900</u>

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.

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Notes to Financial Statements

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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, 2022 and 2021, the split-interest agreement assets primarily consisted of equity and fixed income mutual funds.

The University 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 University has leased 342,817 square feet of land. The minimum future rental income associated with this lease is as follows:

2023	\$	198,426
2024		200,080
2025		208,347
2026		208,347
2027		208,347
Thereafter		416,695
	\$	1,440,242

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

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Recurring Measurements

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

	2022					
	Fair Value 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)	Investments Not Measured at Fair Value
Assets						
Investments						
Cash and cash equivalents, restricted for investments in plant and cash and cash equivalents	\$ 17,244,096	\$ 17,244,096	\$ -	\$ -	\$ -	
Domestic equity mutual funds						
Large cap mutual funds	34,374,403	34,374,403	-	-	-	
Small cap mutual funds	5,398,859	5,398,859	-	-	-	
International equity mutual funds						
Large cap mutual funds	22,227,148	22,227,148	-	-	-	
Small cap mutual funds	2,683,459	2,683,459	-	-	-	
Emerging markets	3,300,476	3,300,476	-	-	-	
Fixed income securities						
Bond funds	2,393,744	2,393,744	-	-	-	
Agency funds	21,918,314	21,918,314	-	-	-	
Commercial paper	1,385	1,385	-	-	-	
Marketable alternatives	9,468,067	-	9,468,067	-	-	
Split-interest agreements and other assets with trustees						
Fixed income funds	1,556,162	-	1,556,162	-	-	
Equity funds	1,660,977	1,660,977	-	-	-	
Mutual funds						
International growth funds	294,676	294,676	-	-	-	
Real estate funds	106,963	106,963	-	-	-	
Cash equivalents held for investment	51,172	51,172	-	-	-	
Real property held for investment	6,641,720	-	-	-	6,641,720	
	<u>\$ 129,321,621</u>					
Assets Held in Trust by Others	15,663,573	-	-	15,663,573	-	

Linfield University
Notes to Financial Statements
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	2021				
	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)	Investments Not Measured at Fair Value
Assets					
Investments					
Cash and cash equivalents, restricted for investments in plant and cash and cash equivalents	\$ 36,819,671	\$ 36,057,448	\$ 762,223	\$ -	\$ -
Domestic equity mutual funds					
Large cap mutual funds	40,346,203	40,346,203	-	-	-
Small cap mutual funds	7,784,151	7,784,151	-	-	-
International equity mutual funds					
Large cap mutual funds	27,445,365	27,445,365	-	-	-
Small cap mutual funds	3,344,681	3,344,681	-	-	-
Emerging markets	4,257,776	4,257,776	-	-	-
Fixed income securities					
Bond funds	25,315,364	25,315,364	-	-	-
Agency funds	2,385,502	2,385,502	-	-	-
Marketable alternatives	12,505,060	-	12,505,060	-	-
Split-interest agreements and other assets with trustees					
Fixed income funds	1,902,430	-	1,902,430	-	-
Equity funds	2,187,372	2,187,372	-	-	-
Mutual funds					
International growth funds	387,902	387,902	-	-	-
Real estate funds	130,393	130,393	-	-	-
Cash equivalents held for investment	77,310	77,310	-	-	-
Real property held for investment	<u>6,641,720</u>	-	-	-	6,641,720
Total investments	<u>\$ 171,530,900</u>				
Assets Held in Trust by Others	15,080,757	-	-	15,080,757	-

(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, 2022. The University has no assets or liabilities measured at fair value on a nonrecurring basis.

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Notes to Financial Statements

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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.

Unobservable (Level 3) Inputs

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

	Fair Value at June 30, 2022	Valuation Technique	Unobservable Inputs	Range (Weighted- Average)
Assets held in trust by others	\$ 15,663,573	Discounted cash flows	Discount rates Market return rates	3% - 7%

	Fair Value at June 30, 2021	Valuation Technique	Unobservable Inputs	Range (Weighted- Average)
Assets held in trust by others	\$ 15,080,757	Discounted cash flows	Discount rates Market return rates	3% - 7%

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Notes to Financial Statements
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Uncertainty of Fair Value Measurements

The following is a description of the uncertainty of the fair value measurement at the reporting date from the use of significant unobservable inputs, if those inputs reasonably could have been different at the reporting date, 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 University'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.

Level 3 Reconciliation

The University 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 University; however, the University will never receive the assets of the trusts. The related assets are neither in the possession of nor under the control of the University, but are recorded at their estimated fair value. The amounts received or accrued from these trusts was \$175,271 and \$269,390 for 2022 and 2021, respectively, and is included in the change in value of split-interest agreements for the years then ended.

The University'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 University's beneficial interest is primarily established using unobservable inputs, such as specific estimates of cash flows. Since the University has an irrevocable right to receive the income earned for the trust's assets, the fair value of the University's beneficial interest is estimated to approximate the fair value of the trust's assets.

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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, 2020	\$ 14,959,920
Dividends	4,971
Sales	(274,361)
Total realized and unrealized gains included in change in net assets	390,227
Balance, June 30, 2021	15,080,757
Dividends	2,358
Sales	(177,629)
Total realized and unrealized gains included in change in net assets	758,087
Balance, June 30, 2022	\$ 15,663,573

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.

Note 8: Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2022 and 2021, consist of the following:

	2022	2021
Accounts receivable		
Student accounts: Current students	\$ 1,921,952	\$ 1,707,076
Student accounts: Prior students	1,335,509	1,375,111
Other receivables	4,233,001	2,125,926
	7,490,462	5,208,113
Less allowance for doubtful accounts	(744,460)	(754,795)
Net accounts receivable	6,746,002	4,453,318
Notes receivable		
Perkins loans	1,513,484	1,926,664
Nursing student loans	2,625,440	2,788,429
	4,138,924	4,715,093
Less allowance for doubtful accounts	(355,391)	(418,352)
Net notes receivable	3,783,533	4,296,741
Total accounts and notes receivable, net	\$ 10,529,535	\$ 8,750,059

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

Note 9: Credit Quality of Financing Receivables

The University's financing receivables consist of the Federal Perkins Loans balance (no longer revolving) and the revolving Federal Nursing Student Loans (NSL) for which the University acts as an agent for the federal Government. Student loans represent 1.2% and 1.3% of total assets of the University as of June 30, 2022 and 2021, 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 University also contributed a smaller portion) of funds held in the federal loan programs at June 30, 2022 and 2021, was \$4,352,622 and \$4,663,022, respectively, 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, 2022 and 2021, are presented as follows:

	<u>2022</u>	<u>2021</u>
Perkins loans	\$ 1,513,484	\$ 1,926,664
Nursing student loans	2,625,440	2,788,429
	<u>4,138,924</u>	<u>4,715,093</u>
Less allowance for doubtful accounts	(355,391)	(418,352)
	<u>\$ 3,783,533</u>	<u>\$ 4,296,741</u>
Notes receivable, net		

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For each class of financing receivables, the following table presents the performing and nonperforming portion of the financing receivables as of June 30, 2022 and 2021:

	Performing	Nonperforming (Defaulted)	2022 Total
Perkins loans	\$ 1,372,697	\$ 140,787	\$ 1,513,484
Nursing student loans	<u>2,546,092</u>	<u>79,348</u>	<u>2,625,440</u>
Total	<u>\$ 3,918,789</u>	<u>\$ 220,135</u>	<u>\$ 4,138,924</u>

	Performing	Nonperforming (Defaulted)	2021 Total
Perkins loans	\$ 1,728,298	\$ 198,366	\$ 1,926,664
Nursing student loans	<u>2,688,459</u>	<u>99,970</u>	<u>2,788,429</u>
Total	<u>\$ 4,416,757</u>	<u>\$ 298,336</u>	<u>\$ 4,715,093</u>

The aging of financing receivables as of June 30, 2022 and 2021, is presented as follows:

2022 Aging	31-60	61-90	91+	Total past due	Total current	Total
Perkins loans	\$ 154,222	\$ 12,872	\$ 127,915	\$ 295,009	\$ 1,218,475	\$ 1,513,484
Nursing student loans	<u>4,500</u>	<u>-</u>	<u>85,541</u>	<u>90,041</u>	<u>2,535,399</u>	<u>2,625,440</u>
Total	<u>\$ 158,722</u>	<u>\$ 12,872</u>	<u>\$ 213,456</u>	<u>\$ 385,050</u>	<u>\$ 3,753,874</u>	<u>\$ 4,138,924</u>

2021 Aging	31-60	61-90	91+	Total past due	Total current	Total
Perkins loans	\$ 68,836	\$ 12,872	\$ 195,683	\$ 277,391	\$ 1,649,273	\$ 1,926,664
Nursing student loans	<u>4,500</u>	<u>-</u>	<u>106,325</u>	<u>110,825</u>	<u>2,677,604</u>	<u>2,788,429</u>
Total	<u>\$ 73,336</u>	<u>\$ 12,872</u>	<u>\$ 302,008</u>	<u>\$ 388,216</u>	<u>\$ 4,326,877</u>	<u>\$ 4,715,093</u>

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Note 10: Contributions Receivable

Contributions receivable at June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 3,672,947	\$ 2,411,501
Due in one to five years	1,800,345	4,331,807
Due in more than five years	8,571	-
	<u>5,481,863</u>	<u>6,743,308</u>
Less		
Unamortized discount (3.01% - 2022; 0.39% - 2021)	(11,990)	(15,031)
Allowance for doubtful pledges	<u>(17,167)</u>	<u>(166,568)</u>
	<u>\$ 5,452,706</u>	<u>\$ 6,561,709</u>

Note 11: Plant Assets

Plant assets at June 30, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 11,867,862	\$ 11,867,863
Land improvements	12,924,277	10,873,278
Buildings	93,888,216	97,812,711
Building improvements	30,741,247	30,686,092
Furniture and equipment	23,811,065	23,439,470
Library holdings	14,024,162	13,959,083
Vehicles	929,826	831,967
Software	992,505	992,505
Artwork	129,434	129,435
Construction in progress	<u>21,079,997</u>	<u>5,819,547</u>
	210,388,591	196,411,951
Less accumulated depreciation	<u>(81,959,062)</u>	<u>(79,109,771)</u>
	<u>\$ 128,429,529</u>	<u>\$ 117,302,180</u>

The University had remaining construction commitments of approximately \$14,700,000 at June 30, 2022, which represents costs associated with the science building project.

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Note 12: Bonds Payable

At June 30, 2022 and 2021, bonds payable consisted of the following:

	2022	2021
Yamhill County Oregon Revenue and Refunding Bonds of 2020 Series A payable in principal payments between \$1,125,000 and \$2,915,000, interest payable semiannually at 4.00%, secured by investments and unrestricted revenue, due 2051. (A)	\$ 44,160,000	\$ 46,135,000
Yamhill County Oregon Revenue and Refunding Bonds of 2020 Series B payable in annual principal payments between \$765,000 and \$1,145,000, interest payable semiannually at 4.5%, secured by investments and unrestricted revenue, due serially to 2031. (B)	<u>8,675,000</u>	<u>9,440,000</u>
	52,835,000	55,575,000
Add unamortized bond premium	3,996,112	4,274,947
Less unamortized debt issuance costs and discounts	<u>(678,428)</u>	<u>(712,676)</u>
	<u>\$ 56,152,684</u>	<u>\$ 59,137,271</u>

(A) In October 2020, the University entered into a Loan Agreement with Yamhill County of the State of Oregon, to issue bonds with an aggregate principal amount of \$46,135,000 (the 2020A Bonds). A portion of the proceeds of the 2020A Bonds were used to defease and refund the 2010 Series A Bonds. The remainder of the funds (\$24,000,000) were placed in a Project Fund to be used by the University to reimburse or finance various building improvement and expansion projects. At June 30, 2022, there were \$3,955,490 of unspent 2020A Bond funds that will be used for the construction projects.

(B) In October 2020, the University entered into a Loan Agreement with Yamhill County of the State of Oregon, to issue bonds with an aggregate principal amount of \$9,440,000 (the 2020B Bonds). The proceeds of the 2020B Bonds were used to defease legally the State of Oregon – Oregon Facilities Authority Revenue Bonds, 2015 Series A (see B above).

Unamortized bond issuance costs associated with the 2020A and 2020B Bonds totaled \$678,428 and \$712,676 as of June 30, 2022 and 2021, respectively.

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

	Principal	Interest	Total Payments
2023	\$ 2,855,000	2,445,575	\$ 5,300,575
2024	2,970,000	2,323,794	5,293,794
2025	3,100,000	2,196,769	5,296,769
2026	915,000	2,133,794	3,048,794
2027	960,000	2,091,100	3,051,100
Thereafter until 2051	42,035,000	29,385,951	71,420,951
	\$ 52,835,000	\$ 40,576,983	\$ 93,411,983

The University's investment grade rating of Baa1 was reviewed by Moody's Investor Services in February 2020 and lowered to Baa2. The above Series 2020A and 2020B Yamhill County Bonds contained certain covenants, which include the maintenance of certain financial ratios, as defined in the agreements. For the years ended June 30, 2022 and 2021, management is not aware of any violations of these covenants.

Note 13: Line of Credit

The University has a \$5,000,000 revolving line of credit expiring on March 31, 2023. At June 30, 2022 and 2021, there were no monies borrowed against this unsecured line. Interest varies with the prime rate plus 0.25% and is payable monthly. The prime rate was 4.75% and 3.25% at June 30, 2022 and 2021, respectively.

Note 14: Retirement Plan

The University has a defined-contribution retirement plan for all eligible staff and faculty. The plan provides for employee deferrals and for contributions by the University. Effective October 1, 2020, the University suspended contributions to the defined contribution retirement plan. Effective October 1, 2021, the President and Board of Trustees authorized resumption of University contributions to the defined-contribution retirement plan at a rate of 3% for all eligible staff and faculty. All employees hired on or after July 1, 2019, have a five-year vesting schedule of twenty percent (20%) per year from the date of hire. The University's contributions totaled \$523,598 and \$591,722 in fiscal years 2022 and 2021, respectively.

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Note 15: Auxiliary Enterprises

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

The University is leasing its bookstore to Barnes & Noble. Barnes & Noble is providing all bookstore services for the University 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 University a guaranteed payment or a percentage of bookstore sales, whichever is greater.

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

Certain expenses for the operation and maintenance of the University'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 16: Endowment Funds

The University'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 University has interpreted the *Uniform Prudent Management of Institutional Funds Act of 2007* (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 University 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 University 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 University permits spending from underwater endowment funds in accordance with the prudent measures required under the law.

Also, in accordance with the Act, 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 fund
2. The purposes of the University and the donor restricted endowment fund

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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
7. The investment policies of the University

Endowment net assets consist of the following at June 30, 2022 and 2021, excluding split-interest agreement funds:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Instruction and operations	\$ -	\$ 40,047,002	\$ 40,047,002
Student aid	-	49,087,729	49,087,729
Contributions receivable	-	8,250	8,250
Board-designated endowment funds	15,523,429	-	15,523,429
Total endowment net assets	<u>\$ 15,523,429</u>	<u>\$ 89,142,981</u>	<u>\$ 104,666,410</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Instruction and operations	\$ -	\$ 48,991,609	\$ 48,991,609
Student aid	-	55,748,862	55,748,862
Contributions receivable	-	7,500	7,500
Board-designated endowment funds	24,347,412	-	24,347,412
Total endowment net assets	<u>\$ 24,347,412</u>	<u>\$ 104,747,971</u>	<u>\$ 129,095,383</u>

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Changes in endowment net assets for the year ended June 30, 2022 and 2021, are as follows, excluding balances associated with annuities and trusts:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets			
beginning of year	\$ 24,347,412	\$ 104,747,971	\$ 129,095,383
Investment return			
Investment and other income	527,895	2,410,031	2,937,926
Net depreciation	(3,159,184)	(15,348,655)	(18,507,839)
Total investment return	(2,631,289)	(12,938,624)	(15,569,913)
Contributions	-	750,390	750,390
Appropriation of endowment			
assets for expenditure	(6,637,590)	(3,233,953)	(9,871,543)
Other changes	444,896	(182,803)	262,093
Endowment net assets, end of year	<u>\$ 15,523,429</u>	<u>\$ 89,142,981</u>	<u>\$ 104,666,410</u>

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets,			
beginning of year	\$ 21,157,430	\$ 84,970,033	\$ 106,127,463
Investment return			
Investment and other income	450,663	1,876,874	2,327,537
Net appreciation	5,027,988	20,225,156	25,253,144
Total investment return	5,478,651	22,102,030	27,580,681
Contributions	-	830,382	830,382
Appropriation of endowment			
assets for expenditure	(2,288,669)	(3,154,474)	(5,443,143)
Endowment net assets, end of year	<u>\$ 24,347,412</u>	<u>\$ 104,747,971</u>	<u>\$ 129,095,383</u>

(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.

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The University 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% Russell 3000 index, 25% of the MSCI ACWI Ex U.S. IMI index, 20 percent Barclays U.S. Aggregate Bond index, 15% 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 University 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 University 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 University has a policy of appropriating for distribution each year 4.5% 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 University 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 University'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, 2022 and 2021, the spending rate adopted by the University was 4.5% of a 20 quarter moving average market value of pooled net assets with the allocation of earned income made annually. For fiscal years ending June 30, 2022 and 2021, additional spending from the board-designated endowment was authorized to fund the purchase of certain plant assets and operations.

Substantially all investments of the University 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.

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(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 University 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. At June 30, 2022, funds with original gift values of \$673,263; fair values of \$601,999; and deficiencies of \$71,264, were reported in net assets with donor restrictions. There were no underwater endowment for the year ending June 30, 2021.

The University’s policy regarding spending from Underwater Endowments is “For underwater endowments with market values less than the restricted gift book value, the University 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 University followed the policy.

Note 17: 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:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 308,659,467	\$ 330,542,841
Less plant assets and other non-financial assets	(147,429,819)	(133,679,944)
Financial assets, at year-end	161,229,648	196,862,897
Less those unavailable for general expenditures within one year, due to		
Contractual or donor-imposed restrictions		
Donor-restricted endowment	(89,142,981)	(104,747,971)
Split-interest agreements	(3,121,733)	(4,022,280)
Loan funds	(228,243)	(332,534)
Other donor-imposed restrictions	(8,690,219)	(8,913,161)
Board or internal designations		
Quasi-endowment fund, net of anticipated draw	(14,041,680)	(12,390,870)
Special annuities and institutional loan funds	(774,150)	(746,031)
Investments held in required bond reserves	(8,066,570)	(23,557,242)
Noncurrent assets		
Accounts and notes receivable	(3,268,589)	(4,418,210)
Interest receivable	(68,943)	(89,734)
Contributions receivable and plant funds designated for capital	(4,417,952)	(6,178,936)
	<u>\$ 29,408,588</u>	<u>\$ 31,465,928</u>

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The University 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). While typically June 30 and December 31 are low points in the University's cash flow cycle due to the majority of tuition dollars coming in during August – September and January – February, the recent bond financing, government institutional grants and other factors had a positive impact on availability.

As part of its liquidity management, the University 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 University's quasi-endowment funds are invested mostly in institutional mutual funds that have daily liquidity. Although the University 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 University's operating budget and other programs.

In addition, the University 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 University 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 18: Commitments and Contingencies

Litigation

In the normal course of business, the University is, from time to time, subject to allegations that may or do result in litigation. The University evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Contributions

Approximately 88% and 91% of contributions receivable were both from two donors and one donor at June 30, 2022 and 2021, respectively.

Approximately 27% of contribution revenue resulted from two donors in 2021. There was no such concentration in 2022.

The University has contributions receivable of approximately \$259,000 and \$320,000 from related parties at June 30, 2022 and 2021, respectively.

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Investments

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

Note 19: 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, 2022:

	<u>2022</u>
Property, plant, and equipment, net of accumulated depreciation pre-implementation	\$ 92,105,434
Property, plant, and equipment, net of accumulated depreciation post-implementation with outstanding debt for purchase	8,589,564
Property, plant, and equipment, net of accumulated depreciation post-implementation without outstanding debt for purchase	6,654,534
Net assets with donor restrictions - restricted in perpetuity	78,222,693
Annuities and life income funds with donor restrictions	1,620,490
Total revenues and gains without donor restrictions	67,214,250

Note 20: Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus Events

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

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Higher Education Emergency Relief Funds

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

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

	June 30, 2022			June 30, 2021		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
Awarded						
HEERF I	\$ 720,663	\$ 720,662	\$ 1,441,325	\$ 720,663	\$ 720,662	\$ 1,441,325
HEERF II	720,663	1,497,634	2,218,297	720,663	1,497,634	2,218,297
HEERF III	2,027,231	1,960,807	3,988,038	2,027,231	1,960,807	3,988,038
	<u>\$ 3,468,557</u>	<u>\$ 4,179,103</u>	<u>\$ 7,647,660</u>	<u>\$ 3,468,557</u>	<u>\$ 4,179,103</u>	<u>\$ 7,647,660</u>

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

	June 30, 2022			June 30, 2021		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
Amounts Applied						
HEERF I	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
HEERF II	-	-	-	720,663	1,497,634	2,218,297
HEERF III	2,027,231	-	2,027,231	-	1,960,807	1,960,807
	<u>\$ 2,027,231</u>	<u>\$ -</u>	<u>\$ 2,027,231</u>	<u>\$ 720,663</u>	<u>\$ 3,458,441</u>	<u>\$ 4,179,104</u>

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Employee Retention Credit

Additionally, the CARES Act subsequently expanded under the *Consolidated Appropriations Act* (CAA) and contained a business relief provision known as the Employee Retention Credit (ERC), a refundable payroll tax credit for “qualified wages” paid to retain full-time employees. Employers qualified either under a gross receipts decline test or a partial suspension of operations based on a government mandate. The University has filed and received credits totaling \$2,737,760, which is recorded as grant revenue in the 2022 statement of activities.

Note 21: Subsequent Events

Subsequent events have been evaluated through November 22, 2022, which is the date the financial statements were issued.

