



Independent Auditor's Report and Financial Statements

June 30, 2021 and 2020

Heidelberg University

June 30, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Heidelberg University
Tiffin, Ohio

We have audited the accompanying financial statements of Heidelberg University (University), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the [consolidated] 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 Heidelberg University as of June 30, 2021 and 2020, 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.

BKD, LLP

Fort Wayne, Indiana
November 5, 2021

Heidelberg University
Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 8,048,598	\$ 6,686,536
Student accounts receivable, net of allowance of \$1,200,000 and \$1,155,689 in 2021 and 2020, respectively	2,197,105	1,378,792
Contributions receivable, net of allowance of \$92,300 in 2021 and 2020	1,201,384	1,213,885
Grants receivable	811,645	1,199,136
Inventories	44,729	62,557
Prepaid expenses and other assets	1,089,387	1,096,034
Notes receivable, net of allowance of \$113,676 in 2021 and 2020	1,189,894	1,431,764
Investments	76,617,004	59,125,427
Property and equipment	76,964,766	71,613,780
Beneficial interest in perpetual trusts	5,621,561	4,640,614
	<u>173,786,073</u>	<u>148,448,525</u>
Total assets	<u>\$ 173,786,073</u>	<u>\$ 148,448,525</u>
Liabilities		
Accounts payable	\$ 1,585,954	\$ 1,683,718
Accrued liabilities	2,828,468	2,936,614
Deposits and funds held for others	438,274	423,246
Deferred income	4,175,154	4,818,470
Annuities and trusts payable	1,167,717	1,185,533
Accrued postretirement health care benefits	-	269,226
Debt and capital lease obligations	28,628,033	20,141,650
Refundable advance for Paycheck Protection Program	-	2,574,135
Advances for federal loans	864,344	1,039,331
	<u>39,687,944</u>	<u>35,071,923</u>
Total liabilities	<u>39,687,944</u>	<u>35,071,923</u>
Net Assets		
Without donor restriction	53,884,605	51,366,153
With donor restriction	80,213,524	62,010,449
	<u>134,098,129</u>	<u>113,376,602</u>
Total net assets	<u>134,098,129</u>	<u>113,376,602</u>
	<u>\$ 173,786,073</u>	<u>\$ 148,448,525</u>
Total liabilities and net assets	<u>\$ 173,786,073</u>	<u>\$ 148,448,525</u>

Heidelberg University
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Revenue, Income and Other Support			
Net tuition and fees	\$ 14,019,313	\$ -	\$ 14,019,313
Auxiliary enterprises	8,343,264	-	8,343,264
Grants and contracts	8,440,772	-	8,440,772
Private gifts, grants and bequests	950,699	7,354,497	8,305,196
Investment return designated for current operations	1,936,567	510,989	2,447,556
Other	1,196,298	726,715	1,923,013
Change in value of split-interest agreements	-	(105,112)	(105,112)
	<u>34,886,913</u>	<u>8,487,089</u>	<u>43,374,002</u>
Net assets released from restrictions, operating	928,784	(928,784)	-
Total revenues, income and other support	<u>35,815,697</u>	<u>7,558,305</u>	<u>43,374,002</u>
Expenses			
Instruction	10,050,397	-	10,050,397
Research	1,799,432	-	1,799,432
Academic support	1,523,636	-	1,523,636
Student services	7,622,692	-	7,622,692
Auxiliary enterprises	4,814,128	-	4,814,128
Institutional support	7,821,206	-	7,821,206
Fundraising	1,081,152	-	1,081,152
Total expenses	<u>34,712,643</u>	<u>-</u>	<u>34,712,643</u>
Change in Net Assets Before Other Activities	<u>1,103,054</u>	<u>7,558,305</u>	<u>8,661,359</u>
Other Activities			
Investment return less amounts designated for current operations	986,446	10,804,496	11,790,942
Change in postretirement health care benefits	269,226	-	269,226
Net assets released from restriction, capital	159,726	(159,726)	-
	<u>1,415,398</u>	<u>10,644,770</u>	<u>12,060,168</u>
Change in Net Assets	2,518,452	18,203,075	20,721,527
Net Assets, Beginning of Year	<u>51,366,153</u>	<u>62,010,449</u>	<u>113,376,602</u>
Net Assets, End of Year	<u>\$ 53,884,605</u>	<u>\$ 80,213,524</u>	<u>\$ 134,098,129</u>

2020

Without Donor Restriction	With Donor Restriction	Total
\$ 15,537,947	\$ -	\$ 15,537,947
7,719,276	-	7,719,276
2,246,878	-	2,246,878
1,458,039	2,616,057	4,074,096
1,866,374	444,740	2,311,114
2,247,256	759,545	3,006,801
-	(589,368)	(589,368)
31,075,770	3,230,974	34,306,744
1,597,052	(1,597,052)	-
32,672,822	1,633,922	34,306,744
11,305,486	-	11,305,486
1,286,777	-	1,286,777
1,523,465	-	1,523,465
7,318,306	-	7,318,306
4,539,428	-	4,539,428
6,724,488	-	6,724,488
1,084,823	-	1,084,823
33,782,773	-	33,782,773
(1,109,951)	1,633,922	523,971
796,234	(2,077,506)	(1,281,272)
-	-	-
75,107	(75,107)	-
871,341	(2,152,613)	(1,281,272)
(238,610)	(518,691)	(757,301)
51,604,763	62,529,140	114,133,903
\$ 51,366,153	\$ 62,010,449	\$ 113,376,602

Heidelberg University

Statement of Functional Expenses

Year Ended June 30, 2021

	Program Activities					Support Activities			2021	
	Instruction	Research	Academic Support	Student Services	Auxiliary Enterprises	Total Program	Institutional Support	Fundraising	Total Support	Total Expenses
Salaries and wages	\$ 5,843,660	\$ 557,543	\$ 744,740	\$ 3,273,186	\$ 579,225	\$ 10,998,354	\$ 1,951,800	\$ 544,883	\$ 2,496,683	\$ 13,495,037
Employee benefits	1,925,503	183,712	245,394	1,078,525	190,856	3,623,990	621,058	201,607	822,665	4,446,655
Accounting	-	-	-	-	-	-	201,721	-	201,721	201,721
Emergency relief payments	-	-	-	908,906	-	908,906	-	-	-	908,906
Advertising and promotion	1,051	-	1,606	216,593	-	219,250	28,342	1,953	30,295	249,545
Conferences/conventions/meetings	70,077	1,164	23,395	133,955	2,557	231,148	18,697	4,468	23,165	254,313
Information technology	3,807	148	56,878	76,164	8,148	145,145	566,749	6,800	573,549	718,694
Insurance	40	5	10	28	20	103	391,940	-	391,940	392,043
Legal	-	-	-	-	-	-	33,008	-	33,008	33,008
Licenses and fees	21,130	5,083	4,398	25,346	4,563	60,520	85,801	9,176	94,977	155,497
Management	510,572	72,793	36,243	299,846	2,563,509	3,482,963	793,442	69,542	862,984	4,345,947
Membership and subscriptions	19,596	375	3,311	41,319	2,269	66,870	163,051	1,773	164,824	231,694
Occupancy	185,901	68,534	57,948	128,461	342,281	783,125	294,365	465	294,830	1,077,955
Office expenses	352,694	737,225	67,526	554,317	510,641	2,222,403	1,266,522	148,046	1,414,568	3,636,971
Travel	15,385	21,304	5,156	109,380	81	151,306	12,651	3,114	15,765	167,071
Utilities	415,848	67,902	104,793	294,135	268,824	1,151,502	588,130	-	588,130	1,739,632
Interest	4,015	827	597	2,781	2,311	10,531	4,005	445	4,450	14,981
Depreciation and amortization	681,118	82,817	171,641	479,750	338,843	1,754,169	799,924	88,880	888,804	2,642,973
Totals	\$ 10,050,397	\$ 1,799,432	\$ 1,523,636	\$ 7,622,692	\$ 4,814,128	\$ 25,810,285	\$ 7,821,206	\$ 1,081,152	\$ 8,902,358	\$ 34,712,643

Heidelberg University

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Activities					Support Activities			2020	
	Instruction	Research	Academic	Student	Auxiliary	Total	Institutional	Fundraising	Total	Total
			Support	Services	Enterprises	Program			Support	
Salaries and wages	\$ 6,325,400	\$ 541,469	\$ 727,667	\$ 3,178,337	\$ 535,180	\$ 11,308,053	\$ 2,064,027	\$ 607,589	\$ 2,671,616	\$ 13,979,669
Employee benefits	2,624,584	224,671	301,929	1,318,780	222,061	4,692,025	883,720	224,808	1,108,528	5,800,553
Accounting	-	-	-	-	-	-	86,079	-	86,079	86,079
Emergency relief payments	-	-	-	282,050	-	282,050	-	-	-	282,050
Advertising and promotion	5,552	-	3,569	75,089	-	84,210	45,383	261	45,644	129,854
Conferences/conventions/meetings	112,071	884	14,265	222,540	126,165	475,925	89,911	11,061	100,972	576,897
Information technology	17,733	-	61,416	96,826	8,147	184,122	494,301	-	494,301	678,423
Insurance	1,280	5	10	28	20	1,343	373,736	-	373,736	375,079
Legal	244	30	61	172	121	628	53,470	-	53,470	54,098
Licenses and fees	26,424	1,578	6,372	57,277	6,457	98,108	106,268	6,452	112,720	210,828
Management	402,966	155,037	32,383	441,072	2,429,109	3,460,567	110,029	67,794	177,823	3,638,390
Membership and subscriptions	27,114	482	3,900	52,700	1,595	85,791	144,390	807	145,197	230,988
Occupancy	109,019	63,859	37,636	102,648	164,242	477,404	161,073	3,320	164,393	641,797
Office expenses	551,326	132,039	69,749	480,977	490,543	1,724,634	828,558	60,067	888,625	2,613,259
Travel	95,503	28,789	13,751	300,935	4,722	443,700	23,300	24,707	48,007	491,707
Utilities	398,676	64,037	100,466	282,071	248,804	1,094,054	558,636	-	558,636	1,652,690
Interest	23,653	2,895	3,139	15,501	11,763	56,951	15,810	1,757	17,567	74,518
Depreciation and amortization	583,941	71,002	147,152	411,303	290,499	1,503,897	685,797	76,200	761,997	2,265,894
Totals	<u>\$ 11,305,486</u>	<u>\$ 1,286,777</u>	<u>\$ 1,523,465</u>	<u>\$ 7,318,306</u>	<u>\$ 4,539,428</u>	<u>\$ 25,973,462</u>	<u>\$ 6,724,488</u>	<u>\$ 1,084,823</u>	<u>\$ 7,809,311</u>	<u>\$ 33,782,773</u>

Heidelberg University
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 20,721,527	\$ (757,301)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	2,663,604	2,286,524
Contributions restricted for long-term investment	(1,362,770)	(1,947,585)
Contributions restricted for capital asset purchases	(4,508,625)	(412,681)
Cash received for long-lived assets and long-term investment	-	(520,402)
Realized and unrealized losses (gains) on investments	(12,444,501)	96,918
Provisions (credits) for bad debts	53,884	(89,344)
Changes in		
Grants and student accounts receivable	(484,706)	144,623
Contributions receivable, including remainder trusts	12,501	446,408
Notes receivable	241,870	283,036
Prepaid expenses and other assets	6,647	(184,555)
Inventories	17,828	2,064
Beneficial interest in perpetual trusts	(980,947)	(22,341)
Accounts payable	778,180	(241,816)
Accrued liabilities	(377,372)	167,810
Deposits and funds held for others	15,028	(102,014)
Deferred income	(643,316)	(6,199)
Annuities and trusts payable	(17,816)	511,480
Refundable advance for Paycheck Protection Program	(2,574,135)	2,574,135
Advances for federal loans	(174,987)	(291,419)
Net cash provided by operating activities	<u>941,894</u>	<u>1,937,341</u>
Investing Activities		
Purchase of property and equipment	(8,869,904)	(7,924,092)
Purchase of investments	(28,985,236)	(31,689,548)
Sales and maturities of investments	23,938,160	32,060,278
Net cash used in investing activities	<u>(13,916,980)</u>	<u>(7,553,362)</u>
Financing Activities		
Payments on long-term debt and capital lease obligations	(171,811)	(36,704,863)
Proceeds from long-term debt	8,637,564	20,531,150
Gross borrowings under line-of-credit agreement	500,000	2,967,322
Gross repayments under line-of-credit agreement	(500,000)	(5,500,000)
Proceeds from contributions restricted for capital asset purchase	4,508,625	412,681
Proceeds from contributions restricted for long-term investment	1,362,770	1,947,585
Proceeds from cash restricted for long-lived assets and long-term investment	-	520,402
Net cash provided by (used in) financing activities	<u>14,337,148</u>	<u>(15,825,723)</u>
Increase (Decrease) in Cash and Cash Equivalents	1,362,062	(21,441,744)
Cash and Cash Equivalents, Beginning of Year	<u>6,686,536</u>	<u>28,128,280</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,048,598</u>	<u>\$ 6,686,536</u>
Supplemental Cash Flows Information		
Interest paid	\$ 14,979	\$ 75,517
Property and equipment purchases in accounts payable	324,080	1,200,024

Heidelberg University

Notes to Financial Statements

June 30, 2021 and 2020

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

Nature of Operations

Heidelberg University (University) was incorporated as a not-for-profit organization in 1850, under the laws of the state of Ohio. The University is an independent, church-related, liberal arts educational institution offering undergraduate and graduate degrees. The primary sources of revenue are from tuition and auxiliary services.

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 the revenue, 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 liquid investments with original maturities of three months or less to be cash equivalents. The University's cash equivalents consisted primarily of overnight sweep accounts. At June 30, 2021, the University's cash accounts exceeded federally insured limits by approximately \$7,000,000.

Cash and cash equivalents that are awaiting longer-term investing have been classified as investments.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments carried at fair value, 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 included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as without donor restrictions or with 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 annually to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

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Notes to Financial Statements

June 30, 2021 and 2020

Derivative Financial Instruments

The University engages in derivative activities involving equity options. The University writes call and put options on various equity securities. These derivatives are primarily used to generate trading revenue and income and to a lesser extent to hedge against changes in equity prices. These derivative instruments do not qualify for hedge accounting and are accounted for at fair value. The call options are covered due to the University owning the equity securities that the options are written against. The written put options expose the University to a potential commitment to purchase the underlying equity securities at expiration of the option contract. The University's open contract written put commitments are insignificant at June 30, 2021 and 2020.

Inventories

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

Income Taxes

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

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The University provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives.

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, 2021 and 2020.

Heidelberg University

Notes to Financial Statements

June 30, 2021 and 2020

Student Accounts and Notes Receivable

Student accounts receivable are stated at the amount of consideration from students, of which the University has an unconditional right to receive, less applied scholarships and loan proceeds. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Tuition is generally due at the beginning of the semester unless the student has signed a payment plan. Accounts that are past due without payments for three consecutive months, and have had no response to the due diligence process are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Notes receivable consist of amounts due under the Federal Perkins Loan Program (Program) and are stated at their outstanding principal amounts, net of an allowance for doubtful notes. The federal government guarantees all or a significant portion of loans issued under the Program. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements. 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 notes, 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. Loans with a delinquent balance greater than 90 days and still accruing interest amount to approximately \$583,000 and \$694,000 at June 30, 2021 and 2020, respectively.

Net Assets

The University's financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Net assets and related activity are classified as without donor restrictions and with donor restrictions as follows:

- *Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions. The net asset without donor restrictions class included assets and liabilities of the University and may be used at the discretion of management to support the University's purposes and operations.
- *Net Assets with Donor Restrictions* – Net assets that are subject to donor-imposed restrictions that will be met either by actions of the University or the passage of time or are to be maintained in perpetuity by the University. Unconditional promises to give that are due in future periods are classified as net assets with donor restrictions. Generally, the donors of assets with donor restrictions permit the University to use all or part of the income earned on related investments for general or specific purposes. Donor-imposed restrictions limiting the use of the assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

Heidelberg University

Notes to Financial Statements

June 30, 2021 and 2020

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.

Deferred Revenue

Income from prepaid tuition is deferred and recognized over the periods to which the tuition relates.

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

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.

Heidelberg University

Notes to Financial Statements

June 30, 2021 and 2020

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

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

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The University records these costs as direct deductions from the related debt. Such costs are being amortized over the term of the respective debt using the effective interest method.

Self-Insurance

The University has elected to self-insure certain costs related to employee health insurance. Costs resulting from noninsured losses are charged to expense when incurred. The University has purchased insurance that limits its exposure for individual claims to \$150,000 each.

Government Grants

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

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 present the natural classification detail of expense by function. Certain costs have been allocated among the program, institutional support and fund raising categories based on the estimates of time spent by University personnel and other methods.

Heidelberg University
Notes to Financial Statements
June 30, 2021 and 2020

Note 2: Contributions Receivable

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 665,915	\$ 718,174
Due within one to five years	716,200	664,800
Due greater than five years	<u>—</u>	<u>—</u>
	1,382,115	1,382,974
Less		
Allowance for uncollectible contributions	(92,300)	(92,300)
Unamortized discount (1.75%)	<u>(88,431)</u>	<u>(76,789)</u>
	\$ <u>1,201,384</u>	\$ <u>1,213,885</u>

Note 3: Conditional Gifts

The University has received the following conditional promises to give at June 30, 2021 and 2020, that are not recognized in the financial statements:

	<u>2021</u>	<u>2020</u>
Conditional promise to give upon the awarding of emergency grants to students	\$ 1,613,597	\$ 313,428
Conditional promise to give upon the awarding of emergency grants to students and expenditures associated with disruption and delivery of instruction	1,613,162	313,428
Conditional promise to give upon meeting the requirements for forgiveness of the Paycheck Protection Program	<u>—</u>	<u>2,574,135</u>
	\$ <u>3,226,759</u>	\$ <u>3,200,991</u>

Heidelberg University
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Note 4: Investments and Investment Return

The University's investments at fair value are as follows:

	2021	2020
Money market funds	\$ 4,441,931	\$ 12,127,260
U.S. Government and agency securities	14,756,895	10,052,810
Corporate bonds	5,458,031	3,718,163
Common stocks and mutual funds		
Consumer discretionary	6,570,458	3,772,108
Consumer staples	3,321,815	2,445,793
Energy	1,553,710	972,994
Financials	7,358,167	3,855,165
Health care	6,369,737	4,773,406
Industrials	5,623,484	3,073,209
Information technology	10,761,479	7,620,962
Materials	2,239,509	1,159,595
Real estate	2,021,556	1,101,910
Telecom services	4,445,798	3,226,885
Utilities	1,643,735	1,174,468
Private equity funds	<u>50,699</u>	<u>50,699</u>
Total	<u>\$ 76,617,004</u>	<u>\$ 59,125,427</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2021 and 2020:

	2021	2020
Dividends and interest	\$ 1,793,997	\$ 1,126,760
Net realized and unrealized (losses) gains on investments	<u>12,444,501</u>	<u>(96,918)</u>
Total return on investments	14,238,498	1,029,842
Investment return designated for current operations	<u>(2,447,556)</u>	<u>(2,311,114)</u>
Investment return less amounts designated for current operations	<u>\$ 11,790,942</u>	<u>\$ (1,281,272)</u>

Heidelberg University
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Note 5: Property and Equipment

The University's property and equipment are as follows:

	Depreciable Years	2021	2020
Buildings and improvements	10 – 50	\$ 102,756,145	\$ 89,717,581
Furnishings and equipment	5 – 10	<u>21,454,660</u>	<u>20,388,909</u>
		124,210,805	110,106,490
Accumulated depreciation		<u>(52,021,441)</u>	<u>(49,388,002)</u>
		72,189,364	60,718,488
Land		2,344,575	2,311,649
Construction in progress		<u>2,430,827</u>	<u>8,583,643</u>
		<u>\$ 76,964,766</u>	<u>\$ 71,613,780</u>

Note 6: Beneficial Interest in Perpetual Trusts

The University is the beneficiary under various perpetual trusts administered by outside parties. Under the terms of the trusts, the University has the irrevocable right to receive income earned on the trusts' assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$5,621,561 and \$4,640,614, which represents the University's portion of the fair value of the trusts' assets at June 30, 2021 and 2020, respectively. The income from these trusts for 2021 and 2020 was \$170,803 and \$22,341, respectively.

Note 7: Line of Credit

The University has a \$4,000,000 revolving bank line of credit. There were no borrowings against the line at June 30, 2021 and 2020.

Heidelberg University
Notes to Financial Statements
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Note 8: Debt and Capital Lease Obligations

Debt consists of the following:

	2021	2020
Note payable, due September 2020, payable in monthly installments of principal and interest of \$3,634 and one lump sum payment of \$3,673 on September 1, 2020, at 4.50%, secured by property	\$ —	\$ 10,863
2020 United States of America acting through the Rural Housing Service of the United States Department of Agriculture, interest rate fixed at 2.75% through January 2060, interest-only payments due annually on January 7, 2021 and 2022, principal and interest payments due monthly beginning February 7, 2022, in the amount of \$129,210. Unamortized debt issuance costs were \$783,956 and \$804,586 at June 30, 2021 and 2020, respectively	29,168,714	20,531,150
Capital lease, due September 2022, payable in semi-annual installments of \$80,845, variable interest rate of one month LIBOR plus 2.50%, secured by certain related equipment	<u>243,275</u>	<u>404,223</u>
	29,411,989	20,946,236
Less: debt issuance costs	<u>(783,956)</u>	<u>(804,586)</u>
	<u>\$ 28,628,033</u>	<u>\$ 20,141,650</u>

The future maturities of debt and payments on capital lease obligations are as follows:

	Debt (Excluding Leases)	Capital Lease Obligations
2022	\$ 151,306	\$ 170,039
2023	462,321	82,545
2024	475,196	-
2025	488,430	-
2026	502,033	-
Thereafter	<u>27,089,428</u>	<u>-</u>
	<u>\$ 29,168,714</u>	252,584
Less amount representing interest		<u>(9,309)</u>
Present value of future minimum lease payments		<u>\$ 243,275</u>

Heidelberg University

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Property and equipment include the following under capital leases:

	2021	2020
Buildings and improvements	\$ 999,390	\$ 999,390
Furnishings and equipment	118,849	118,849
	1,118,239	1,118,239
Accumulated depreciation	(223,109)	(191,236)
	\$ 895,130	\$ 927,003

On January 7, 2020, the University entered into an agreement with the issuer, United States of America, acting through the Rural Housing Service, United States of America. Under the terms of the agreement, the issuer agreed to issue debt, Series 2020, in the aggregate amount of \$36,500,000. The proceeds from the issuance were used to refinance the 2019 Series Revenue bonds. The proceeds from the 2019 Series bonds were being used to fund primarily the restoration and renovation of France Hall and Miller Hall, the construction of a new Student and Community Welcome Center and other capital projects. The Series 2020 was advanced in series with approximately \$15,000,000 to refinance certain portions of the 2019 series and the remainder representing advances for construction. The remaining portion of the 2019 series bonds was paid off using previously unspent escrowed cash and cash equivalents that were set aside for construction projects in the accompanying statements of financial position.

The loan agreements contain certain covenants. As of June 30, 2021, management is not aware of any violations of these covenants.

Interest expense was \$14,979 and \$75,517 in 2021 and 2020, respectively.

Note 9: Annuities and Trusts Payable

The University has been the recipient of several gift annuities and charitable remainder trusts which require future payments to the donors or their named beneficiaries. The assets received from the donor are recorded at fair value. The University has recorded a liability at June 30, 2021 and 2020, of \$1,167,717 and \$1,185,533, respectively, which represents the present value of the future obligations. The liability has been determined using discount rates between 1.00 percent and 6.00 percent.

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Notes to Financial Statements
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Note 10: Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020, are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Instruction	\$ 3,088,800	\$ 2,871,617
Academic support	179,273	364,271
Scholarships	891,036	879,276
Facilities and other	<u>6,696,973</u>	<u>1,023,115</u>
	<u>10,856,082</u>	<u>5,138,279</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Instruction	3,004,492	1,305,859
Academic support	2,017,869	967,821
Scholarships	6,685,676	3,015,938
Facilities	445,106	265,633
General	<u>3,424,479</u>	<u>2,186,107</u>
	<u>15,577,622</u>	<u>7,741,358</u>
Subject to endowment spending policy and appropriation		
Restricted by donors for		
Instruction	8,677,668	8,630,606
Academic support	5,666,054	5,315,643
Scholarships	26,737,344	25,763,557
Facilities	1,938,193	1,938,193
General	4,833,491	4,660,662
Underwater endowments	<u>(753,443)</u>	<u>(2,635,585)</u>
	<u>47,099,307</u>	<u>43,673,076</u>
Total endowments	<u>62,676,929</u>	<u>51,414,434</u>
Not subject to spending policy or appropriation		
Instruction	5,621,561	4,640,614
Academic support	214,071	220,088
Scholarships	<u>844,881</u>	<u>597,034</u>
	<u>6,680,513</u>	<u>5,457,736</u>
Total net assets with donor restrictions	<u>\$ 80,213,524</u>	<u>\$ 62,010,449</u>

Heidelberg University

Notes to Financial Statements

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Net Assets Released From Restrictions

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

	2021	2020
Purpose restrictions accomplished		
Instruction	\$ 369,178	\$ 501,736
Academic support	296,359	307,687
Scholarships	64,796	144,927
Other	198,451	642,702
	\$ 928,784	\$ 1,597,052

During 2021 and 2020, the University released \$159,726 and \$75,107, respectively, of restricted net assets for capital projects.

Note 11: Employee Benefits

The University has a defined-contribution pension plan administered by the Teachers Insurance and Annuity Association College Retirement Equities Fund. The plan covers substantially all full-time administrative officers, faculty and certain staff. During 2020, the plan required employer contributions of 6 percent or 7 percent of employees' gross wages and individual contributions ranging from 0 percent to 4 percent. On July 1, 2020, employer contributions were suspended. Employer benefit expense under this plan was \$17,083 and \$731,444 for 2021 and 2020, respectively.

Note 12: Significant Estimates, Concentrations and Commitments

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

Contributions

In 2021 and 2020, approximately 20 percent and 19 percent, respectively, of contribution revenue was from one donor.

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 those such changes could materially affect the investment amounts reported in the statements of financial position.

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Notes to Financial Statements

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Litigation

The University is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the University. Events could occur that would change this estimate materially in the near term.

Note 13: Disclosures About Fair Value of Assets and Liabilities

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

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

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Notes to Financial Statements
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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, 2021 and 2020:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2021				
Investments				
Money market funds	\$ 4,441,931	\$ 4,441,931	\$ —	\$ —
U.S. Government and agency securities	14,756,895	—	14,756,895	—
Corporate bonds	5,458,031	—	5,458,031	—
Common stocks and mutual funds				
Consumer discretionary	6,570,458	6,570,458	—	—
Consumer staples	3,321,815	3,321,815	—	—
Energy	1,553,710	1,553,710	—	—
Financials	7,358,167	7,358,167	—	—
Health care	6,369,737	6,369,737	—	—
Industrials	5,623,484	5,623,484	—	—
Information technology	10,761,479	10,761,479	—	—
Materials	2,239,509	2,239,509	—	—
Real estate	2,021,556	2,021,556	—	—
Telecom services	4,445,798	4,445,798	—	—
Utilities	1,643,735	1,643,735	—	—
Private equity funds measured at net asset value (A)	50,699	—	—	—
Beneficial interest in perpetual trusts	5,621,561	—	—	5,621,561

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

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	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2020				
Investments				
Money market funds	\$ 12,127,260	\$ 12,127,260	\$ —	\$ —
U.S. Government and agency securities	10,052,810	—	10,052,810	—
Corporate bonds	3,718,163	—	3,718,163	—
Common stocks and mutual funds				
Consumer discretionary	3,772,108	3,772,108	—	—
Consumer staples	2,445,793	2,445,793	—	—
Energy	972,994	972,994	—	—
Financials	3,855,165	3,855,165	—	—
Health care	4,773,406	4,773,406	—	—
Industrials	3,073,209	3,073,209	—	—
Information technology	7,620,962	7,620,962	—	—
Materials	1,159,595	1,159,595	—	—
Real estate	1,101,910	1,101,910	—	—
Telecom services	3,226,885	3,226,885	—	—
Other	1,174,468	1,174,468	—	—
Private equity funds measured at net asset value (A)	50,699	—	—	—
Beneficial interest in perpetual trusts	4,640,614	—	—	4,640,614

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

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. The University has no liabilities measured at fair value on a recurring basis. Additionally, 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.

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreements. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at June 30, 2021	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Beneficial interests in perpetual trusts	\$ 5,621,561	Present value of estimated distributed income	Market valuation of underlying assets and distributions	N/A
	Fair Value at June 30, 2020	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Beneficial interests in perpetual trusts	\$ 4,640,614	Present value of estimated distributed income	Market valuation of underlying assets and distributions	N/A

Heidelberg University

Notes to Financial Statements

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Level 3 Reconciliation

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

	Perpetual Trusts
Balance, July 1, 2019	\$ 4,618,273
Total realized and unrealized gains included in change in net assets	22,341
Distributions	—
Balance, July 1, 2020	4,640,614
Total realized and unrealized gains included in change in net assets	980,947
Distributions	—
Balance, June 30, 2021	\$ <u>5,621,561</u>
Total gains for the period included in change in net assets attributable to the change in unrealized gains related to assets still held at the reporting date	
June 30, 2021	\$ <u>980,947</u>
June 30, 2020	\$ <u>22,341</u>

Note 14: 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:

	2021	2020
Financial assets, at year-end	\$ 94,497,297	\$ 74,244,390
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(9,759,287)	(3,831,733)
Subject to appropriation and satisfaction of donor restrictions	(66,743,371)	(53,855,048)
Contributions receivable	(1,201,384)	(1,213,885)
	<u>\$ 16,793,255</u>	<u>\$ 15,343,724</u>

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

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

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The Board of Trustees has authorized a distribution from the endowment to support operations for fiscal year 2020 of approximately \$2,400,000. This amount is netted against restrictions subject to appropriation and satisfaction of donor restrictions in the table above.

Note 15: Endowment

The University's endowment consists of approximately 380 individual funds established for a variety of purposes. The endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

The composition of net assets by type of endowment fund at June 30, 2021 and 2020, was:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ <u>—</u>	\$ <u>62,676,929</u>	\$ <u>62,676,929</u>

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	2020		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ <u> —</u>	\$ <u>51,414,434</u>	\$ <u>51,414,343</u>

Changes in endowment net assets for the years ended June 30, 2021 and 2020, were:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ —	\$ 51,414,434	\$ 51,414,434
Investment return			
Investment income	—	1,283,180	1,283,180
Net appreciation	—	<u>11,125,358</u>	<u>11,125,358</u>
Total investment return	—	12,408,538	12,408,538
Contributions	—	1,544,088	1,544,088
Other changes	—	(242,575)	(242,575)
Appropriation of endowment assets for expenditure	—	<u>(2,447,556)</u>	<u>(2,447,556)</u>
Endowment net assets, end of year	\$ <u> —</u>	\$ <u>62,676,929</u>	\$ <u>62,676,929</u>

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ —	\$ 51,987,303	\$ 51,987,303
Investment return			
Investment income	—	933,803	933,803
Net appreciation	—	<u>10,469</u>	<u>10,469</u>
Total investment return	—	944,272	944,272
Contributions	—	1,046,944	1,046,944
Other changes	—	(252,971)	(252,971)
Appropriation of endowment assets for expenditure	—	<u>(2,311,114)</u>	<u>(2,311,114)</u>
Endowment net assets, end of year	\$ <u> —</u>	\$ <u>51,414,434</u>	\$ <u>51,414,434</u>

Investment and Spending Policies

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity. Under the University's policies, endowment assets are invested in a manner that is intended to produce results of 6 percent in excess of inflation while having aversion to unnecessary risk. The University expects its endowment funds to provide an average real rate of return of approximately 9 percent annually over time. Actual returns in any given year may vary from this amount.

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

The University has a policy (the spending policy) of appropriating for expenditure each year 5.0 percent of its endowment fund's average fair value calculated on a quarterly basis using the most recent 12-quarter rolling average. In establishing this policy, the University considered the long-term expected return on its endowment. This is consistent with the University's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or Ohio UPMIFA. Such endowments are often referred to as "underwater" endowments. The University is not required by donor-imposed restriction or law to use its unrestricted resources to restore the endowments to their historic dollar value.

In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. At June 30, 2021, funds with original gift values of \$6,239,160, fair values of \$5,485,717, and deficiencies of \$753,443 were reported in net assets with donor restrictions. At June 30, 2020, funds with original gift values of \$25,916,695, fair values of \$23,281,110, and deficiencies of \$2,635,585 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body at the time of such appropriation. Any future gains that restore the fair value of the assets of the endowment fund to the required level shall be classified as increases in net assets with donor restrictions.

The University has a policy that permits spending from underwater endowment funds depending on the degree to which the funds are underwater, unless otherwise precluded by donor stipulations or laws and regulations. The governing Board appropriated for expenditure 5 percent for the 12 quarter rolling average.

Note 16: Revenue From Contracts With Students and Customers

Tuition, Residential Services and Meal Plan Services Revenue

Revenue from contracts with students for tuition, residential services and meal plan services is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and housing, food and other services. These amounts are due from students, third-party payers and others and are net of scholarships and institutional aid of \$20,079,736 and \$19,809,754 for the years ended June 30, 2021 and 2020, respectively.

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Revenue is recognized as performance obligations are satisfied, which is primarily ratably over the academic term with the exception of certain meal plans 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 unless the student has entered into a monthly payment plan.

If a student withdraws during the academic term, the student is refunded based on a defined refund schedule and what week the student is in the academic term. No refunds are awarded after the end of the ninth week of the academic term. At year-end, there is no refund liability as the academic term is substantially complete.

Tuition, residential services and meal plan services revenue are considered to be separate contracts with separate performance obligations.

Transaction Price and Recognition

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

From time to time the University will incur student credit balances and student deposits which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2021 and 2020, the University has a liability for refunds or deposits from students recorded of \$438,277 and \$561,773, respectively.

For the years ended June 30, 2021 and 2020, the University recognized revenue within the scope of ASC 606 of \$18,405,631 and \$19,173,839, respectively, from goods and services that transfer to the students over time and \$3,956,946 and \$3,861,793, respectively from goods and services that transfer to students and customers at a point in time.

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

Heidelberg University

Notes to Financial Statements

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Contract Balances

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

	2021	2020
Accounts receivable, beginning of the year	\$ 1,378,792	\$ 1,676,492
Accounts receivable, end of the year	2,197,105	1,378,792
Deferred revenue, beginning of the year	\$ 4,818,470	\$ 4,824,669
Deferred revenue, end of the year	4,175,154	4,818,470

Note 17: COVID-19 Funding

Higher Education Emergency Relief Funds

The spread of the SARS-CoV-2 virus and the incident of COVID-19 impacted and disrupted the University's operations over the past year. Adhering to public safety measures and government mandates resulted in events and activities being limited or cancelled, including changes to how the University delivered educational and related auxiliary services during fiscal 2021. The University plans on widespread return to on-campus and normal operations and activities in the fall of 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.

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, 2021 and 2020:

	June 30, 2021			June 30, 2020		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
	Awarded					
HEERF I	\$ 595,478	\$ 595,478	\$ 1,190,956	\$ 595,478	\$ 595,478	\$ 1,190,956
HEERF II	595,478	1,236,299	1,831,777	-	-	-
HEERF III	1,613,597	1,613,162	3,226,759	-	-	-
	\$ 2,804,553	\$ 3,444,939	\$ 6,249,492	\$ 595,478	\$ 595,478	\$ 1,190,956

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Notes to Financial Statements

June 30, 2021 and 2020

The following amounts have been applied to the grant for the year ending June 30, 2021 and 2020:

	June 30, 2021			June 30, 2020		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
Amounts Applied						
HEERF I	\$ 313,428	\$ -	\$ 313,428	\$ 282,050	\$ 595,478	\$ 877,528
HEERF II	595,478	1,236,299	1,831,777	-	-	-
HEERF III	-	-	-	-	-	-
	<u>\$ 908,906</u>	<u>\$ 1,236,299</u>	<u>\$ 2,145,205</u>	<u>\$ 282,050</u>	<u>\$ 595,478</u>	<u>\$ 877,528</u>

Paycheck Protection Program (PPP) Loan

The University received a PPP loan established by the CARES Act and has elected to account for the funding as a conditional contributions by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustments could be required to the recognition of revenue.

The University received the funding on April 14, 2020, in the amount of \$2,574,135. The University recognized the revenue related to this round of funding in the year ended June 30, 2021, as all relevant conditions had been met at year-end and the University had received notice of formal forgiveness by the SBA. This revenue is reported within grants and contracts revenue on the statement of activities.

Note 18: 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, 2021:

	<u>2021</u>
Property, plant and equipment, net of accumulated depreciation – pre-implementation	\$ 59,974,811
Property, plant and equipment, net of accumulated depreciation – post-implementation with outstanding debt for original purchase	14,559,128
Property, plant and equipment, net of accumulated depreciation – post-implementation without outstanding debt for original purchase	—
Construction in progress	2,430,827
Annuities with donor restrictions	844,881
Unsecured related party pledges receivables	105,000
Long-term debt obtained for long-term purposes – pre-implementation	20,774,425
Long-term debt obtained for long-term purposes – post-implementation	8,637,564

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Notes to Financial Statements
June 30, 2021 and 2020

Note 19: Subsequent Events

Subsequent events have been evaluated through November 5, 2021, which is the date the financial statements were available to be issued.