Messiah University

Financial Statements

June 30, 2022 and 2021

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1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Messiah University (the University) is a private Christian university of the liberal and applied arts and sciences. Founded in 1909 by the Brethren in Christ Church, the University is located in Mechanicsburg, Pennsylvania. The University is accredited by the Middle States Commission on Higher Education and has a student body of approximately 3,300 undergraduate and graduate students.

Basis of Presentation

These financial statements present financial information showing the financial position, the activities and the cash flows of the University reflecting the presence or absence of donor-imposed restrictions. Accordingly, the amounts of net assets are classified according to the nature of such restrictions, as follows:

Net Assets With Donor Restrictions, in Perpetuity - Net assets which are subject to donor-imposed restrictions that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Net Assets With Donor Restrictions, Time and Purpose - Net assets which are subject to donor-imposed restrictions that will be met when expenditures are made for the designated purposes or with the passage of time. The expiration of time or purpose restrictions on net assets is reported in the statements of activities as net assets released from restrictions. Contributions 3.urt bj.002 (thets)-1.998 (whi r)-13.0d5 Td(-)Tj5 (on)4.0.902 (n)-BT/TT1 9.9r23.996 5.006 (e heTTC (r)-3.4 57

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

Pre-implementation property and equipment totaled $116,554,495 and $125,05 r(f)-9..996 (,4 596 (h)-8.99d.002 (.

Contributions restricted for the acquisition of plant and equipment (capital) are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when the asset acquisitions are placed in service.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their net present value. The discount is computed using a credit-adjusted interest rate. Conditional promises to give are noT/F 7921010 1 486.58 625.18 Tm0 g0 G[ted)4( )-10(i)5(nt)-8 5y 20 g00 Tr

Transaction prices for tuition, fees, room and board are determined based on applicable University

Under CARES, the University received one grant comprised of two parts. Under the legislation, no less than 50% of the full grant was to be used for direct emergency aid to students. The remaining portion of the full grant was to be used by institutions to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Institutions were given one calendar year from the date of award in their HEERF Grant Award Notification to complete the performance of their HEERF grant. Institutions may recognize the institutional portion of the grant to the extent the grant was expended on student emergency aid. The University received $2,106,740 of funding under CARES on April 20, 2020. As of June 30, 2020, the University had expended all $1,053,370 of the student relief portion of HEERF funding allocated on April 20, 2020 and had expended $549,777 of the $1,053,370 institutional portion of the grant as direct emergency aid to students. During the year ending June 30, 2021, the University expended the remaining $503,593 of the institutional portion of the grant as direct emergency aid to students.

Under CRRSAA, institutions received one grant comprised of two parts. Institutions were required to spend an equal amount on student emergency aid as they spent under CARES. The remaining portion was to be used to defray expenses associated with coronavirus. Institutions were given one calendar year from the date of award in their HEERF II Grant Award Notification to complete the performance of their HEERF II grant. Institutions may recognize the institutional portion of the grant proportionate to the amount expended on student emergency aid. The University received $3,089,265 of funding under CRSSAA on January 19, 2021. The University had expended $14,858 and $1,038,512 of the student relief funds as direct emergency aid to students, during the years ended June 30, 2022 and 2021, respectively, and the University had drawn down $1,982,895 and $53,000 of HEERF II institutional relief funds during the years ended June 30, 2022 and 2021, respectively.

Under ARP, institutions received one grant comprised of two parts. Under the legislation, no less than 50% of the full grant is to be used for direct emergency aid to students. The remaining portion of the full grant is to be used to defray expenses associated with coronavirus, implement evidence-based practices to monitor and suppress coronavirus, and conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to a change in circumstance. The University was awarded $5,503,069. The University had expended $1,670,405 and $1,079,774 of the student funds as

6. Investments, Fair Value Measurements and Other Financial Instruments

Investments consist of the following as of June 30:

	2022			
	Endowment	Gift Annuities and Trusts	Other	Total
Money market accounts	$ 4,423,185	$ 211,606	$ 24,095	$ 4,658,886
Equity funds and common stocks	35,167,995	3,149,287	416,983	38,734,265
Fixed income	64,624,987	2,736,264	9,032,755	76,394,006
Private equity and venture capital	9,022,691	-	-	9,022,691
Accrued net income receivable	789,866	-	336	790,202
Local real estate development company, including real estate	12,990,265	-	-	12,990,265
Real asset based funds	147,137	-	-	147,137
Total investments	$ 127,166,126	$ 6,097,157	$ 9,474,169	$ 142,737,452

	2021			
	Endowment	Gift Annuities and Trusts	Other	Total
Money market accounts	$ 7,956,141	$ 115,091	$ 11,946	$ 8,083,178
Equity funds and common stocks	43,336,327	5,926,038	489,877	49,752,242
Fixed income	62,836,144	1,799,782	6,922,554	71,558,480
Private equity and venture capital	10,093,378	-	-	10,093,378
Accrued net income receivable	717,012	-	8,263	725,275
Local real estate development company, including real estate	15,081,689	-	-	15,081,689
Real asset based funds	177,223	-	-	177,223
Total investments	$ 140,197,914	$ 7,840,911	$ 7,432,640	$ 155,471,465

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

	2021			
	Total Fair Value	Level 1	Level 2	Level 3
Reported at Fair Value				
Money market accounts	$ 8,083,178	$ 8,083,178	$ -	$ -
Equity funds and common stocks:				
Domestic	43,884,599	43,884,599	-	-
International	4,656,184	4,656,184	-	-
Emerging markets	630,561	630,561	-	-
Other	580,898	580,898	-	-
Total equity funds and common stocks	49,752,242	49,752,242	-	-
Fixed income:				
Intermediate term bond mutual funds	66,257,425	66,257,425	-	-
Global fixed income	2,955,992	2,955,992	-	-
Inflation-protected bond mutual funds	78,298	78,298	-	-
Fixed, high yield	355,289	355,289	-	-
Bond fund (including convertibles and other)	1,911,476	-	1,911,476	-
Total fixed income	71,558,480	69,647,004	1,911,476	-
Accrued net income receivable	725,275	675,275	50,000	-
Subtotal	130,119,175	128,157,699	1,961,476	-
Alternative investments measured at net asset value:				
Private equity and venture capital	10,093,378	-	-	-
Real asset, based funds	177,223	-	-	-
Total investments and assets held in trust (a)	140,389,776	128,157,699	1,961,476	-
Beneficial interest in perpetual trusts	4,696,722	-	-	4,696,722
	$ 145,086,498	$ 128,157,699	$ 1,961,476	$ 4,696,722

(a) Investments also include member interests in a local real estate development company, totaling $12,990,265 and $15,081,689 at June 30, 2022 and 2021, respectively, (including real estate). The University is the sole member of this corporation, which has an independent board. Activity for the current year included capital contributions by the University to the real estate development company of approximately $450,000 and $1,000,000 during the years ended June 30, 2022 and 2021, respectively. The University reports its investment in the real estate development company using the equity method. In fiscal 2019, the real estate development company obtained taxable bonds to fund its construction projects, with a guarantee from the University to make principal and interest payments, if necessary, through the final maturity of the bonds. The outstanding principal bond balance is $57,490,000 as of June 30, 2022. The University has not made any principal payments to date.

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

	2022			
		With Donor Restrictions		
	Without Donor Restrictions	Restricted, Time and Purpose	Restricted, in Perpetuity	Total
Dividends and interest, net of expense	$ 3,250,424	$ 1,439,678	$ 102,711	$ 4,792,813
Net realized and unrealized losses	(9,913,954)	(2,578,459)	(1,708,407)	

	2021
	Useful

10. Long-Term Debt

Long-term debt consists of the following as of June 30:

	2022	2021
2012 Messiah University Revenue Bonds	$ 1,250,000	$ 3,060,000
2014 Messiah University Revenue Bonds	4,500,000	4,500,000
2015 Messiah University Revenue Bonds	11,385,000	11,385,000
2016 Messiah University Revenue Bonds	16,655,000	16,655,000
2018 Messiah University Revenue Bonds	5,500,000	5,500,000
2020 SS2 Messiah University Revenue Bonds	7,415,000	7,415,000
2020 SS3 Messiah University Revenue Bonds	22,845,000	22,845,000
Total	69,550,000	71,360,000
Unamortized discount and issuance costs on		

2015 Messiah University Revenue Bonds

The 2015 Revenue Bonds have interest rates ranging from 3.375% to 4.0% with principal maturing in various amounts from November 1, 2029 through November 1, 2046. The bonds are secured by a lien on the University's revenues without donor restrictions and the loan agreement between the University and the issuer of the bonds contains a rate covenant.

Bond discount and issuance costs relating to the 2015 Revenue Bonds are being amortized over the term of the bonds on a straight00000912 0 612 792 reWm0 g0 2(el)7(at)-8(i)5(n)-9(g t)4(o t)-7(he)4( )-10(20)4(1)-9

The approximate aggregate amount of principal maturities of debt outstanding as of June 30, 2022 for the five subsequent fiscal years follows:

2023	$ 2,015,000
2024	2,070,000
2025	2,105,000
2026	2,150,000
2027	2,195,000
Thereafter	59,015,000
Total	$ 69,550,000

Interest expense on long-term debt was $2,272,080 in 2022 and $2,174,045 in 2021, net of capitalized interest of $0 and $104,785, respectively.

11. Retirement Plan

The University provides retirement benefits to eligible employees through a defined contribution plan. The University made retirement contributions of $2,332,839 and $2,402,592 for the years ended June 30, 2022 and 2021, respectively.

12. Liquidity and Availability of Resources

The following reflects the University's financial assets as of the statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the statements of financial position date have not been subtracted as unavailable. In addition, the University invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the University has committed lines of credit, which it could have drawn upon at $20,000,000 through June 7, 2022, at $5,000,000 through June 30, 2022 and $20,000,000 at June$t$unts alrea20,000,000(g)(ty)-4(prov)-5(i)-6(de)

The Board of Trustees of the University has developed a policy 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 of Pennsylvania law, the University classifies as net assets with donor restrictions, restricted in perpetuity (a) the original value of gifts

Total lease costs are comprised of the following in 2022:

Lease cost:		
Operating lease cost	$	1,839,020
Short-term lease cost		66,951
Total lease cost	$	1,905,971