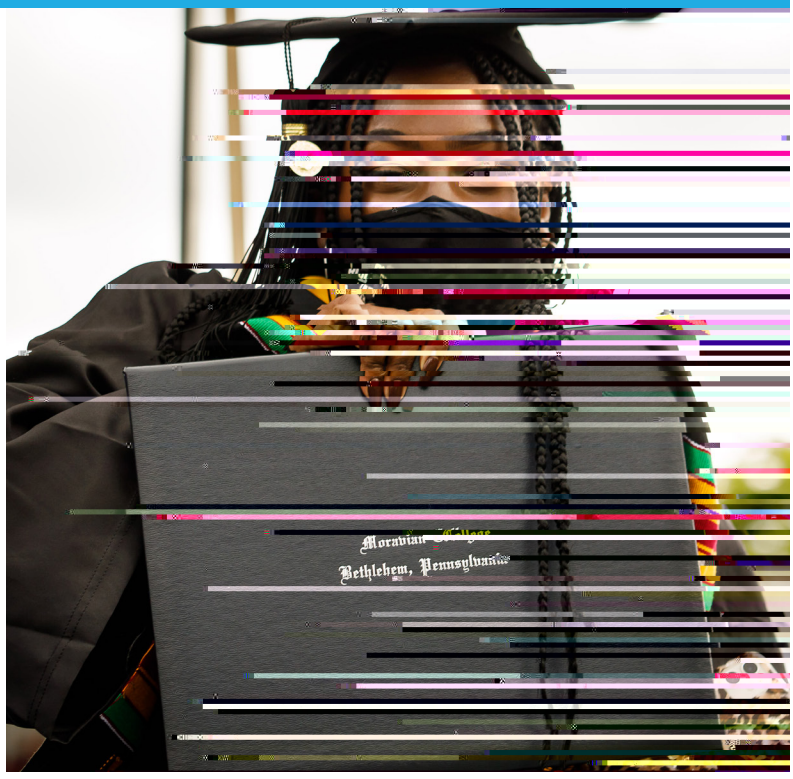
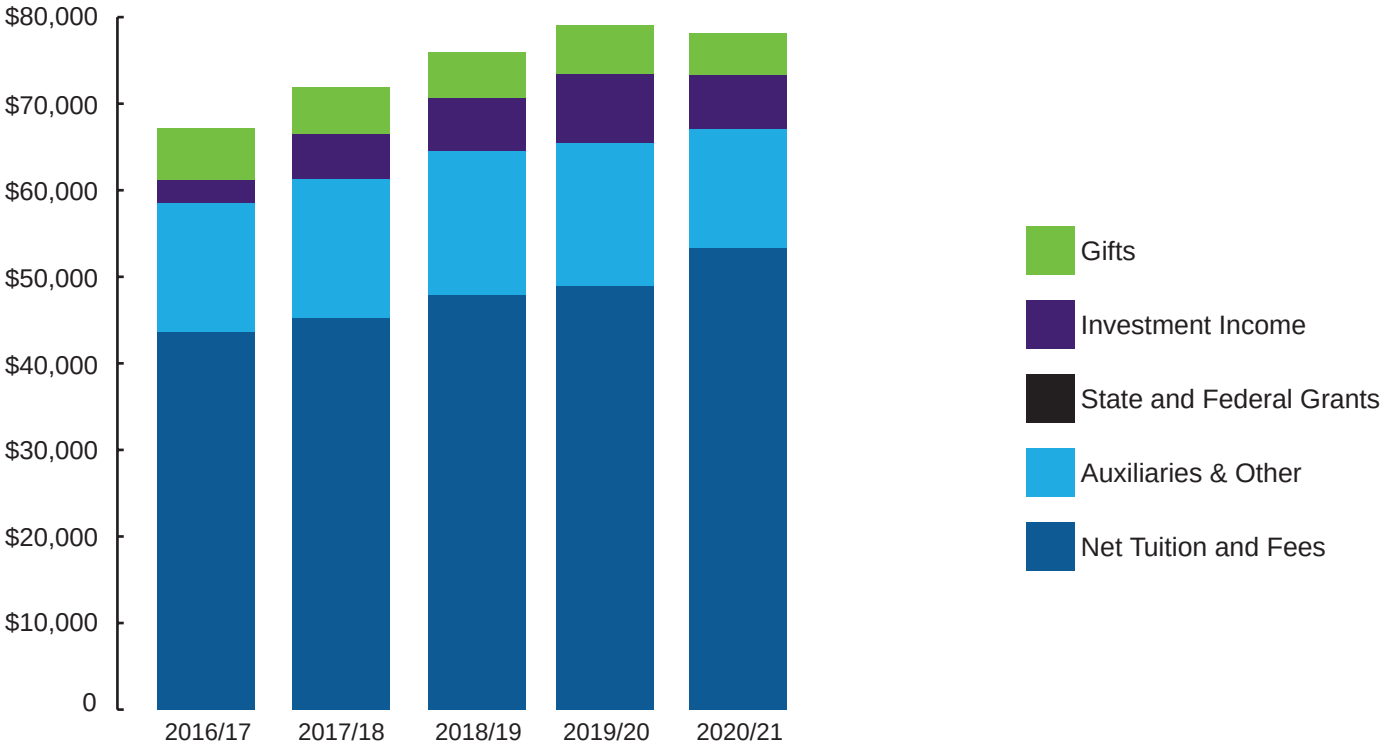
FINANCIAL REPORT

2020-2021



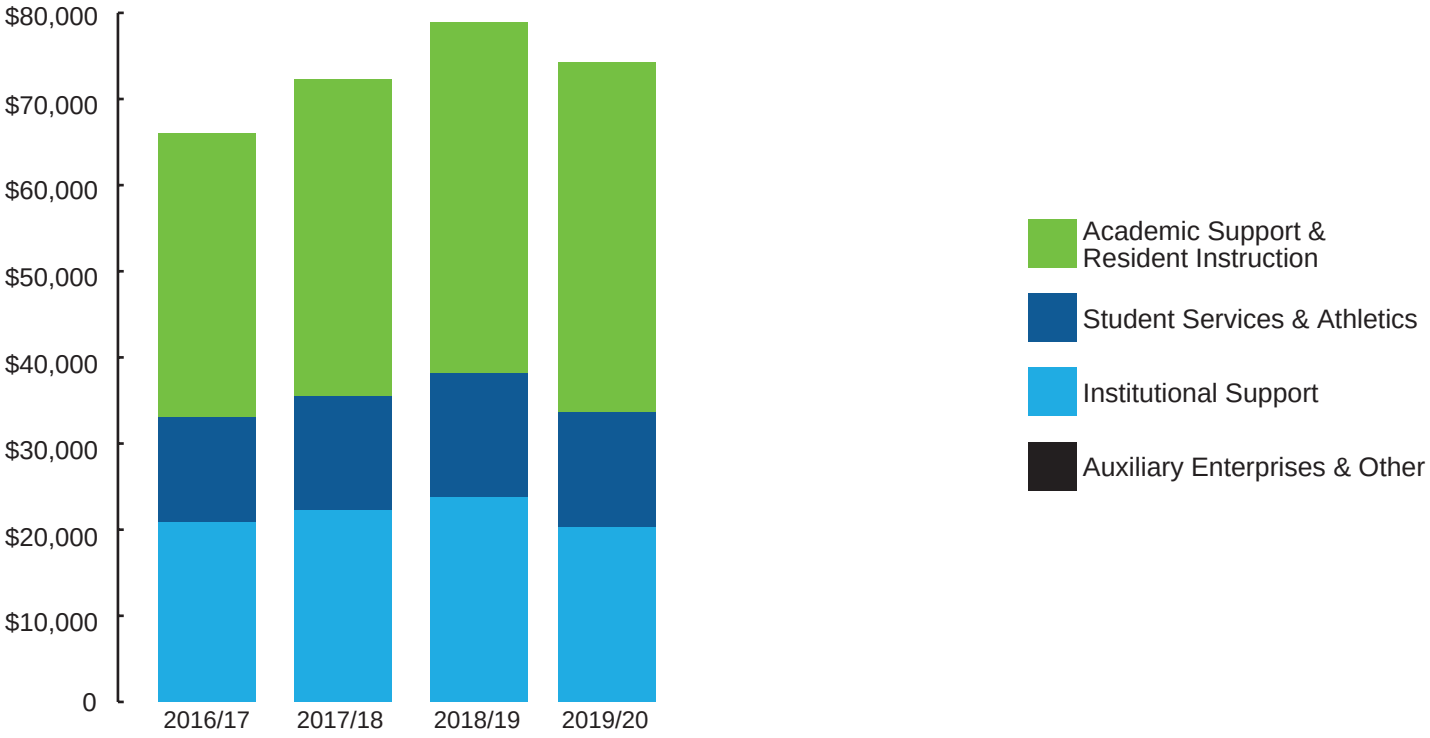
SOURCES OF REVENUE (CONSOLIDATED)

In thousands

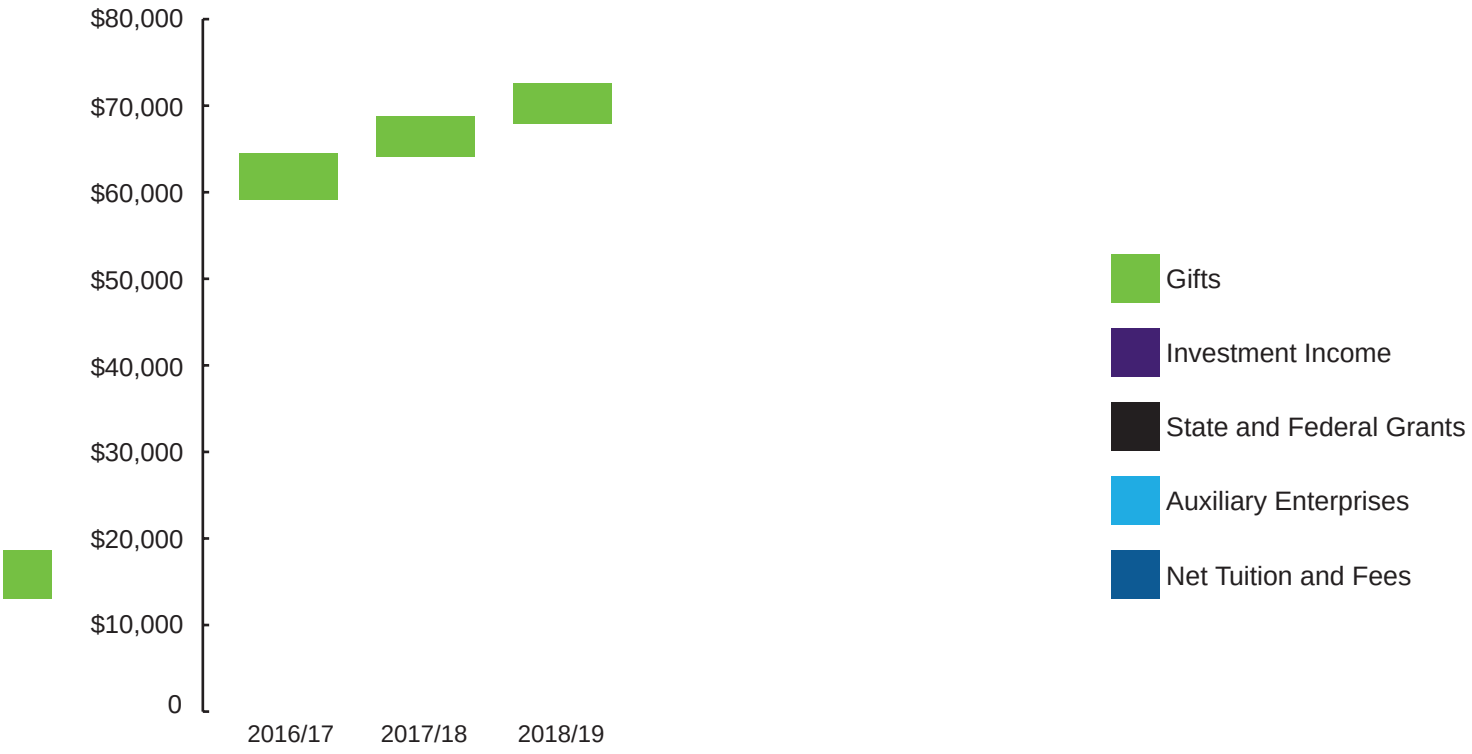


OPERATING EXPENSES (CONSOLIDATED)

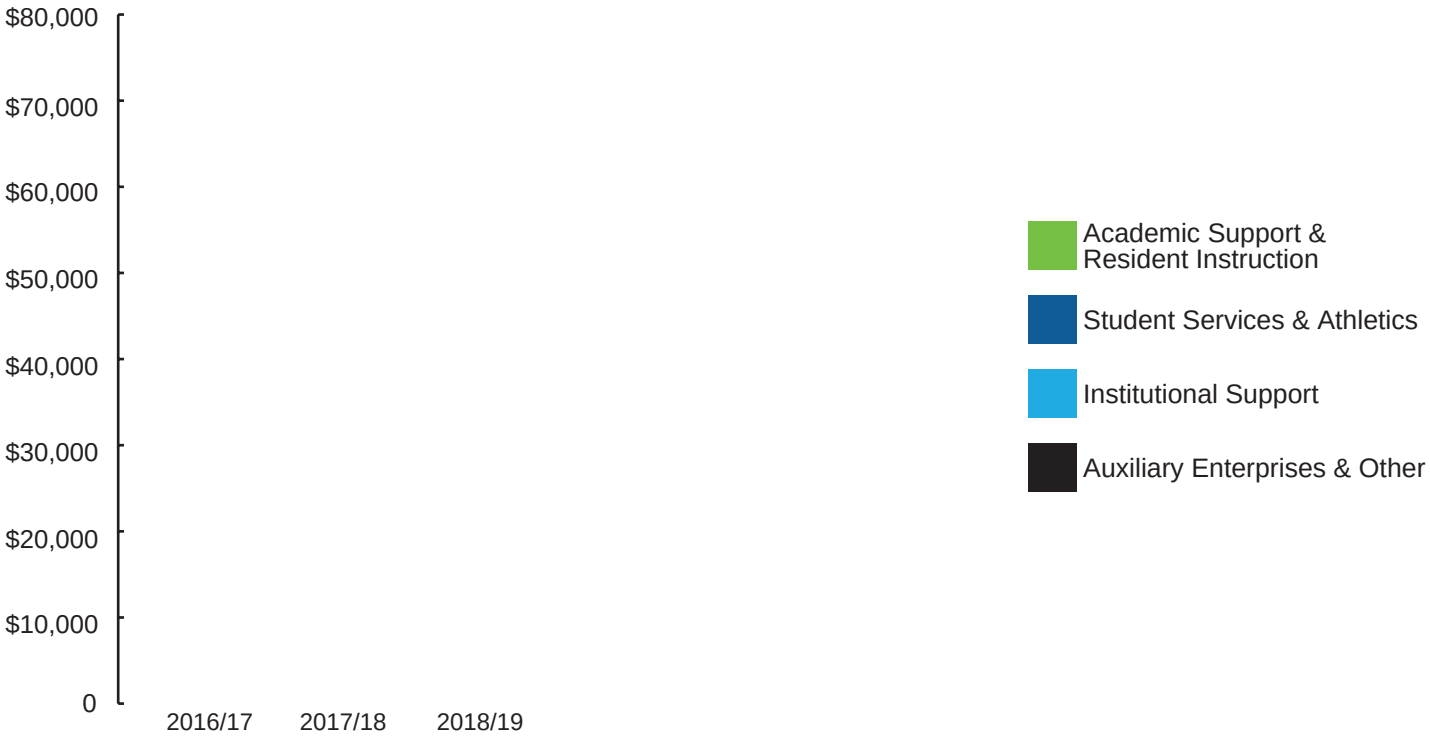
In thousands



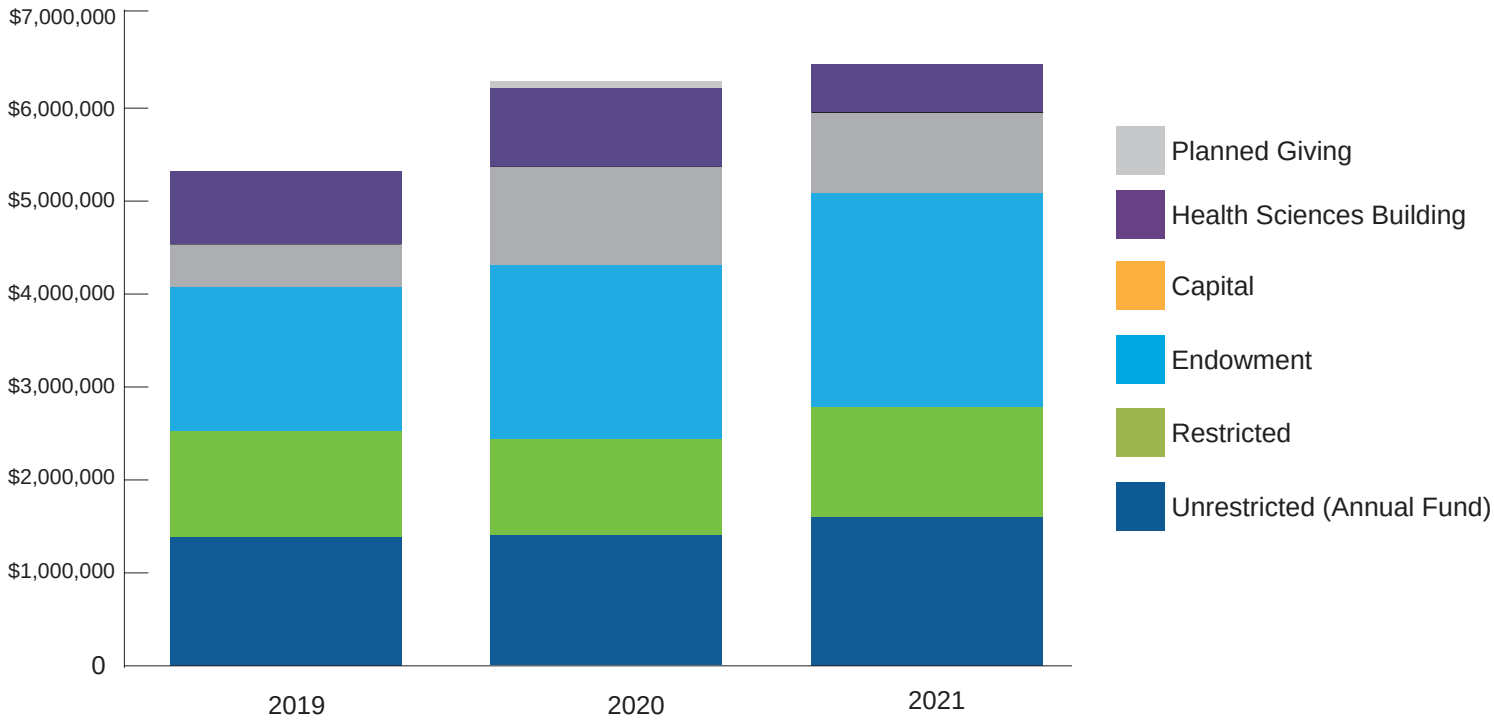
SOURCES OF REVENUE (COLLEGE)



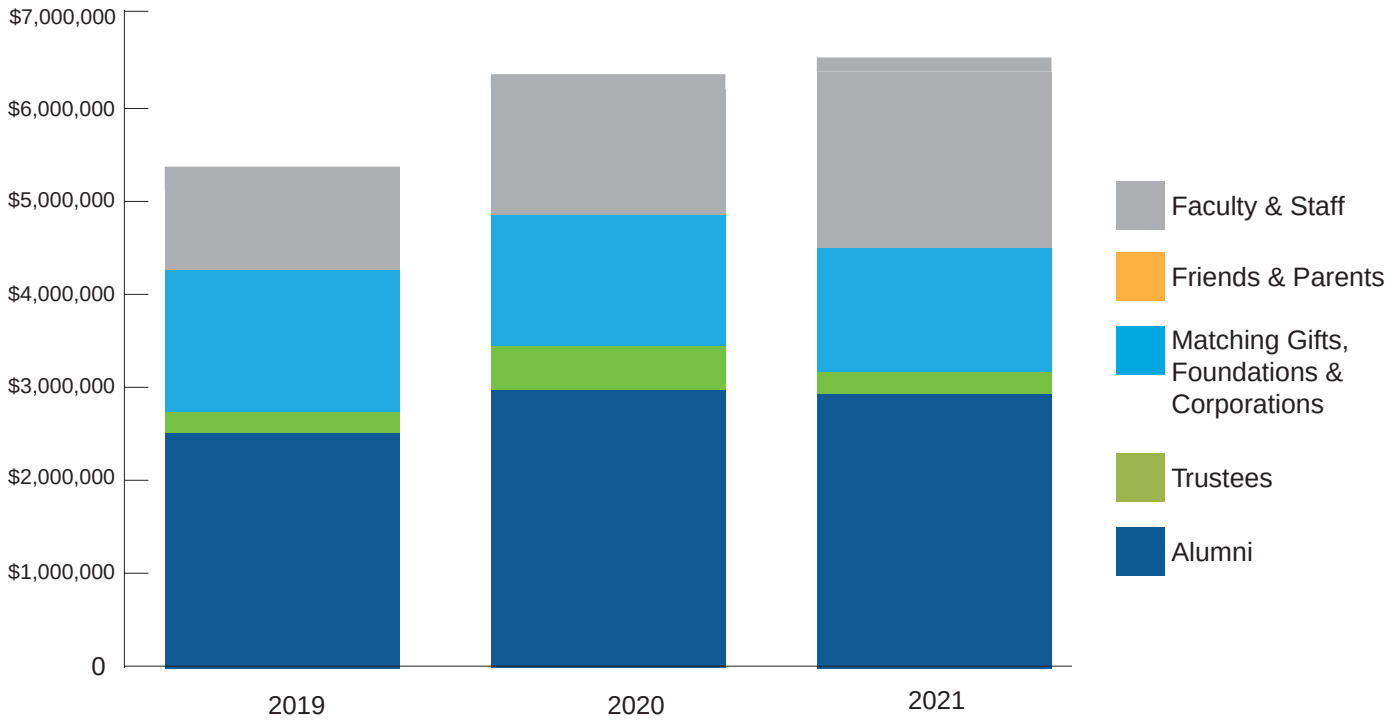
OPERATING EXPENSES (COLLEGE)



GIVING HISTORY (COLLEGE BY PURPOSE)

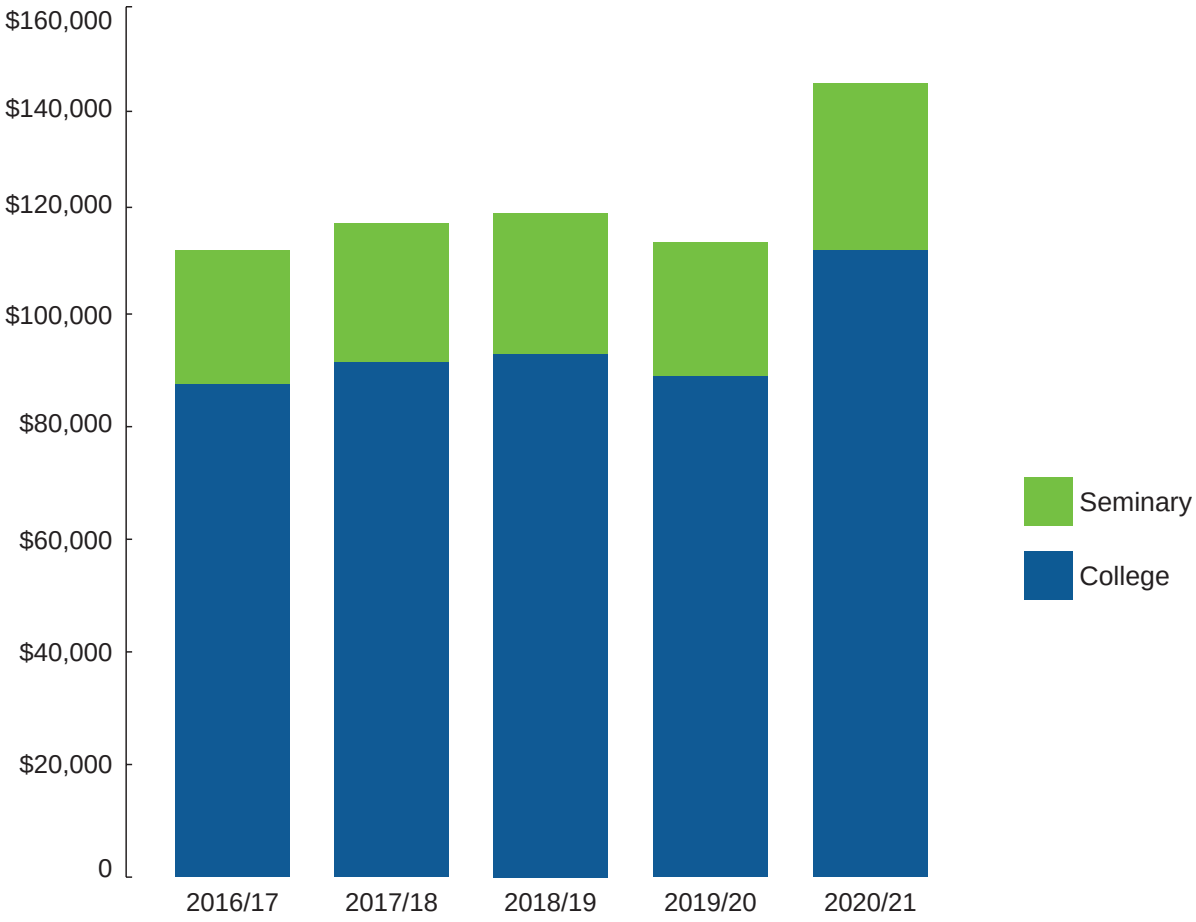


GIVING HISTORY (COLLEGE BY SOURCE)

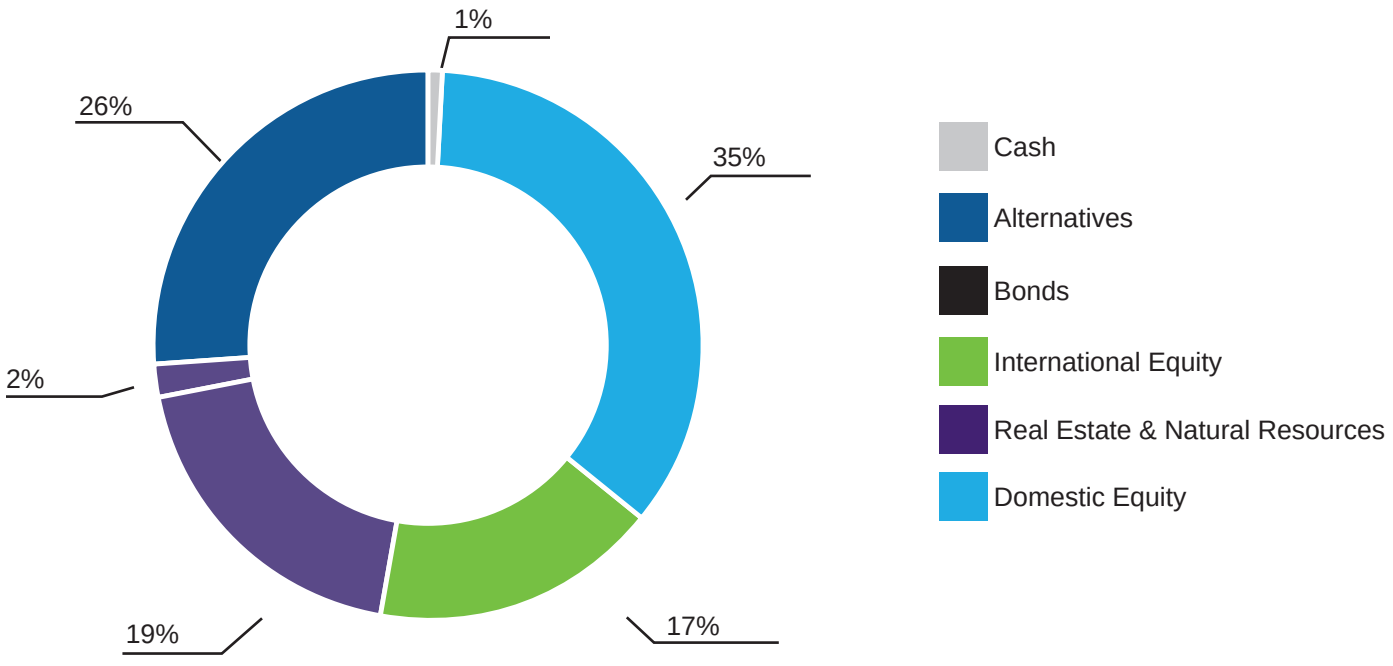


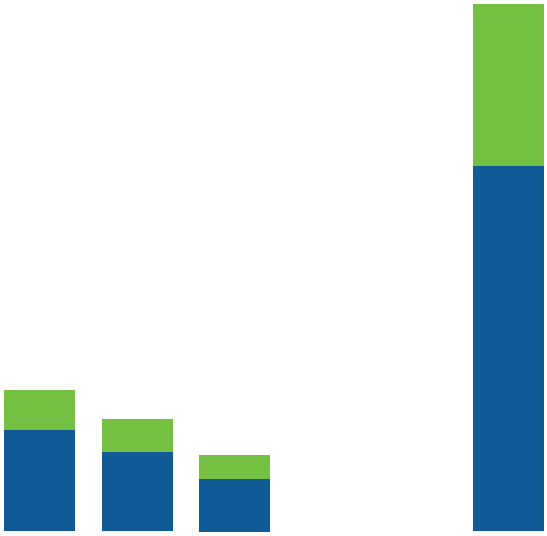
ENDOWMENT MARKET VALUES

In thousands



Investment Allocation at June 30, 2021

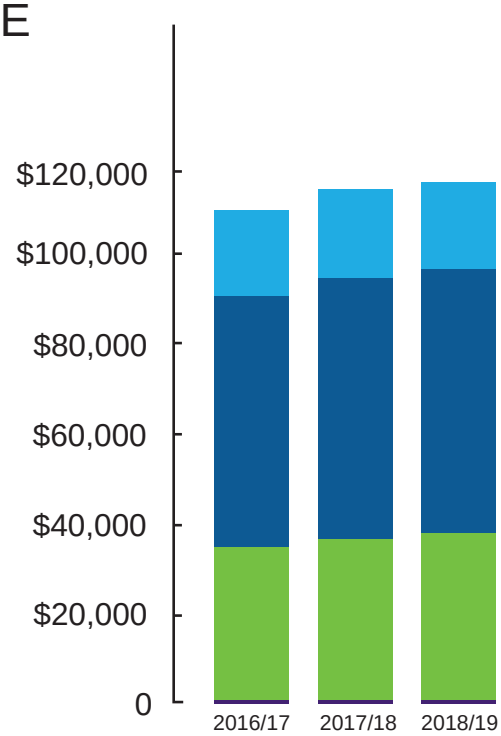


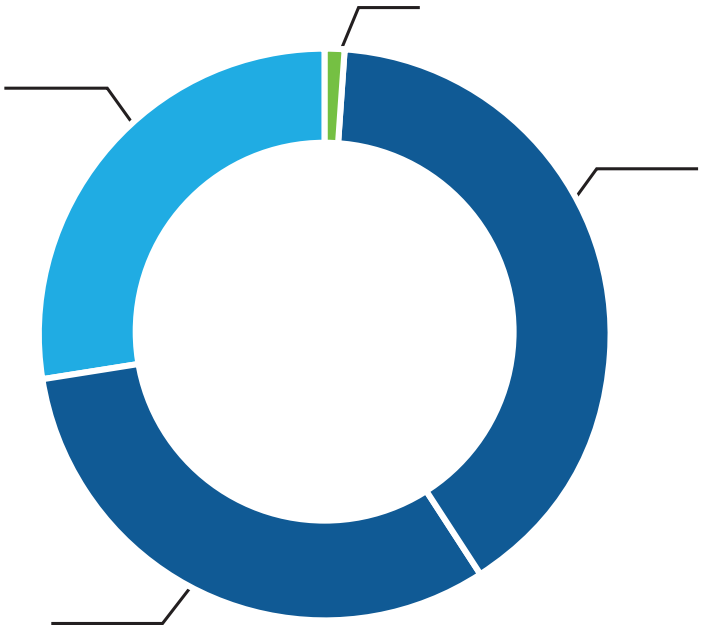


ENDOWED FUNDS BY PURPOSE

In thousands

- Board Designated without Restriction
- Board Designated with Donor Restriction
- General Purpose Funds
- Scholarship & Prize Funds
- Library Funds





Moravian College and Subsidiary

Consolidated Financial Statements
and Supplementary Information

June 30, 2021 and 2020

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June 30, 2021 and 2020

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Independent Auditors' Report

To the Board of Trustees of
Moravian College and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Moravian College and Subsidiary (the College), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation

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Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and consolidating schedule of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the

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With Donor Restrictions - Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to net assets without restrictions and reported in the consolidated statements of activities as net assets released from restriction. Additionally, funds received as gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

Nonoperating Activities

Nonoperating activities reflect realized and unrealized gains and losses on investments, gains associated with the sale of assets, changes in value of split interest agreements (primarily annuity and trust agreements) and change in value of interest rate swaps.

Revenue Recognition

Tuition and fee revenue is recognized in the fiscal year in which the academic services are delivered. Sales and services of auxiliary enterprises revenue, which consists of room and board and related services, is recognized when the related service is provided. Tuition and fee and auxiliary enterprise contracts are considered to have a duration of less than one year. Spring and Summer I tuition and fees are recognized and rendered within the same fiscal year. Tuition and fees for Summer II are recorded in deferred revenue and recognized as revenue in the following year. A portion of Fall tuition and fees are recorded in deferred revenue and recognized in revenue in the following year. Various rehabilitation science and nursing programs are outside of the traditional semester model. Each of these programs is divided into current year and future year revenue based on the number of weeks in which the course takes place.

Tuition, fees, room and board rates are approved by the Board of Trustees, the transaction price which is determined based on these established and approved rates net of financial aid are record(the)mtioch the

Gifts and pledges are recognized as revenue when received. Gifts specified for the acquisition or construction of long-lived assets are released to net assets without donor restrictions from net assets with donor restrictions when the assets are placed in service.

Contributions received, including unconditional promises are recognized as revenue when the donor's commitment is received. Unconditional promises to give are recognized at their estimated present value of future cash flows, which approximates fair value. The related revenue is assigned to net assets with donor restrictions until collected and any other restrictions are met, if so restricted by the donor.

Private grants and contracts are generally deemed to be exchange (reciprocal) transactions. The performance obligation for each grant or contract is deemed to be the research itself and revenue is recognized as the eligible grant activities are conducted. Transaction prices are based on budgets in the award agreement. Private grants and contracts are generally one year or less in duration.

Under CRRSA, institutions received one grant comprised of two parts. Institutions were required to spend an equal amount on student emergency aid as they spent under CARES. The remaining portion was to be used to defray expenses associated with coronavirus. Institutions were given one calendar year from the date of award in their HEERF Grant Award Notification to complete the performance of their HEERF grant. Institutions may recognize the institutional portion of the grant proportionate to the amount expended on student emergency aid. The College received $3,071,936 of funding under CRRSAA and recognized $1,012,948 of the student emergency aid as federal grants and contract revenue and student services expense. The institutional portion of the grant totaling $2,058,988 was recognized as federal grants and contract revenue. The institutional portion of the grant was used to offset COVID related expenses and lost revenue. As restrictions were met in the same period, the grants were reported as changes in net assets without donor restrictions.

Under ARP, institution received one grant comprised of two parts. Under the legislation, no less than 50 percent of the full grant is to be used for direct emergency aid to students. The remaining portion of the full grant is to be used to defray expenses associated with coronavirus, implement evidence-based practices to monitor and suppress coronavirus, and conduct direct outreach to financial aid applications about the opportunity to receive a financial aid adjustment due to a change in circumstance. The College was awarded $5,407,348. At June 30, 2021, the College has not spent any ARP funding, therefore no revenue was recorded.

Deferred Revenue and Deposits

Deferred revenue and deposits include payments received prior to the start of the academic term.

The following table depicts activities for deferred revenue related to tuition and fees and room and board.

	Balance at June 30, 2020	Refunds Issued	Revenue Recognized Included in June 30, 2020 Balance	Cash Received in Advance of Performance	Balance at June 30, 2021
Tuition and fees, net	$ 3,577	$ -	$ 3,577	$ 4,692	$ 4,692
Room and board, net	384	68			

Student Loans Receivable and Refundable Federal Loan Funds

These loans are made with funds advanced to the College by the federal government under the Perkins Student Loan Program (the Program). The Program expired on September 30, 2017 and after June 30, 2018 no new loans were permitted. In the event that the College no longer participates in the Program, the amounts are refundable to the federal government. The federal government's portion of these funds was approximately $604,000 and $1,221,000 at June 30, 2021 and 2020, respectively, and is recorded as a liability in the consolidated statements of financial position. As of June 30, 2021, the College continues to service the Perkins Loan Program.

The prescribed practices for the Program do not provide for accrual of interest on student loans receivable. Accordingly, interest on loans is recorded as received and is reinvested to support additional loans; uncollectible loans are not recognized until the loans are canceled or written-off in conformity with the Programs requirements. The impact of recording interest income on a cash basis is not considered significant. In addition, the credit quality of the student is not evaluated until after the initial approval and calculation of the loans. Delinquent loans and the allowance for losses on loans receivable are reviewed by management but are not material to the overall consolidated financial statements.

Contributions Receivable

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows as contributions receivable. The discounts on those amounts are computed using the expected rate of return of a market participant applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments

The College's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated statements of financial position are exposed to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is

Gift revenues recognized under split-interest agreements are recorded as increases in net assets with donor restrictions unless the donor has given the College the right to use the assets without restriction. If assets become available for use without donor restrictions upon termination of the agreements, appropriate amounts are reclassified from with donor restrictions to without donor restrictions.

Fixed Assets and Depreciation

Land, buildings and equipment are stated at an estimate of original cost, based on independent appraisals, or at cost, less accumulated depreciation, computed on a straight-line basis over the

Impairment of Long -Lived Assets

Management of the College reviews long-lived assets (including property and equipment and other assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management considers the undiscounted cash flow expected to be generated by the use of the asset and its eventual disposition to determine when, and if, an impairment has occurred. An impairment loss is recognized to the extent that the carrying value of assets exceeds their fair value. Any write-downs due to impairment are charged to operations at the time impairment is identified. No such write-downs were required during the years ended June 30, 2021 and 2020.

Deferred Financing Costs

Costs incurred in connection with debt financing are deferred and amortized over the term of the related debt using the straight-line method, which approximates the interest method. Amortization expense was approximately $36,000 in 2021 and 2020. Deferred financing costs are presented as a reduction in the carrying amount of the debt liability on the consolidated statements of financial position. See Note 8.

Derivative Financial Instrument

In managing its interest rate exposure, MCHI utilizes interest rate swap arrangements. An interest rate swap is a contractual exchange of interest payments between two parties. A typical interest rate swap involves the payment of a fixed rate times a notional amount by one party in exchange for a floating rate times the same notional amount from another party. To the extent a swap agreement has a positive fair value, indicating that the counterparty to the agreement owes MCHI money, MCHI is exposed to credit risk. The counter party to the MCHI's interest swap agreement is a major financial institution. MCHI recognizes the interest rate swap agreements at fair value and records changes in fair value in nonoperating activities in the consolidated statements of activities.

Government Grants and Student Aid

The amounts under these captions do not include amounts remitted to students under the Pennsylvania Higher Education Assistance Agency (PHEAA), the PELL Grants Program and other federal and state programs. The grants are similar to agency funds since the College acts only as custodian and disbursing agent for these funds. Had these amounts been included, revenues and expenditures would have increased by approximately $4,833,000 and $4,996,000 in 2021 and 2020, respectively.

Advertising

The College expensed advertising costs of approximately $567,000 and $601,000 during the fiscal years ended June 30, 2021 and 2020, respectively.

Title IV Requirements

The College participates in Government Student Financial Assistance Programs (Title IV) administered by the ED for the payment of student tuitions. A substantial number of College students are dependent upon the College's continued participation in the Title IV programs for assistance in tuition payment.

Institutions participating in Title IV programs are also required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.5 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of June 30, 2021 and 2020 and for the years then ended, the College's composite score exceeded 1.5.

The DOE revised the regulations for financial responsibility effective July 1, 2019. The regulations required the College to provide additional disclosures to assist the DOE in measuring financial responsibility through the composite score of financial ratios.

Pre-implementation property, plant and equipment totaled $132,212 and $141,194 at June 30, 2021 and 2020, respectively. Post-implementation property, plant and equipment with outstanding debt for original purchase totaled $2,268 and $1,235 at June 30, 2021 and 2020, respectively. Post-implementation property, plant and equipment without outstanding debt for original purchase totaled $13,676 and $4,656 at June 30, 2021 and 2020, respectively.

Pre-implementation long-

The College elected the option to apply the transition requirements at the effective date of July 1, 2020, which allows the effects of initially applying Topic 842 to be recognized as a cumulative effect adjustment to net assets without donor restrictions in the period of adoption. Consequently, the financial statements and disclosures required under Topic 842 have not been updated as of and for year ending June 30, 2020. The College also elected the package of practical expedients, which permits the College to not reassess prior conclusions about lease identification, classification and initial direct costs. In addition, the College elected the short-term lease recognition exemption for all leases that qualify under Topic 842.

The adoption of Topic 842 did not have a significant impact on the College's consolidated financial statements and includes new disclosures about leasing activities. The accounting for existing capital leases, now referred to as finance leases, remains substantially unchanged.

In August 2018, the FASB issued ASU No. 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, Fair Value Measurement. The amendments are based on the concepts in the FASB Concepts Statement, Conceptual Framework for Financial Reporting ² Chapter 8: Notes to Financial Statements, which the Board finalized on August 28, 2018. ASU No. 2018-13 was adopted by the College in fiscal year 2021 and was applied retsh544rdg612 792 re W* nr >

4. Contributions Receivable

Contributions receivable consisted of the following at June 30:

	2021	2020
Due in one year or less	$ 3,245	$ 3,472
Due between one year and five years	8,050	8,835

Fair value measurements of investments in certain entities that calculate NAV per share (or its equivalent) as of June 30, 2021 and 2020 are as follows:

	Fair Value at NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	$ 21,182	$ -	Various	35 - 65 days
Private equity funds	19,068	11,484	Illiquid	
Real asset funds	821	174	Illiquid	

Minimum future lease payments for finance leases are as follows:

Years ending June 30:		
2022	$	1,589
2023		1,123
2024		376
2025		90
2026		17

Moravian College and Subsidiary

As part of the College's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In the event of an unanticipated liquidity-need, the College could draw upon $3,000,000 from an available line of credit. In addition, the College has a board-designated endowment of $23,044,000. Although the College does not intend to spend from its board-

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$X[LOLDU\ HQWHUSULVHV
2WKHU VRXUFHV

7RWDO RSHUDWLQJ UHYHQXHV DQG RWKHU DGGLWLRQV A€ O7R R3eH1 D 0 0&0 0 0 0 0 0 0 0 0 0 0 0 3€@ AW 0000000

2SHUDWLQJ ([SHQVHV
,QVWUXFWLRQ
$FDGHPLFV VXSSRUW
6WXGHQW VHUYLFHV
$WKOHWLFV
,QVWLWXWLRQDO VXSSRUW
)XQGUDLVLQJ
$X[LOLDU\ HQWHUSULVHV 00 0 0 0 0 0 0 0 0 0 0 00000 0 0 0 0 0 0 0 0 0 0 0