

# **Elizabethtown College**

Financial Statements and  
Supplementary Information

June 30, 2024 and 2023

# Elizabethtown College

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June 30, 2024 and 2023

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## **Independent Auditors' Report**

To the Board of Trustees of  
Elizabethtown College

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Elizabethtown College (the College), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2024 and 2023, 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' 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 auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 College'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 College'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.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and the Financial Responsibility Supplemental Schedule, as required by Title 34 CFR Section 668.172, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Philadelphia, Pennsylvania  
November 22, 2024

**Elizabethtown College**Statements of Financial Position  
June 30, 2024 and 2023

	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,970,848	\$ 4,533,957
Restricted cash	3,442,036	5,864,950
Student accounts receivable, net	1,541,321	1,249,076
Other accounts receivable	1,408,435	419,415
Inventories	398,604	424,691
Prepaid expenses	1,642,431	1,419,283
Pledges receivable due in less than one year, net	790,324	893,172
Total current assets	16,193,999	14,804,544
<b>Funds Held in Trust</b>	6,726,421	6,183,626
<b>Pledges Receivable, Net</b>	859,193	813,439
<b>Student Loans, Net</b>	109,898	259,037
<b>Investments</b>	110,670,196	105,284,065
<b>Right-of-Use Assets</b>	1,421,628	1,828,748
<b>Property, Plant and Equipment, Net</b>	96,284,915	95,248,817
Total assets	<u>\$ 232,266,250</u>	<u>\$ 224,422,276</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 4,594,763	\$ 3,405,932
Accrued salaries, wages and benefits	754,040	755,894
Deposits and agency funds	3,386,524	3,203,766
Current liability on annuity contracts and trusts	70,821	126,610
Current portion of leases payable	533,861	572,589
Total current liabilities	9,340,009	8,064,791
<b>Advances From Federal Government for Student Loans</b>	60,112	160,681
<b>Annuity Contracts and Trusts Liability</b>	1,897,701	2,791,727
<b>Post-Retirement Liability</b>	9,480,590	14,793,275
<b>Long-Term Leases Payable</b>	887,767	1,256,159
<b>Long-Term Debt, Net</b>	56,120,621	56,807,640
Total liabilities	77,786,800	83,874,273
<b>Net Assets</b>		
Without donor restrictions	51,036,080	43,724,097
With donor restrictions	103,443,370	96,823,906
Total net assets	154,479,450	140,548,003
Total liabilities and net assets	<u>\$ 232,266,250</u>	<u>\$ 224,422,276</u>

See notes to financial statements.

**Elizabethtown College**

## Statement of Activities

Years Ended June 30, 2024 and 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue</b>				
Student tuition and fees, net	\$ 37,716,387	\$ -	\$ 37,716,387	\$ 35,042,696
Auxiliary enterprises	20,988,130	-	20,988,130	19,087,650
Private gifts and grants	3,806,702	7,488,645	11,295,347	6,507,895
Government grants	2,283,818	885,737	3,169,555	1,198,538
Investment income	891,073	368,973	1,260,046	1,313,081
Gain on investments	1,399,224	11,465,567	12,864,791	4,764,149
Other	2,032,861	-	2,032,861	1,747,870
Net assets released from restrictions	13,589,458	(13,589,458)	-	-
Total revenue	82,707,653	6,619,464	89,327,117	69,661,879
<b>Expenses</b>				
Instruction	21,984,267	-	21,984,267	22,862,869
Academic support	1,747,270	-	1,747,270	1,567,855
Student services	9,416,393	-	9,416,393	10,353,383
Institutional support	15,740,516	-	15,740,516	16,733,745
Facilities:				
Operation and maintenance of plant	8,636,261	-	8,636,261	7,796,732
Depreciation and amortization	6,165,027	-	6,165,027	6,369,860
Interest	2,123,011	-	2,123,011	3,319,962
Auxiliary enterprises	9,582,925	-	9,582,925	9,725,723
Total expenses	75,395,670	-	75,395,670	78,730,129
Change in net assets	7,311,983	6,619,464	13,931,447	(9,068,250)
<b>Net Assets</b>				
Net assets, beginning	43,724,097	96,823,906	140,548,003	149,616,253
Net assets, end	\$ 51,036,080	\$ 103,443,370	\$ 154,479,450	\$ 140,548,003

See notes to financial statements.

**Elizabethtown College**

## Statement of Activities

Year Ended June 30, 2023

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue</b>			
Student tuition and fees, gross	\$ 35,042,696	\$ -	\$ 35,042,696
Auxiliary enterprises	19,087,650	-	19,087,650
Private gifts and grants	1,404,170	5,103,725	6,507,895
Government grants	1,198,538	-	1,198,538
Investment income	645,982	667,099	1,313,081
Gain on investments	1,206,678	3,557,471	4,764,149
Other	1,747,870	-	1,747,870
Net assets released from restrictions	8,203,649	(8,203,649)	-
Total revenue	68,537,233	1,124,646	69,661,879
<b>Expenses</b>			
Instruction	22,862,869	-	22,862,869
Academic support	1,567,855	-	1,567,855
Student services	10,353,383	-	10,353,383
Institutional support	16,733,745	-	16,733,745
Facilities:			
Operation and maintenance of plant	7,796,732	-	7,796,732
Depreciation and amortization	6,369,860	-	6,369,860
Interest	3,319,962	-	3,319,962
Auxiliary enterprises	9,725,723	-	9,725,723
Total expenses	78,730,129	-	78,730,129
Change in net assets	(10,192,896)	1,124,646	(9,068,250)
<b>Net Assets</b>			
Net assets, beginning	53,916,993	95,699,260	149,616,253
Net assets, end	\$ 43,724,097	\$ 96,823,906	\$ 140,548,003

See notes to financial statements.



**Elizabethtown College****Statements of Cash Flows**

Years Ended June 30, 2024 and 2023

	<b>2024</b>	<b>2023</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 13,931,447	\$ (9,068,250)
Adjustments to reconcile change in net assets to net cash flows used in operating activities		
Depreciation of property and equipment	5,619,256	5,794,775
Amortization of bond issuance costs and bond premium, net	(687,019)	23,673
Amortization of right-of-use assets	545,771	551,412
Provision for credit losses and uncollectible accounts	98,374	110,043
Unrealized and realized gain on investments	(12,864,791)	(4,764,149)
Gain on disposal of assets	(171,727)	-
Gain on curtailment of other post-retirement benefit obligations	(6,795,218)	-
Gifts and donations restricted for long-term purposes	(4,921,791)	(3,062,095)
Changes in assets and liabilities:		
Student accounts receivable	(404,557)	(55,700)
Other accounts receivable	(989,020)	46,950
Inventories	26,087	73,424
Prepaid expenses	(223,148)	(265,523)
Pledges receivable	311,282	287,144
Accounts payable	(882,280)	1,416,003
Accrued salaries, wages and benefits	(1,854)	(375,514)
Deposits and agency funds	182,758	(15,149)
Actuarial liability for annuities payable	(949,815)	(1,038,058)
Post-retirement liability	1,482,533	(331,567)
Net cash flows used in operating activities	(6,693,712)	(10,672,581)
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	9,668,177	14,188,153
Purchase of property and equipment	(4,728,129)	(3,732,120)
Purchases of investments	(2,189,517)	(6,202,634)
Increase in funds held in trust	(542,795)	(890,996)
Sale of property and equipment	315,613	-
Repayments of students loans	156,139	113,818
Loan proceeds disbursed to students	(7,000)	(15,000)
Net cash provided by investing activities	2,672,488	3,461,221
<b>Cash Flows From Financing Activities</b>		
Gifts and donations received for long-term purposes	4,681,541	3,212,045
Repayment of leases	(545,771)	(551,412)
Payments on advances from federal government	(100,569)	(181,757)
Net cash flows provided by financing activities	4,035,201	2,478,876
Net change in cash and cash equivalents and restricted cash	13,977	(4,732,484)
<b>Cash and Cash Equivalents and Restricted Cash, Beginning</b>	10,398,907	15,131,391
<b>Cash and Cash Equivalents and Restricted Cash, Ending</b>	<u>\$ 10,412,884</u>	<u>\$ 10,398,907</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Interest paid	<u>\$ 2,810,030</u>	<u>\$ 2,640,505</u>
<b>Noncash Investing and Financing Activities</b>		
Capitalized construction costs included as accounts payable	<u>\$ 2,071,111</u>	<u>\$ 1,134,880</u>
Capitalized operating right of use assets	<u>\$ 274,870</u>	<u>\$ 662,786</u>

See notes to financial statements.

## 1. Nature of Operations and Summary of Significant Accounting Policies

Elizabethtown College (the College), founded in 1899, is a comprehensive residential college located in Pennsylvania's historic Lancaster County. More than 50 major programs of study in liberal arts, sciences and professional studies are offered to more than 2,000 students. Elizabethtown College is a community of learners dedicated to educating students intellectually, socially, aesthetically and ethically for lives of service and leadership as citizens of the world.

### Basis of Presentation

The accounting policies of the College reflect practices common to colleges and universities and conform to accounting principles generally accepted in the United States of America (U.S. GAAP). The more significant accounting policies are summarized below:

**Net Assets Without Donor Restriction** - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be classified for specific purposes by action of the Board of Trustees.

**Net Assets With Donor Restrictions** - Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature such as those that will be met by action of the College and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

### Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents represent demand deposits and other investments with purchased maturities of 90 days or less. Each night, the College sweeps all cash into a short-term investment account which is considered a cash equivalent to maximize interest earned.

The cash and cash equivalents and restricted cash shown in the statements of cash flows as of June 30, 2024 and 2023 are \$10,412,884 and \$10,398,907, respectively. As of June 30, 2024, the College held \$3,442,036 of restricted cash and \$6,970,848 of cash and cash equivalents. As of June 30, 2023, the College held \$5,864,950 of restricted cash and \$4,533,957 of cash and cash equivalents.

### Concentrations of Credit Risk

Financial instruments which subject the College to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments and equity holdings of domestic and foreign corporations. In addition, the College typically maintains cash and cash equivalents and short-term investments in local banks which may, at times, exceed the FDIC insurance limits.

The College's operations are located in Elizabethtown, Pennsylvania and its students come primarily from Pennsylvania and surrounding states. The College's major source of revenue is from tuition and room and board fees.

### Students Accounts Receivable

Student accounts receivable include all current accounts receivable related to student transactions. Student accounts receivable are reported at the net amount expected to be collected.

**Allowance for Credit Losses**

The College recognizes an allowance for credit losses for trade and other receivables to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the statement of financial position date. Receivables are written off when the College determined that such receivables are deemed uncollectible. The College pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the College measures those receivables individually. The College also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

The College utilizes the loss rate method in determining its lifetime expected credit losses on accounts receivable. In determining its loss rates, the College evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. The allowance for credit losses on student accounts receivables and student loans receivables was \$93,088 and \$60,000 as of June 30, 2024, respectively. As of June 30 2023, prior to the adoption of Accounting Standards Update (ASU) No. 2016-13, an allowance for doubtful accounts for such student accounts receivables and student loans receivables of \$99,643 and \$60,000, respectively, was recorded.

**Allowance for Doubtful Accounts**

The College recognizes an allowance for doubtful accounts for receivables arising from nonreciprocal revenue. Management specifically analyzes historical bad debts, ability and intent to pay, current funding trends and changes in payment terms and rates when evaluating the adequacy of the allowance for doubtful accounts.

**Funds Held in Trust**

Funds held in trust include funds held by the designated trustee for payment on construction costs and funds held in reserve for debt service and payment of future employee healthcare costs.

**Inventories**

Inventories consist of items for the College store, dining, mail and print services and are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

**Investments**

The College records investments at fair value. Equity securities and mutual funds are valued at market value. Fixed income securities are carried at the stated value which approximates the market value of these assets. Alternative investments are recorded at the estimated fair value using net asset value (NAV) per share of the investment established by the fund managers and reviewed by the investment consultant. Alternative investments consist of private equity securities, real estate investment and hedge funds. Because such investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. The College reviews and evaluates the values provided by the outside parties and agrees with the valuation methods and assumptions used in determining the fair value of alternative investments.

Gains and losses on investments are determined using an average cost method for securities and the specific identification method for other investments. Gains and losses are based on the trade date for investments. In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund reduce net assets with donor restrictions. Gains and losses on investments of endowment funds created by a board designation of funds are classified as reductions in net assets without donor restrictions.

The College is the recipient/beneficiary of several irrevocable trust arrangements which are held by others. The related income from these arrangements is recognized as either with donor restriction or without donor restriction revenue by the College when received, depending on whether the donor-imposed restrictions exist. The recorded value of the stream of future revenue associated with these trusts is required to be measured using the present value of future cash receipts. The market value of the pro rata ownership portion of the trusts' assets is used as an approximation of the present value of the future receipts and is included in investments.

**Property, Plant and Equipment**

Property, plant and equipment are recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of land improvements (15-20 years), buildings (20-50 years) and equipment (3-15 years).

The cost and accumulated depreciation of property sold or retired is removed from the related asset and any resulting gain or loss is recorded in the period of disposal.

Renewals and improvements which extend the useful lives of assets are capitalized at cost. Library books are expensed when purchased. Maintenance and repairs are included as expenses in the statements of activities.

**Impairment of Long-Lived Assets**

Long-lived assets (including land, buildings and equipment) are evaluated for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

**Bond Issuance Costs and Bond Premium**

All deferred costs and bond premiums associated with issued debt are being amortized through the first call date of the respective debt.

**Revenue Recognition and Disaggregation of Revenue**

The College provides academic instruction toward baccalaureate degrees. Tuition and fee revenue is recognized in the fiscal year in which the academic programs are delivered. Institutional scholarships awarded to students reduce the amount of revenue recognized. Tuition and fees rates are approved by the Board of Trustees. The transaction price which is determined based on these approved rates net of institutional financial aid and discounts are recorded as student tuition and fees, net of tuition discount. Institutional scholarships and discounts provided to students were approximately \$33,916,000 and \$29,268,000 in 2024 and 2023, respectively. In addition, students who adjust their course load or withdraw completely within the first four weeks of the semester may receive a partial refund in accordance with the College's refund policy. Refunds issued reduce the amount of revenue recognized. Payments for services are due August 1<sup>st</sup> for fall semester and January 1<sup>st</sup> for the spring semester.

The College also provides auxiliary services, such as residence and food services. Revenue from these services is recognized in the fiscal year in which the goods and services are provided. Resident and food service rates are approved by the Board of Trustees. The transaction price which is determined based on these approved rates are recorded as auxiliary enterprises. Students that withdraw from the College within the first four weeks of the semester may receive a partial refund in accordance with the College's refund policy. Refunds issued reduce the amount of revenue recognized.

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Income earned on donor-restricted funds is initially classified as net assets with donor restrictions and is reclassified as net assets without donor restrictions when expenses are incurred for their intended purpose.

**Private Gifts and Grants**

Contributions, including unconditional promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as release from with donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are recognized when the conditions on which they depend are met.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues with donor restrictions; the restrictions are considered to be released at the time such long-lived assets are placed in service.

The College distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Under current accounting guidance, donor-restricted contributions are reported as revenue without donor restrictions when the restriction is satisfied within the same year that the contribution is received.

Government grants and contracts are deemed to be nonexchange (nonreciprocal) transactions. Under this guidance, revenue related to conditional grants and contracts is recorded when the conditions are met. Most grants and contracts are on a cost reimbursement basis and require the College to incur eligible expenses prior to the release of funds. The College reports these grants and contracts as changes in net assets without donor restrictions when restrictions are met in the same period. Restricted private gifts are recorded as changes in net assets with donor restrictions. When a donor restriction expires, net assets are reclassified as net assets without donor restrictions.

**Deposits and Agency Funds**

Deposits relate primarily to summer and fall session tuition and matriculation and breakage deposits received prior to June 30. Agency funds consist of assets held for others, primarily student organizations.

## Elizabethtown College

Notes to Financial Statements  
June 30, 2024 and 2023

The following table depicts activities for deferred revenue related to net student costs included in deposits and agency funds on the statements of financial position.

	<b>Balance at June 30, 2023</b>	<b>Revenue Recognized Included in June 30, 2023 Balance</b>	<b>Cash Received in Advance of Performance</b>	<b>Balance at June 30, 2024</b>
Advanced tuition	\$ 254,371	\$ (254,371)	\$ 35,580	\$ 35,580
Student credit balances	836,503	(836,503)	1,052,841	1,052,841

	<b>Balance at June 30, 2022</b>	<b>Revenue Recognized Included in June 30, 2022 Balance</b>	<b>Cash Received in Advance of Performance</b>	<b>Balance at June 30, 2023</b>
Advanced tuition	\$ 240,831	\$ (240,831)	\$ 254,371	\$ 254,371
Student credit balances	704,761	(704,761)	836,503	836,503

### Advertising Costs

The College follows the policy of expensing advertising and marketing costs when incurred. For the years ended June 30, 2024 and 2023, advertising related costs amounted to \$1,372,777 and \$1,155,792, respectively.

### Fundraising Expenses

The College follows the policy of expensing the costs of fundraising when incurred. For the years ended June 30, 2024 and 2023, fundraising costs amounted to \$1,620,860 and \$1,728,421, respectively.

### Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Income Tax Status

The Internal Revenue Service has determined that the College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax. However, any unrelated business income may be subject to taxation.

The College follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the College for uncertain tax positions as of June 30, 2024 and 2023. The College's tax returns are subject to review and examination by federal and state authorities.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in Note 14. Accordingly, certain expenses have been allocated, based on estimated time and effort and square footage, among the programs and supporting services benefited.

**Accounting Standards Adopted**

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, *Measurement of Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current U.S. GAAP, which generally require that a loss be incurred before it is recognized. On July 1, 2023, the College adopted the ASU using the modified retrospective approach. The adoption of ASU No. 2016-13 had no impact on the financial statements for the year ended June 30, 2024 beyond expanded disclosures.

**Reclassification**

Certain 2023 amounts have been reclassified to conform to the 2024 reporting format. No changes to 2023 net asset amounts have resulted from this reclassification.

**2. Long-Term Investments**

Investments consisted of the following at June 30:

	<b>2024</b>		<b>2023</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Cash and cash equivalents	\$ 822,373	\$ 822,373	\$ 4,662,952	\$ 4,780,430
Equities	29,468,381	30,163,117	25,406,537	22,960,918
Fixed income	403,783	348,602	403,783	373,019
Annuity funds	579,970	579,970	592,050	592,050
Alternative investments	63,134,381	78,017,660	63,548,690	74,517,643
Funds held in trust by others	738,474	738,474	2,237,559	2,060,005
Total	<u>\$ 95,147,362</u>	<u>\$ 110,670,196</u>	<u>\$ 96,851,571</u>	<u>\$ 105,284,065</u>

The fair value of the total endowment assets included in long-term investments amounted to \$106,273,217 and \$98,427,132 at June 30, 2024 and 2023, respectively. Included in those amounts are quasi-endowment assets of \$10,456,148 and \$9,629,688 at June 30, 2024 and 2023, respectively.

**3. Pledges Receivable**

As of June 30, 2024 and 2023, certain donors to the College have made unconditional written promises to give, which are recorded in the financial statements as pledges receivable and gift revenue of the appropriate net asset category. Pledges were discounted to their present value assuming their respective terms and at the discount rate corresponding to the date each pledge was received which range between 0.07% and 5.40% for 2024 and 2023.

## Elizabethtown College

### Notes to Financial Statements

June 30, 2024 and 2023

The pledges are scheduled to be collected as follows:

	2024	2023
Less than one year	\$ 952,551	\$ 1,014,750
Between one and five years	770,500	705,049
More than five years	330,000	242,500
Gross pledges receivable	2,053,051	1,962,299
Unamortized discount	(251,929)	(90,145)
Allowance for uncollectible amounts	(151,605)	(165,543)
Total	\$ 1,649,517	\$ 1,706,611

#### 4. Property, Plant and Equipment

As of June 30, the components of the College's property, plant and equipment were as follows:

	2024	2023
Land and improvements	\$ 16,741,662	\$ 16,741,662
Buildings	166,011,817	160,855,218
Furniture and equipment	16,153,635	15,223,236
Construction in process	3,256,030	2,882,002
	202,163,144	195,702,118
Less accumulated depreciation	(105,878,229)	(100,453,301)
Total	\$ 96,284,915	\$ 95,248,817

#### 5. Leases

The College has entered into the following lease arrangements:

Finance leases: The College leases equipment under agreements classified as finance leases. The chiller lease commenced in September 2020 and will run for seven years. Lease payments are made quarterly in the amount of \$40,558, including interest at 3.596%. The boiler lease commenced in July 2020 and will run for seven years. Lease payments are made quarterly in the amount of \$13,292, including interest at 5.038%.

Operating leases: The College leases fitness and office equipment, machinery and vehicles classified as operating leases. These leases generally have initial lease terms of 3-5 years.

The obligations associated with these leases have been recognized as a liability in the statements of financial position based on future lease payments, discounted by the incremental borrowing rate.

The College makes certain assumptions and judgments in determining the discount rate, as most leases do not provide an implicit rate. The College uses their incremental borrowing rate based on information available at the commencement date in determining the present value of lease payments.



## Elizabethtown College

### Notes to Financial Statements

June 30, 2024 and 2023

Subsequent to the lease commencement date, the College reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease. Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation if it is reasonably certain an option to extend or terminate will be exercised.

Leases with an initial term of 12 months or less are not recorded on the statements of financial position since the College has elected the practical expedient to exclude these leases from operating right-of-use asset and lease liabilities. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

Future minimum lease payments under operating and finance leases at June 30, 2024 are as follows:

	<b>Operating</b>	<b>Finance</b>
Years ending June 30:		
2025	\$ 385,551	\$ 215,400
2026	223,073	215,400
2027	189,176	202,108
2028	104,867	-
2029	22,404	-
Total	925,071	632,908
Less amount representing interest	(98,590)	(37,761)
Present value of net minimum lease payments	<u>\$ 826,481</u>	<u>\$ 595,147</u>

The right-of-use assets and lease liabilities were calculated using a weighted-average discount rate of 6.99% and 3.60% for operating and finance leases, respectively. As of June 30, 2024, the weighted-average remaining lease term was three and five years for operating and finance leases, respectively.

The following table summarizes the lease right-of-use assets as of June 30:

	<b>2024</b>	<b>2023</b>
Right-of-use assets:		
Operating leases	\$ 826,481	\$ 1,046,202
Finance leases	595,147	782,546
Total	<u>\$ 1,421,628</u>	<u>\$ 1,828,748</u>

## Elizabethtown College

Notes to Financial Statements  
June 30, 2024 and 2023

### 6. Long-Term Debt

Long-term debt payable at June 30 consisted of the following:

Description	Maturity Dates	Interest Rate	2024	2023
Series 2022 A Revenue Bonds	2052	5.000	\$ 54,175,000	\$ 54,175,000
Series 2022 B Revenue Bonds	2027	4.125	220,000	220,000
			54,395,000	54,395,000
Unamortized bond issuance costs			(652,468)	(676,142)
Unamortized bond premium			2,378,089	3,088,782
			<u>\$ 56,120,621</u>	<u>\$ 56,807,640</u>

On April 20, 2022, the College entered into two bonds agreements with The Lancaster Higher Education Authority, being referred to as the Series 2022 A Revenue Bonds and the Series 2022 B Revenue Bonds. The Series 2022 A Revenue Bonds principal amount is \$54,175,000 and was used to finance projects consisting of refunding all of the outstanding College obligations held by Fulton Bank, financing of the termination payment in connection with the termination by the College of the 2018 Interest Rate Swap, funding of a debt service reserve fund and undertaking of various improvements to the facilities of the College. The Series 2022 B Revenue Bonds principal amount is \$220,000 and was used to finance the termination payments in connection with the termination by the College of the 2009B Interest Rate Swap and funding the debt service reserve fund.

A bond premium of \$3,088,782 was recorded with the Series 2022 A Revenue Bonds and is being amortized through the bonds' first call date. For the year ended June 30, 2024, \$710,693 of amortization was recorded against interest expense in the statements of activities. No amortization of bond premium was recorded for the year ended June 30, 2023.

The Series 2022 A Revenue Bonds are collateralized by a debt service reserve fund of \$3,675,000. The Series 2022 B Revenue Bonds is collateralized by a debt service reserve fund of \$22,000. The debt service reserve fund is recorded in funds held in trust on the statements of financial position.

In conjunction with the April 20, 2022 bond issuances, bond issuance costs of \$703,853 have been capitalized and are being amortized over the related debt terms. Amortization expense incurred for the years ended June 30, 2024 and 2023 on the bond issuance costs was \$23,673 and is included in interest expense on the statements of activities.

Aggregate maturities of long-term debt are as follows:

Years ending June 30:	
2025	\$ -
2026	980,000
2027	1,030,000
2028	1,080,000
2029	1,135,000
Thereafter	<u>50,170,000</u>
Total	<u>\$ 54,395,000</u>

## Elizabethtown College

### Notes to Financial Statements

June 30, 2024 and 2023

The College has entered into a Loan Agreement with the Lancaster Higher Education Authority, as the issuer of the 2022 Bonds under the Bond Indenture, pursuant to which the College pledged as security for the repayment of the Bonds its "Unrestricted College Revenues," which is defined as "such revenues, income and other moneys (both operating and nonoperating) received by the College that would properly be recorded as additions to Unrestricted Net Assets under generally accepted accounting principles during the period being measured." The capitalized term "Unrestricted Net Assets" is in turn defined as "net assets that are without donor restrictions."

Under the terms of the loan agreement, the College covenants, among other things, that it will generate certain levels of net revenue as defined in the agreement and maintain certain unrestricted minimum liquidity levels. The College is in compliance with the covenants as of June 30, 2024.

#### 7. Line of Credit Agreements

On July 7, 2022, the College obtained a \$6,000,000 revolving line of credit with a bank. The revolving line of credit bears interest at the Bloomberg Short-Term Bank Yield Index Rate plus 0.50% and matures on July 7, 2024. The interest rate was 5.89% as of June 30, 2024. As of June 30, 2024, there was \$0 outstanding on the line of credit. This agreement was extended through October 4, 2024 at a reduced principal amount of \$3,000,000 (see Note 18).

The College also held a line of credit with another bank for \$3,000,000; this arrangement was then terminated in August 2023 and no amounts were outstanding on this line of credit at June 30, 2023.

#### 8. Post-Retirement Benefits Other Than Pensions

The College sponsors a post-retirement health care plan covering retirees and eligible spouses and employees who have met certain eligibility requirements. Effective January 1, 2024, spouses of retirees cannot be eligible for other insurance and all health plans terminate for the spouse upon the retiree's death. Additionally, effective January 1, 2024, the plan switched from participating in the Medicare Gap to Medicare Advantage plan. As a result, the College removed Medicare retirees from the dental plan. The plan is contributory for retirees with a retirement date prior to July 1, 1998. The College contributions are currently set at 100% of the required premium for the retiree and 0% for the covered spouse for individuals who held the rank of associate or full professor or attained age 50 or have completed 15 years of full-time service by September 1, 2004. Individuals who did not meet the aforementioned criteria by September 1, 2004, receive 50% of the required premium for the retiree. All new employees who began employment after September 1, 2004, are not covered.

	2024	2023
Change in Projected Benefit Obligation:		
Benefit obligation at beginning of year	\$ 14,793,275	\$ 15,124,842
Service cost	110,741	142,251
Interest cost	756,920	683,652
Amendments – plan change	(6,795,218)	-
Assumptions	170,761	(763,551)
Actuarial gain	974,246	196,228
Benefit payments	(530,135)	(590,147)
Benefit obligation at end of year	<u>\$ 9,480,590</u>	<u>\$ 14,793,275</u>

## Elizabethtown College

### Notes to Financial Statements

June 30, 2024 and 2023

	2024	2023
Change in Fair Value of Plan Assets:		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	530,135	590,147
Employee contributions	78,155	134,913
Benefit payments	(608,290)	(725,060)
Fair value of plan assets at end of year	\$ -	\$ -

The benefit obligation is reflected on the statements of financial position as a post-retirement liability. The assumption changes to the benefit obligation are due to the changes in discount rates and adjustments to the mortality improvement scales provided by the latest mortality study released by the Society of Actuaries.

### Assumptions

Weighted-average assumptions used to determine benefit obligations:

	2024	2023
Discount rate	5.28 %	5.21 %

The effect of a one-percentage point increase in the assumed healthcare cost trend rates for each future year on the aggregate of the service and interest cost components of the net periodic postretirement health care benefit cost is \$65,000 and the accumulated postretirement benefit obligation is \$1,024,000. The effect of a one-percentage point decrease in the assumed health care cost trend rates for each future year on the aggregate of the service and interest cost components of the net period postretirement benefit cost is (\$55,000) and the accumulated postretirement benefit obligation is (\$871,000).

### Net Periodic Pension Cost

	2024	2023
Service cost	\$ 110,741	\$ 142,251
Interest cost	756,920	683,652
Actuarial gain	(5,650,211)	(567,323)
Total	\$ (4,782,550)	\$ 258,580

A 7.5% rate of increase in the per capita costs of covered health care benefits was assumed at June 30, 2024 and 2023. A one-percentage point increase or decrease in the discount rate causes a change of approximately (\$909,000) or (\$1,528,000) in the liability, respectively.

### Healthcare Cost Trend Assumptions

	2024	2023
Initial trend rate	7.50 %	7.50 %
Ultimate trend rate	4.50	4.50
Years until ultimate is reached	12 Years	12 Years

**Expected Future Benefit Payments**

The benefit payments and plan contributions, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years ending June 30:	
2025	\$ 635,000
2026	701,000
2027	695,000
2028	720,000
2029	675,000
2030 - 2034	<u>3,253,000</u>
Total	<u>\$ 6,679,000</u>

**Medicare Prescription Drug Act**

The Medicare Prescription Drug Improvement and Modernization Act of 2003 provides for a direct government subsidy for employers who continue to offer a retiree drug program that is deemed to be actuarially equivalent to the government plan. The federal government will pay a subsidy to employers who continue to offer prescription drug coverage if the employer provided benefit is "actuarially equivalent" to the Medicare Part D benefit.

Based on available guidance, the College does not believe that benefits under the Postretirement Medical and Life Insurance Plan are "actuarially equivalent" to the Medicare Part D benefit. Therefore, the accumulated postretirement benefit obligation and the net periodic postretirement benefits disclosed do not reflect any amount associated with the subsidy, nor do they reflect any anticipated reduction in costs due to employees waiving employer coverage and enrolling in Medicare Part D.

**9. Fair Value Measurements****Fair Value Hierarchy**

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset.

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The College measures the fair value for their investments in alternative investments based on NAV per share of the investment as provided by investment managers, as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the College's measurement date, NAV is adjusted to reflect any significant events that would materially affect the security's value. Certain attributes that impact the security's fair value may not be reflected in NAV, including, but not limited to, the investor's ability to redeem the investment at the measurement date and unfunded purchase commitments.

If the College sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment. In accordance with FASB Accounting Standards Codification Subtopic 820-10, investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

## Elizabethtown College

Notes to Financial Statements  
June 30, 2024 and 2023

The following table present information about the College's assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 based upon the three-tier hierarchy:

	2024			
	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 822,373	\$ 822,373	\$ -	\$ -
Multi-asset funds:				
Domestic	19,915,087	-	19,915,087	-
Foreign	10,248,030	-	10,248,030	-
Domestic fixed income	348,602	-	348,602	-
Annuity funds	579,970	-	-	579,970
Funds held in trust by others	738,474	-	-	738,474
Funds held in trust:				
Money market funds	6,726,421	6,726,421	-	-
Subtotal assets by valuation hierarchy	<u>39,378,957</u>	<u>\$ 7,548,794</u>	<u>\$ 30,511,719</u>	<u>\$ 1,318,444</u>
Investments measured at net asset value:				
Alternative investments:				
Private equity funds	1,291,475			
Real assets funds	226,946			
Real estate funds	18,867			
Multi-strategy funds	<u>76,480,372</u>			
Subtotal	<u>78,017,660</u>			
Total assets at fair value	<u>\$ 117,396,617</u>			

## Elizabethtown College

### Notes to Financial Statements

June 30, 2024 and 2023

The following table present information about the College's assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 based upon the three-tier hierarchy:

	2023			
	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 4,780,430	\$ 4,780,430	\$ -	\$ -
Multi-asset funds:				
Domestic	12,971,053	-	12,971,053	-
Foreign	9,989,865	-	9,989,865	-
Domestic fixed income	373,019	-	373,019	-
Annuity funds	592,050	-	-	592,050
Funds held in trust by others	2,060,005	-	-	2,060,005
Funds held in trust:				
Money market funds	6,183,626	6,183,626	-	-
Subtotal assets by valuation hierarchy	<u>36,950,048</u>	<u>\$ 10,964,056</u>	<u>\$ 23,333,937</u>	<u>\$ 2,652,055</u>
Investments measured at net asset value:				
Alternative investments:				
Private equity funds	1,533,863			
Real assets funds	257,650			
Real estate funds	16,625			
Multi-strategy funds	<u>72,709,505</u>			
Subtotal	<u>74,517,643</u>			
Total assets at fair value	<u>\$ 111,467,691</u>			

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value.

#### Cash and Cash Equivalents

Cash and cash equivalents classified as Level 1 represent demand deposits and other investments with purchased maturities of 90 days or less and their value is based on quoted prices in active markets.

#### Multi-Asset Funds

Investments in multi-asset funds are measured at fair value using quoted market prices based on the underlying assets in the fund. They are classified as Level 2 as the College's investment is not traded in active markets.

#### Domestic Fixed Income

Investments in fixed income securities are comprised of commingled trust funds which are not actively traded and are classified as a Level 2.



## Elizabethtown College

### Notes to Financial Statements

June 30, 2024 and 2023

#### Annuity Funds

The fair value of annuity funds is classified as Level 3 as the fair value is based on a combination of Level 2 inputs (interest rate, individual's age, payment and term) and significant unobservable inputs (individual or specific estimates of cash flows).

#### Funds Held in Trust by Others

The College's beneficial interest in funds held in trust administered by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rate and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the College has an irrevocable right to receive the income earned from the trust's assets, the fair value of the College's beneficial interest is estimated to approximate the fair value of the trust's assets.

For the years ended June 30, 2024 and 2023, the College had approximately \$1,535,000 and \$0 in settlements of funds held in trust by others.

#### Funds Held in Trust

Funds held in trust are based on quoted market prices in active markets and are classified as Level 1 inputs. These investments primarily are money market funds, certificates of deposit and mutual funds.

There have been no changes in the techniques and inputs used as of June 30, 2024 and 2023.

A summary of the significant categories of such investments that calculate NAV (or its equivalent) and their attributes as of June 30, 2024 are as follows:

	<u>Fair Value at NAV</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Assets:				
Private equity funds	\$ 1,291,475	\$ 1,106,609	Illiquid	N/A
Real assets funds	226,946	349,315	Illiquid	N/A
Real estate funds	18,867	240,589	Illiquid	N/A
Multi-strategy funds	76,480,372	-	30-90 days	180 days
Total	<u>\$ 78,017,660</u>	<u>\$ 1,696,513</u>		

A summary of the significant categories of such investments that calculate NAV (or its equivalent) and their attributes as of June 30, 2023 are as follows:

	<u>Fair Value at NAV</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Assets:				
Private equity funds	\$ 1,533,863	\$ 1,106,609	Illiquid	N/A
Real assets funds	257,650	349,315	Illiquid	N/A
Real estate funds	16,625	240,589	Illiquid	N/A
Multi-strategy funds	72,709,505	-	30-90 days	180 days
Total	<u>\$ 74,517,643</u>	<u>\$ 1,696,513</u>		

## Elizabethtown College

### Notes to Financial Statements

June 30, 2024 and 2023

**Private Equity Funds** - This category includes several private equity funds that are diversified by strategy, region and vintage year. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments in the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated five to ten years after initial investment. As of June 30, 2024, the College's private equity portfolio consists of six funds, with vintage years ranging from 2007 to 2011. The fair values of the investments in this category have been derived using the NAV of the College's ownership interest in Partners' Capital. Partners' Capital for each fund has been prepared in accordance with U.S. GAAP and Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*.

**Real Asset Funds** - This category includes funds that invest primarily in timber, energy and infrastructure; these investments are primarily in the U.S. and diversified by strategy. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments in the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated seven to ten years after initial investment. The College's real asset portfolio consists of two funds, the oldest of which began making underlying investments in 2007. The fair values of the investments in this category have been derived using the NAV of the College's ownership interest in Partners' Capital. Partners' Capital for each fund has been prepared in accordance with U.S. GAAP and ASC Topic 820, *Fair Value Measurements and Disclosures*.

**Real Estate Funds** - This category includes real estate funds that invest primarily in the U.S. and are diversified across sectors. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments in the funds are liquidated. The College's real estate portfolio consists of one fund, which began making underlying investments in 2007. The fair value of the investments in this category have been derived using the net asset value of the College's ownership interest in Partners' Capital. Partners' Capital for each fund has been prepared in accordance with fair value methodology as outlined by U.S. GAAP and ASC Topic 820, *Fair Value Measurements and Disclosures*.

**Multi-Strategy Funds** - This category includes one fund with a globally diverse mix of public and private assets. The fund invests in hedge funds, private equity funds, as well as exchange traded funds. The fair values of the investments in this category have been derived using the NAV of the College's ownership interest in Partners' Capital. Partners' Capital for each fund has been prepared in accordance with U.S. GAAP and ASC Topic 820, *Fair Value Measurements and Disclosures*.

## 10. Net Assets

Net assets without donor restriction are available for the following purposes as of June 30:

	2024	2023
Undesignated	\$ (2,909,476)	\$ (8,181,676)
Board-designated endowment	10,456,148	9,629,688
Investment in property and equipment	43,489,408	42,276,085
Total net assets without donor restriction	<u>\$ 51,036,080</u>	<u>\$ 43,724,097</u>

## Elizabethtown College

Notes to Financial Statements  
June 30, 2024 and 2023

Net assets with donor restrictions consist of the following at June 30:

	2024	2023
Net investment gains on donor endowments restricted for future periods, scholarship and education	\$ 27,121,404	\$ 21,471,670
Contributions receivable restricted for future periods:		
Capital purposes	1,444,237	346,000
Endowment purposes	350,000	322,250
Other donor purpose time and restrictions	2,635,362	2,085,393
Capital projects	1,566,297	2,675,007
Schaeffer Equipment Fund	405,813	422,530
Endowment funds	69,312,069	67,141,596
Annuity funds	608,188	2,359,460
Total	\$ 103,443,370	\$ 96,823,906

During the course of the year, net assets whose use by the College were subject to donor-imposed restrictions were fulfilled by actions of the College pursuant to those restrictions, the expiration of time or the designation of law. These assets are shown in the statements of activities as a release of net assets with donor restrictions. A detail of the net assets released from restrictions for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Capital purposes	\$ 3,636,496	\$ 1,703,325
Scholarships, professorships, awards, etc.	6,793,676	6,132,982
Other donor designated spending	3,159,286	367,342
Total	\$ 13,589,458	\$ 8,203,649

### 11. Endowments

As required by U.S. GAAP, 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.

The College's endowment consists of a portfolio of actively managed funds established to provide both a source of operating funds as well as long-term financial stability. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as quasi-endowments.

#### Interpretation of Relevant Law

The Board of Trustees of the College has interpreted Commonwealth of Pennsylvania Act 141 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets in perpetuity (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity and (c) accumulations to the endowment in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

This is regarded as the "historic dollar value" of the endowed fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets in perpetuity and is regarded as "net appreciation" is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the College's spending policy.

**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 requires the College to retain as a fund of perpetual duration. At June 30, 2024, 7 donor-restricted funds with original gift values of \$672,207, fair values of \$573,197 and deficiencies of \$99,010 were reported in net assets with donor restrictions. At June 30, 2023, 14 donor-restricted funds with original gift values of \$4,303,265, fair values of \$4,158,761 and deficiencies of \$144,504 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions with donor restrictions and continued distribution for certain programs that was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets with donor restrictions.

**Endowment Investment Policy**

The College has adopted an investment policy that is intended to:

- protect the future purchasing power of the principal of endowed funds by reserving an appropriate portion of investment return to offset the cumulative effects of inflation and provide future real growth of the Fund;
- provide a source of income to support the activities of Elizabethtown College or those designated by the donor, and;
- manage the spending distribution over time to reduce, as far as possible, annual variations in the level of support provided by the endowment.

The return objective is an average annual total real (inflation adjusted) rate of return of 5% to 6%, as measured over a three-to-five-year market period.

**Endowment Spending Policy**

The Commonwealth of Pennsylvania recently amended its endowment spending law to permit organizations to allocate to income each year a portion of permanently restricted investment net gains under a total return spending rate policy, not to exceed 7% of the average market value of the assets for the preceding three years in fiscal 2024 and 2023. The College has authorized a drawdown of up to 7% in fiscal 2024 and in fiscal 2023. To the extent that actual income from these permanently restricted investments is less than the predetermined amount, accumulated gains are made available for operations to fund the difference. For financial statement purposes, any excess of accumulated gains or accumulated losses are recorded as net assets with donor restrictions. Investment return in excess of or less than the spending distribution is reported as a component of investment income with donor restrictions. The Board expects a 7% draw for the upcoming June 30, 2025 fiscal year.

**Strategies Employed for Achieving Objectives**

As a permanent fund, the investment objectives for the endowment require disciplined and consistent management that accommodates all those events which are relevant, reasonable and probable. The management of the endowment should ensure a total return (yield plus capital appreciation) sufficient to preserve and enhance, in real dollar terms, the principal funds endowed to support the College.

The investments of the endowment shall be appropriately diversified so as to maximize expected returns while controlling risk.

Unless otherwise indicated, Investment Managers will have complete investment discretion based on the expectation that the assets of the Fund will be invested with care, skill, prudence and diligence.

# Elizabethtown College

## Notes to Financial Statements

June 30, 2024 and 2023

The asset mix, consistent with the return objective, will range within the following limits:

	<u>Range</u>
Total return (equity-oriented) assets	50 to 80 %
Hedging assets (diversifying strategies)	20 to 50
Private investments (within above categories)	20 to 35

When a limit of the target range is reached, the Investment Committee will discuss with the investment office manager an appropriate target mix. The total return allocation may include equity-like volatility investments (e.g., equities, directional hedge funds, real estate, private equity, etc.) and the hedging allocation may include bond investments, commodity investments, cash and other hedging instruments.

Endowment net asset composition by type of fund consists of the following as of June 30:

	<b>2024</b>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 96,783,473	\$ 96,783,473
Board designated endowment funds	10,456,148	-	10,456,148
Total endowment net assets	<u>\$ 10,456,148</u>	<u>\$ 96,783,473</u>	<u>\$ 107,239,621</u>

  

	<b>2023</b>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 88,935,516	\$ 88,935,516
Board designated endowment funds	9,629,688	-	9,629,688
Total endowment net assets	<u>\$ 9,629,688</u>	<u>\$ 88,935,516</u>	<u>\$ 98,565,204</u>

Changes in endowment net assets for the years ended June 30 are as follows:

	<b>2024</b>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2023	\$ 9,629,688	\$ 88,935,516	\$ 98,565,204
Net investment return	1,206,706	11,308,192	12,514,898
Contributions and other additions	500,000	2,198,222	2,698,222
Appropriation of endowment assets for expenditure	(880,246)	(5,658,457)	(6,538,703)
Endowment net assets, June 30, 2024	<u>\$ 10,456,148</u>	<u>\$ 96,783,473</u>	<u>\$ 107,239,621</u>

## Elizabethtown College

### Notes to Financial Statements

June 30, 2024 and 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	\$ 16,370,214	\$ 88,980,491	\$ 105,350,705
Net investment return	1,098,349	3,872,585	4,970,934
Contributions and other additions	-	1,136,517	1,136,517
Operation draw	(6,950,369)	-	(6,950,369)
Appropriation of endowment assets for expenditure	(888,506)	(5,054,077)	(5,942,583)
Endowment net assets, June 30, 2023	<u>\$ 9,629,688</u>	<u>\$ 88,935,516</u>	<u>\$ 98,565,204</u>

## 12. Retirement Plan

The College has a 403(b) retirement plan for qualified employees. Effective, January 1, 2024, the College reduced contributions to 7% of the employees' annual salaries when the employee contributes 5% of their own funds. Prior to this date, the College contributed 11.5% of participating employees' annual salaries employed prior to September 1, 2004. For employees hired after August 31, 2004, through December 31, 2023, the College contributed 10% of participating employees' annual salaries when the employee contributed 5% of their own funds. The College continues to contribute 3% of the employees' annual salaries when the employee contributes less than 5%. The expense for the retirement plan for the years ended June 30, 2024 and 2023 amounted to \$1,878,725 and \$2,161,165, respectively.

## 13. Related-Party Transactions

During the normal course of business, the College purchases various services from companies associated with Board members which approximated \$0 and \$1,600 for the years ended June 30, 2024 and 2023, respectively.

In addition, the College has recorded revenue related to pledges receivable from employees and trustees. As of June 30, 2024 and 2023, pledges receivable due from employees and trustees amounted to approximately \$211,000 and \$132,500, respectively.

# Elizabethtown College

## Notes to Financial Statements

June 30, 2024 and 2023

### 14. Expenses by Both Nature and Function

Expenses by natural classification for the years ended June 30 were:

	2024						Total
	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Facilities and Interest	
Salaries and benefits	\$ 21,303,206	\$ 623,014	\$ 6,012,460	\$ 9,768,482	\$ 4,393,523	\$ 2,979,141	\$ 45,079,834
Curtailment of other post-employment benefit obligations	(3,211,190)	(93,912)	(906,303)	(1,472,476)	(662,270)	(449,068)	(6,795,218)
Auxiliary cost of sales	-	-	-	294,512	3,627,647	-	3,922,159
Depreciation and amortization	-	-	-	-	-	6,165,027	6,165,027
Interest on indebtedness	-	-	-	-	-	2,123,011	2,123,011
Equipment repair and maintenance	52,666	112,559	56,529	1,431,432	110,940	727,904	2,492,030
Utilities	17,328	720	16,464	33,472	766,368	1,138,868	1,973,220
Student employees	268,282	64,395	899,162	130,070	394,073	83,836	1,839,818
Professional services	473,652	52,363	309,889	1,162,085	294,803	657,412	2,950,204
Other	3,080,323	988,131	3,028,192	4,392,939	657,832	3,498,167	15,645,585
	21,984,267	1,747,270	9,416,393	15,740,516	9,582,925	16,924,299	75,395,670
Allocation of plant expenses	6,363,257	505,740	2,725,536	4,556,028	2,773,738	(16,924,299)	-
Total	\$ 28,347,524	\$ 2,253,010	\$ 12,141,929	\$ 20,296,544	\$ 12,356,663	\$ -	\$ 75,395,670

  

	2023						Total
	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Facilities	
Salaries and benefits	\$ 19,885,492	\$ 584,782	\$ 6,079,591	\$ 8,906,719	\$ 3,416,671	\$ 2,463,729	\$ 41,336,984
Auxiliary cost of sales	-	-	-	282,886	3,404,803	-	3,687,689
Depreciation and amortization	-	-	-	-	-	6,369,860	6,369,860
Interest on indebtedness	-	-	-	-	-	3,319,962	3,319,962
Equipment repair and maintenance	72,555	83,755	47,828	1,568,215	433,408	477,797	2,683,558
Utilities	17,026	720	14,250	46,413	992,592	1,552,902	2,623,903
Student employees	169,233	70,069	842,306	139,419	313,462	57,391	1,591,880
Professional services	246,123	53,531	286,139	1,215,529	581,059	1,861,780	4,244,161
Other	2,472,440	774,998	3,083,269	4,574,564	583,728	1,383,133	12,872,132
	22,862,869	1,567,855	10,353,383	16,733,745	9,725,723	17,486,554	78,730,129
Allocation of plant expenses	6,527,914	447,661	2,956,147	4,777,898	2,776,934	(17,486,554)	-
Total	\$ 29,390,783	\$ 2,015,516	\$ 13,309,530	\$ 21,511,643	\$ 12,502,657	\$ -	\$ 78,730,129

## Elizabethtown College

### Notes to Financial Statements

June 30, 2024 and 2023

#### 15. Liquidity and Funds Available

The College regularly monitors liquidity to ensure that financial assets are sufficiently available as its general expenditures, liabilities and other obligations come due. In addition, the College invests cash in excess of daily requirements in short-term investments with the objective of minimizing risk and maximizing return. Financial assets available for general expenditures within one year of the statements of financial position date consist of the following at June 30:

	2024	2023
Cash and cash equivalents	\$ 6,970,848	\$ 4,533,957
Students accounts receivable and other receivables	2,949,756	1,668,491
Pledges receivable	790,324	893,172
Total	<u>\$ 10,710,928</u>	<u>\$ 7,095,620</u>

The College's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditures. As described in Note 11, the endowment has a spending rate of 7%. \$7,138,248 of appropriations from the endowment are expected to be available within the next 12 months.

The majority of the College's liquidity is provided by cash and cash equivalents and short-term investments. The College has board designated endowment funds of \$10,456,148 and \$9,629,688 for the years ended June 30, 2024 and 2023, respectively, that are not included in the table above. The College closely monitors its current and projected cash flows and has the ability to access these funds as needed to meet any short-term or long-term liquidity requirements. However, both the quasi-endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (see Note 9). The College also had available one line of credit as of June 30, 2024 with availability of \$6,000,000 (subsequently amended to \$3,000,000) that could be utilized for any unanticipated liquidity needs (see Note 7).

#### 16. Contingencies and Commitments

The College has further capital commitments for investments of \$1,696,513 at June 30, 2024 and 2023. In addition, the College has outstanding commitments on capital projects of \$1,270,647 at June 30, 2024. No commitments were outstanding on capital projects for the year ended June 30, 2023.

Various lawsuits, claims and other contingent liabilities arise in the ordinary course of the College's educational activities. While the ultimate disposition of such contingencies is not determinable at this time, management believes that any liability resulting from these will not materially affect the financial position of the College as of June 30, 2024.

#### Grants

Amounts received and expended by the College under various federal and state programs are subject to audit by government entities. In the opinion of management, audit adjustments, if any, do not have a significant effect on the financial position of the College.



**17. Department of Education Financial Responsibility**

Department of Education (ED) revised the regulations for financial responsibility effective July 1, 2019. The regulations require the College to provide additional disclosures, including a financial responsibility supplemental schedule, to assist ED in measuring financial responsibility through the composite score of financial ratios. The financial responsibility supplemental schedule must contain all financial elements required to calculate the composite score ratios, with a cross-reference to the financial statement line or note that contains the element.

Note 4 provides information on the College's land, buildings and equipment, net, but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of land, buildings and equipment, net and right-of-use assets at June 30, 2024 based on the July 1, 2019 implementation date.

Pre-implementation:	
Property, plant and equipment, net	<u>\$ 49,681,040</u>
Post-implementation:	
Property, plant and equipment, net with outstanding debt for original purchase	21,970,875
Right-of-use assets	<u>1,421,628</u>
Total property, plant and equipment, net and right-of-use assets with outstanding debt for original purchase	<u>23,392,503</u>
Total property, plant and equipment, net without outstanding debt for outstanding debt for original purchase	<u>21,376,970</u>
Construction in progress	<u>3,256,030</u>
Total property, plant and equipment, net and right-of- use assets on June 30, 2024	<u><u>\$ 97,706,543</u></u>

Note 6 provides information on the College's long-term debt and Note 5 provides information on the College's lease liabilities, but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of long-term debt for long-term purposes and right of use assets leases, at June 30, 2024 based on the July 1, 2019 implementation date.

Long-term debt, pre-implementation	<u>\$ 31,529,336</u>
Post-implementation:	
Long-term debt for long-term purposes, net post-implementation*	21,970,875
Lease liabilities	<u>1,421,628</u>
Long-term debt and leases, post implementation	<u>23,392,503</u>
Additional long-term debt in excess of property, plant and equipment, net with outstanding debt for original purchase	<u>2,620,410</u>
Total long-term debt and leases on June 30, 2024	<u><u>\$ 57,542,249</u></u>

\* Long-term debt for long-term purposes, net post-implementation is limited to the amount of property, plant and equipment, net with outstanding debt for original purchase.

**18. Subsequent Events**

The College evaluated its financial statements for subsequent events through November 22, 2024, the date the financial statements were issued.

On July 6, 2024 the College's \$6,000,000 revolving line of credit with the bank was reduced to \$3,000,000 and the agreement was extended for 90-days maturing on October 4, 2024. The revolving line of credit bears interest at the Bloomberg Short-Term Bank Yield Index Rate plus 0.50%. The College began an RFP process in early 2024 for treasury and credit services. The College has met with several banks and requested responses to the credit service by the first week of October. The College intends to enter into a new agreement with another provider by November 2024 leaving the College with a short lapse in line of credit coverage. The College does not anticipate needing to draw on the line of credit in FY25.

On July 1, 2024, The High Center, previously known as the Family Business Center and a center within the College's operations, filed for incorporation under the Pennsylvania Nonprofit Corporation Law of 1988, as amended, exclusively for charitable and educational purposes as defined in Section 501(c)(3) of the Internal Revenue Code, including, without limitation, to foster economic development, growth and business support of privately-held and family-owned businesses through community based programming and education, succession planning, executive leadership training, and legacy building, to contribute to family business initiatives in the Central and Eastern Pennsylvania regions, including without limitation, the education and community programs of Elizabethtown College and other family business organizations, and, subject to the foregoing limitations, the Corporation shall have the power to do all acts and engage in all transactions, and shall have and may exercise all the powers and privileges, which are permitted under the Pennsylvania Nonprofit Corporation Law of 1988.

The High Center employees will remain College employees and the employee costs will be payable to the College for the lease of the employees. The College shall provide The High Center with use of the facilities, offices, conference rooms, classrooms, equipment and supplies reasonably necessary to support the work of The High Center. The High Center will be provided with other services by the College including network and computer support, human resources services, campus security, among others. The provision of these services allows the High Center to achieve efficiencies in operation. The charge for these services shall be based on the agreed upon management agreement.

In October 2024, the College announced a reduction in its full-time faculty by 13 positions by the end of the current fiscal year as part of the current phase toward organizational health. Following the 2024-25 academic year, the College will no longer offer Fine Arts (major), Sociology (major and minor), and Spanish/Spanish Education (majors). The College will continue to offer courses in Spanish and Fine Arts to support students seeking those academic programs as a minor. Other academic programs will see reductions in faculty however, degrees within those programs will not be impacted. This decision was made after careful consideration and data analysis on program costs, impact on students, and overall instructional costs and financial sustainability.

**Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

**Independent Auditors' Report**

To the Board of Trustees of  
Elizabethtown College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Elizabethtown College (the College), which comprise the College's statement of financial position as of June 30, 2024, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania  
November 22, 2024

**Report on Compliance  
for the Major Federal Program and  
Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

**Independent Auditors' Report**

To the Board of Trustees of  
Elizabethtown College

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Elizabethtown College's (the College) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2024. The College's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on Internal Control Over Compliance***

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Baker Tilly US, LLP*

Philadelphia, Pennsylvania  
November 22, 2024

**Elizabethtown College**

Financial Responsibility Supplemental Schedule  
Year Ended June 30, 2024

**Financial Statement and Line Name or Note Location****Primary Reserve Ratio**

	<b>Expendable Net Assets</b>	
Statement of Financial Position	Net assets without donor restrictions	\$ 51,036,080
Statement of Financial Position	Net assets with donor restrictions	103,443,370
Note 10	Annuities with donor restrictions	608,188
Note 10	Net assets with donor restrictions - restricted in perpetuity	69,312,069
Note 10, less annuities and endowment funds	Net assets with donor restrictions - time or purpose	33,523,113
Note 13	Unsecured related party receivable	211,000
Note 17	Property, plant and equipment - pre-implementation	49,681,040
Note 17	Property, plant and equipment - post-implementation with outstanding debt for original purchase	21,970,875
Note 17	Property, plant and equipment - post-implementation without outstanding debt for original purchase	21,376,970
Note 17	Construction in progress	3,256,030
Statement of Financial Position	Total property, plant and equipment, net (including CIP)	96,284,915
Statement of Financial Position	Lease right-of-use assets - post-implementation	1,421,628
Statement of Financial Position	Post-employment and pension liabilities	9,480,590
Note 17	Long-term debt for long-term purposes - pre-implementation	31,529,336
Note 17	Long-term debt for long-term purposes - post implementation	21,376,970
Statement of Financial Position	Lease right-of-use liability - post-implementation	1,421,628

**Total Expenses and Losses Without Donor Restrictions**

Statement of Activities	Total expenses without donor restrictions	\$ 75,395,670
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**Equity Ratio**

	<b>Modified Net Assets</b>	
Statement of Financial Position	Net assets without donor restrictions	\$ 51,036,080
Statement of Financial Position	Net assets with donor restrictions	103,443,370
Note 13	Unsecured related party receivables	211,000
	<b>Modified Assets</b>	
Statement of Financial Position	Total assets	\$ 232,266,250
Note 13	Unsecured related party receivables	211,000

**Net Income Ratio**

Statement of Activities	<b>Change in net assets without donor restrictions</b>	\$ 7,311,983
Statement of Activities	<b>Total Revenues and Gains Without Donor Restrictions</b>	
Statement of Activities	Total operating revenue and other additions (gains)	\$ 82,707,653



**Elizabethtown College**

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

<b>Federal Grantor/ Program Title</b>	<b>Assistance Listing Number</b>	<b>Federal Expenditures</b>
<b>Student Financial Assistance Cluster</b>		
U.S. Department of Education		
Federal supplemental educational opportunity grants	84.007	\$ 95,515
Federal work-study program	84.033	160,750
Federal Perkins loan program	84.038	244,493
Federal direct student loans	84.268	16,283,466
Federal Pell grant program	84.063	<u>2,108,569</u>
Total student financial assistance cluster		<u>18,892,793</u>
<b>Research and Development Cluster</b>		
National Science Foundation		
Engineering	47.041	495,095
Mathematical and physical sciences	47.049	<u>141,800</u>
Total research and development cluster		<u>636,895</u>
Total expenditures of federal awards		<u><u>\$ 19,529,688</u></u>

*See notes to schedule of expenditures of federal awards.*

## Elizabethtown College

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### Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

#### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Elizabethtown College (the College) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

#### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### 3. Indirect Cost Rate

The College has not elected to use the 10% de minimis indirect cost rate under Uniform Guidance.

#### 4. Loan and Loan Guarantee Programs

The Federal Perkins Loan Program is administered directly by the College, and balances and transactions relating to this program are included in the College's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures in the Schedule. Federal Perkins loans outstanding at June 30, 2024 totaled \$98,263.

# Elizabethtown College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024

## Section I - Summary of Auditors' Results

### Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes        X   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes        X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes        X   no

### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ yes        X   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes        X   none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

\_\_\_\_\_ yes        X   no

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.007	Student Financial Assistance Cluster:
84.033	Federal Supplemental Education Opportunity Grants
84.038	Federal Work Study Program
84.063	Federal Perkins Loan Program
84.268	Federal Pell Grant Programs
	Federal Direct Student Loans

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

  X   yes      \_\_\_\_\_ no

## **Elizabethtown College**

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Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024

### **Section II - Financial Statement Findings**

None noted.

### **Section III - Federal Awards Findings and Questioned Costs**

None noted.

## **Elizabethtown College**

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Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2024

### **Section IV - Summary Schedule of Prior Year Findings**

None noted.