

# Edinboro University Foundation

*Financial Statements*

June 30, 2023

# SKM

SCHAFFNER KNIGHT MINNAUGH & CO.

*Certified Public Accountants*

[www.skmco.com](http://www.skmco.com)

Erie, PA  Jamestown, NY

*An Independently Owned Member, RSM US Alliance*

**Edinboro University Foundation  
Financial Statements**

**Years Ended June 30, 2023 and 2022**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Edinboro University Foundation  
Edinboro, Pennsylvania

### Opinion

We have audited the financial statements of Edinboro University Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Foundation'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.

*Schiffman, Knight, Munnich & Company P.C.*  
Erie, Pennsylvania  
August 25, 2023

**Edinboro University Foundation**  
**Statements of Financial Position**

	June 30	
	2023	2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 777,369	\$ 1,109,660
Due from affiliated entities	3,021	4,933
Short-term investments	813,533	633,144
Other current assets	162,449	391,068
Total current assets	1,756,372	2,138,805
Long-term investments	34,377,274	31,189,772
Fixed assets, net of accumulated depreciation	1,834	3,669
Other non-operating assets	851,431	837,467
Total assets	\$ 36,986,911	\$ 34,169,713
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 42,105	\$ 50,284
Due to affiliated entities	-	16,859
Total current liabilities	42,105	67,143
Endowments held on behalf of others:		
Funds under investment management for:		
Pennsylvania Western University - Edinboro	21,259,354	19,538,900
Edinboro University Alumni Association	2,016,924	1,890,392
Total endowments held on behalf of others	23,276,278	21,429,292
Total liabilities	23,318,383	21,496,435
Net assets:		
Unrestricted, undesignated	1,269,198	1,175,089
Accumulated losses on donor-restricted endowments	(37,220)	(63,895)
Total without donor restrictions	1,231,978	1,111,194
With donor restrictions	12,436,550	11,562,084
Total net assets	13,668,528	12,673,278
Total liabilities and net assets	\$ 36,986,911	\$ 34,169,713

*See notes to financial statements.*

**Edinboro University Foundation**  
**Statements of Activities**  
**For the Year Ended June 30, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public Support and Revenues:</b>			
Unrealized gain on investments	\$ 73,338	\$ 1,162,882	\$ 1,236,220
Contributions	38	809,387	809,425
Gifts-In-Kind	15,930	-	15,930
Interest and dividend income (loss), net of investment expenses	22,265	(28,095)	(5,830)
Portfolio management fee income	430,852	-	430,852
Realized loss on investments	(65,212)	(275,608)	(340,820)
Adjustment to cash surrender value of life insurance	-	6,459	6,459
Net assets released from restrictions:			
Satisfaction of purpose restrictions	800,559	(800,559)	-
<b>Total public support and revenues</b>	<b>1,277,770</b>	<b>874,466</b>	<b>2,152,236</b>
<b>Expenses:</b>			
Program services	1,016,414	-	1,016,414
Supporting services	140,572	-	140,572
<b>Total expenses</b>	<b>1,156,986</b>	<b>-</b>	<b>1,156,986</b>
<b>Increase in net assets</b>	<b>120,784</b>	<b>874,466</b>	<b>995,250</b>
<b>Beginning net assets</b>	<b>1,111,194</b>	<b>11,562,084</b>	<b>12,673,278</b>
<b>Ending net assets</b>	<b>\$ 1,231,978</b>	<b>\$ 12,436,550</b>	<b>\$ 13,668,528</b>

*See notes to financial statements.*

**Edinboro University Foundation**  
**Statements of Activities (continued)**  
**For the Year Ended June 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public Support and Revenues:</b>			
Unrealized loss on investments	\$ (69,831)	\$ (1,981,778)	\$ (2,051,609)
Contributions	203	656,530	656,733
Interest and dividend income, net of investment expenses	23,979	(103,953)	(79,974)
Portfolio management fee income	519,434	-	519,434
Realized (loss) gain on investments	(1,616)	316,295	314,679
Adjustment to cash surrender value of life insurance	-	6,411	6,411
Net assets released from restrictions:			
Satisfaction of purpose restrictions	713,991	(713,991)	-
<b>Total public support and revenues</b>	<b>1,186,160</b>	<b>(1,820,486)</b>	<b>(634,326)</b>
<b>Expenses:</b>			
Program services	948,105	-	948,105
Supporting services	195,268	-	195,268
<b>Total expenses</b>	<b>1,143,373</b>	<b>-</b>	<b>1,143,373</b>
<b>(Decrease) increase in net assets</b>	<b>42,787</b>	<b>(1,820,486)</b>	<b>(1,777,699)</b>
<b>Beginning net assets</b>	<b>1,068,407</b>	<b>13,382,570</b>	<b>14,450,977</b>
<b>Ending net assets</b>	<b>\$ 1,111,194</b>	<b>\$ 11,562,084</b>	<b>\$ 12,673,278</b>

*See notes to financial statements.*

**Edinboro University Foundation  
Statements of Functional Expenses  
For the Year Ended June 30, 2023**

	Program Services			Supporting Services			Total Expenses
	Scholarships and Grants	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Expenses:							
Personnel expenses	\$ 110,651	\$ 77,691	\$ 188,342	\$ 40,023	\$ 7,063	\$ 47,086	\$ 235,428
Professional fees	-	-	-	56,019	-	56,019	56,019
Miscellaneous	-	-	-	6,428	-	6,428	6,428
Software and maintenance agreements	-	-	-	14,521	-	14,521	14,521
Insurance	4,466	-	4,466	10,489	-	10,489	14,955
Office supplies	-	-	-	2,963	-	2,963	2,963
Dues and memberships	-	-	-	1,231	-	1,231	1,231
Depreciation expense	-	-	-	1,835	-	1,835	1,835
Credit card processing fees	2,388	2,388	4,776	-	-	-	4,776
Scholarship payments	321,920	-	321,920	-	-	-	321,920
Gifts to Edinboro University	-	392,953	392,953	-	-	-	392,953
Projects and special events	-	103,957	103,957	-	-	-	103,957
Total expenses	<u>\$ 439,425</u>	<u>\$ 576,989</u>	<u>\$ 1,016,414</u>	<u>\$ 133,509</u>	<u>\$ 7,063</u>	<u>\$ 140,572</u>	<u>\$ 1,156,986</u>

*See notes to financial statements.*



**Edinboro University Foundation**  
**Statements of Functional Expenses (continued)**  
**For the Year Ended June 30, 2022**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Scholarships and Grants</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Expenses:							
Personnel expenses	\$ 64,019	\$ 73,869	\$ 137,888	\$ 49,246	\$ 9,849	\$ 59,095	\$ 196,983
Professional fees	-	-	-	53,427	-	53,427	53,427
Miscellaneous	-	-	-	55,483	-	55,483	55,483
Software and maintenance agreements	-	-	-	12,499	-	12,499	12,499
Insurance	3,396	-	3,396	10,345	-	10,345	13,741
Office supplies	-	-	-	1,697	-	1,697	1,697
Dues and memberships	-	-	-	887	-	887	887
Depreciation expense	-	-	-	1,835	-	1,835	1,835
Credit card processing fees	3,082	3,082	6,164	-	-	-	6,164
Scholarship payments	427,242	-	427,242	-	-	-	427,242
Gifts to Edinboro University	-	334,098	334,098	-	-	-	334,098
Projects and special events	-	39,317	39,317	-	-	-	39,317
Total expenses	<u>\$ 497,739</u>	<u>\$ 450,366</u>	<u>\$ 948,105</u>	<u>\$ 185,419</u>	<u>\$ 9,849</u>	<u>\$ 195,268</u>	<u>\$ 1,143,373</u>

See notes to financial statements.

**Edinboro University Foundation**  
**Statements of Cash Flows**

	<b>For the Years Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating Activities:</b>		
Increase (decrease) in net assets	\$ 995,250	\$ (1,777,699)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	1,835	1,835
Unrealized investment (gains) losses	(1,236,220)	2,051,609
Adjustment to cash surrender value of life insurance	6,459	6,411
Realized investment losses (gains), net	340,820	(314,679)
Change in operating assets and liabilities providing (using) cash:		
Due from affiliated entities	1,912	(2,051)
Other assets	210,432	(171,751)
Accounts payable and accrued liabilities	(8,179)	(8,987)
Due to affiliated entities	(16,859)	(52,668)
Net cash provided by (used in) operating activities	295,450	(267,980)
<b>Investing Activities:</b>		
Purchases of investments	(311,551)	(400,435)
Proceeds from sale of investments	41,952	2,821,657
Other long-term liabilities	-	(2,165,575)
Increase in agency endowment liability	(358,142)	(8,172)
Net cash (used in) provided by by investing activities	(627,741)	247,475
Net change in cash and cash equivalents	(332,291)	(20,505)
Cash and cash equivalents at beginning of year	1,109,660	1,130,165
Cash and cash equivalents at end of year	\$ 777,369	\$ 1,109,660

*See notes to financial statements.*

**Edinboro University Foundation**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

**Nature of Operations**

Edinboro University Foundation (the “Foundation”), a not-for-profit organization, was formed in 1998 for the benefit of the students, faculty, and staff of Edinboro University of Pennsylvania of the State System of Higher Education (the “University”). Dedicating its time and resources to developing private sources of financial support for the University’s mission, the Foundation strives to build permanent endowments that will support the University’s students, faculty, and staff in perpetuity.

The Foundation administers numerous individual charitable funds, each established with an instrument of gift describing either the general or specific purposes for which grants are to be made, usually from income only, but in some cases, from principal.

Effective July 1, 2022, Edinboro University of Pennsylvania of the State System of Higher Education merged with Clarion University and California University. As part of this merger, the consolidated name change will be Pennsylvania Western University (PennWest). The Edinboro campus will be named PennWest Edinboro. With this change, there is no change in the mission or the operations of the Foundation.

**Revenue Recognition and Performance Obligations**

The Foundation recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, including FASB Accounting Standards Update (ASU) 2014-09.

Performance obligations are incurred relating to the managerial oversight of the various investments funds held by the Foundation and maintaining and recording contributions for the future benefit of the University. Public support and revenues are reported as contributions are pledged (unconditional promise to give) or collected and investment income is earned.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include depreciation of property and equipment, and the fair value of investments and financial instruments. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less, excluding trustee held funds and certain short-term instruments classified as investments, to be cash equivalents.

**Edinboro University Foundation**  
**Notes to the Financial Statements (continued)**

**1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

**Unconditional Promises to Give**

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the pledge is made (this approach does not differ materially from the use of a risk-adjusted rate). Amortization of the discount is included in contribution revenue.

Conditional promises to give are promises for which donor-imposed conditions specify future and uncertain events whose occurrence or failure to occur release the donors from the obligation to transfer the assets in the future. If and when such conditions have been substantially met, these promises cease to be conditional, and revenues are recorded, as appropriate.

**Investments**

Equity securities with readily determinable fair values and debt securities are valued at fair value, based on quoted market prices as reported by the Foundation's investment custodians. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statement of activities.

The cost assigned to investments received as gifts represents fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in the fair value of investments, and all ordinary income from investments, are reported as changes in net assets without donor restrictions unless their use is temporarily restricted by explicit donor imposed stipulations or by law.

Investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statement of financial position are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

**Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation, computed on a straight-line basis over the lesser of the lease term or the estimated useful lives of the assets. Expenditures for repair and maintenance costs which extend the useful lives of assets are capitalized and routine maintenance and repair costs are expensed as incurred.

**Edinboro University Foundation**  
**Notes to the Financial Statements (continued)**

**1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

**Endowments Held on Behalf of Others**

The Foundation holds and manages transferred assets for other governmental and not-for-profit organizations (namely, the University and the Edinboro University Alumni Association). Such assets, which are included in investments in the accompanying statements of financial position, are reported as endowments held on behalf of others (i.e. agency funds). The University and the Edinboro University Alumni Association establish investment and spending policies which govern these assets; the Foundation manages these assets within such parameters. The Foundation recognizes the fair value of the assets transferred as an increase in its investments and a corresponding liability attributable to the participating governmental and not-for-profit organizations, with the related investment activity being reported as an increase or decrease in the corresponding liability, as appropriate. The change in the liability and the relating investment activity is treated as a non-cash transaction for presentation purposes on the statement of cash flows.

**Endowment Investment Return**

Total endowment investment return is composed of investment income, net realized gains and losses on endowment investments, and net unrealized gains and losses on endowment investments reported at fair value, net of investment fees.

**Endowment Spending Policy**

Commonwealth of Pennsylvania Act 141 permits the Foundation to allocate to income each year a portion of endowment return. The law allows not-for-profit organizations to spend a percentage of the market value of their endowment funds, including realized and unrealized gains. The percentage, which by law must be between 2% and 7%, is elected annually by the Board of Directors. The endowment market value is determined based on an average spanning three years. The Foundation's spending policy allowed for a payout of up to 4.25% plus portfolio management fees for fiscal years 2023 and 2022, of the rolling three-year average balances, which is based on market value.

**Basis of Net Asset Presentation**

The Foundation is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Edinboro University Foundation**  
**Notes to the Financial Statements (continued)**

**1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

**Donor-Restricted Gifts**

All contributions are considered to be available for unrestricted purposes unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor-restricted support that increases that net asset class. When a donor restriction expires (i.e. when a stipulated time restriction ends or purpose restriction is accomplished), assets are reclassified as without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Endowments and certain other investments are permanently restricted based on the donor’s specifications. Investment earnings available for distribution or losses are recorded in net assets without donor restrictions. Investment earnings with donor restrictions are recorded in net assets with donor restrictions.

**In-Kind Gifts**

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In-kind gift contributions totaled \$15,930 for the year ended June 30, 2023. Management believes that any such contributions were not material to the financial statements during the year ended June 30, 2022.

**Legacies and Bequests**

The Foundation is a beneficiary under various wills, the total realizable value of which is not presently determinable. Such amounts are recorded as contributions when clear title is established, and the proceeds are clearly measurable.

**Functional Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the different program services. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
• Personnel expenses	Time and effort
• Credit card processing fees	Estimate based on average charges
• Insurance	Actual expenses incurred
• Scholarship payments	Actual scholarships paid
• Gifts to Edinboro University	Actual gifts paid
• Project and special events	Actual benefits paid

**Edinboro University Foundation**  
**Notes to the Financial Statements (continued)**

**1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

**Income Taxes**

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the “Code”). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

The Foundation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The Foundation’s policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in management and general expense. Management determined that there were no tax uncertainties that met the recognition threshold in fiscal years 2023 and 2022. At June 30, 2023 and 2022, there were no unrecognized tax benefits identified or liabilities recorded. With few exceptions, the Foundation is no longer subject to examination by the Internal Revenue Service for the years before June 30, 2020.

**Subsequent Events**

The Foundation has evaluated subsequent events for potential recognition and/or disclosure through August 25, 2023, the date the financial statements were available to be issued.

**2. Investments**

The carrying values of the Foundation’s investments consist of the following at June 30:

	<b>2023</b>	<b>2022</b>
Mutual funds/Common funds	<b>\$ 29,041,280</b>	\$ 26,076,085
Common stocks	<b>5,367,733</b>	4,796,422
Money market funds	<b>781,794</b>	950,409
	<b>\$ 35,190,807</b>	\$ 31,822,916

**Edinboro University Foundation**  
**Notes to the Financial Statements (continued)**

**3. Fair Value Measurements**

The Foundation measures its investments and charitable remainder trust at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to dispose of a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Foundation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 – Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The Foundation, using available market information and appropriate valuation methodologies, has determined the estimated fair value of its financial instruments. However, considerable judgment is required in interpreting data to develop the estimates of fair value.



**Edinboro University Foundation**  
**Notes to the Financial Statements (continued)**

**3. Fair Value Measurements (continued)**

Fair value of assets measured on a recurring basis is as follows at June 30, 2023:

	Fair Value	Level 1	Level 2	Level 3
Common stocks:				
Consumer discretionary	\$ 627,320	\$ 627,320	\$ -	\$ -
Consumer staples	389,926	389,926	-	-
Energy	167,409	167,409	-	-
Financial	541,927	541,927	-	-
Healthcare	859,893	859,893	-	-
Industrials	602,362	602,362	-	-
Information technology	103,664	103,664	-	-
Materials	119,006	119,006	-	-
Real estate	1,503,022	1,503,022	-	-
Telecommunications	349,509	349,509	-	-
Utilities	103,695	103,695	-	-
Total common stocks	<u>5,367,733</u>	<u>5,367,733</u>	-	-
Debt-based mutual funds	5,629,304	-	5,629,304	-
Equity-based mutual funds:				
Large cap	2,587,883	2,587,883	-	-
Mid cap	1,881,064	1,881,064	-	-
International	1,850,979	1,850,979	-	-
Small cap	778,095	778,095	-	-
Unclassified	1,072,122	1,072,122	-	-
Commonfund:				
Multi-Strategy Equity	8,879,432	-	8,879,432	-
Multi-Strategy Bond	1,914,085	-	1,914,085	-
International Equity	4,448,316	-	4,448,316	-
Total mutual funds	<u>29,041,280</u>	<u>8,170,143</u>	<u>20,871,137</u>	-
Money market funds	781,794	781,794	-	-
	<u>29,823,074</u>	<u>8,951,937</u>	<u>20,871,137</u>	-
Total investments	<u>35,190,807</u>	<u>14,319,670</u>	<u>20,871,137</u>	-

**Edinboro University Foundation**  
**Notes to the Financial Statements (continued)**

**3. Fair Value Measurements (continued)**

Fair value of assets measured on a recurring basis is as follows at June 30, 2022:

	Fair Value	Level 1	Level 2	Level 3
Common stocks:				
Consumer discretionary	\$ 591,836	\$ 591,836	\$ -	\$ -
Consumer staples	302,248	302,248	-	-
Energy	126,799	126,799	-	-
Financial	447,778	447,778	-	-
Healthcare	861,215	861,215	-	-
Industrials	520,380	520,380	-	-
Information technology	96,563	96,563	-	-
Materials	158,189	158,189	-	-
Real estate	1,217,081	1,217,081	-	-
Telecommunications	355,939	355,939	-	-
Utilities	118,394	118,394	-	-
Total common stocks	4,796,422	4,796,422	-	-
Debt-based mutual funds	5,634,247	-	5,634,247	-
Equity-based mutual funds:				
Large cap	2,167,976	2,167,976	-	-
Mid cap	1,370,007	1,370,007	-	-
International	1,593,760	1,593,760	-	-
Small cap	786,619	786,619	-	-
Unclassified	941,614	941,614	-	-
Commonfund:				
Multi-Strategy Equity	7,998,079	-	7,998,079	-
Multi-Strategy Bond	1,658,638	-	1,658,638	-
International Equity	3,925,145	-	3,925,145	-
Total mutual funds	26,076,085	6,859,976	19,216,109	-
Money market funds	950,409	950,409	-	-
	27,026,494	7,810,385	19,216,109	
Total investments	\$ 31,822,916	\$ 12,606,807	\$ 19,216,109	

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2023 and 2022.

*Common stocks:* Valued at closing price reported on the active market on which the individual securities are traded.

*Debt-based and equity-based mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

*Money market funds:* Valued at quoted market prices for identical securities in the active markets that the Foundation had the ability to access at the measurement date.

**Edinboro University Foundation**  
**Notes to the Financial Statements (continued)**

**3. Fair Value Measurements (continued)**

*Commonfund:* Valued based upon the unit values (NAV) of the funds held by the Foundation at year end. Unit values are based upon the underlying assets of the funds derived from inputs principally from or corroborated by observable market data, by correlation, or other means. The Foundation invests in the following Commonfund funds:

**Multi-Strategy Equity** – The Multi-Strategy Equity program allocates assets across a broad spectrum of public equity strategies in proportions considered optimal for a fully diversified equity portfolio. The majority of the program’s assets generally are invested directly or indirectly in a portfolio of common stocks and securities convertible into common stocks of U.S. companies. The program’s allocation to the U.S. equity market includes exposure to companies in the S&P 500 Composite index, the benchmark for the program, as well as companies not included in the index. The program seeks to diversify its portfolio by allocating assets to common stocks and other equity securities of foreign companies in both developed and emerging markets. In addition, the program expects to invest in marketable alternative strategies that seek opportunities in domestic and foreign markets for equity-type returns with low correlation to the equity markets. The investment is valued at net asset value per share and has no unfunded commitments or significant redemption restrictions.

**Multi-Strategy Bond** – The Multi-Strategy Bond program allocates assets across a broad spectrum of fixed income sectors in proportions considered optimal for a fully diversified fixed income portfolio. The majority of the program’s assets generally are invested directly or indirectly in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the broad U.S. bond market. The program seeks to diversify its portfolio by allocating assets to other fixed income securities and strategies, including but not limited to global bonds, inflation-indexed bonds, high yield bonds, emerging markets debt and opportunistic credit strategies. Under normal circumstances, at least 80 percent of the net assets of the program will be invested directly or indirectly in fixed income securities or cash. The benchmark for the program is the Barclays Capital U.S. Aggregate Bond index. The investment is valued at net asset value per share and has no unfunded commitments or significant redemption restrictions.

**International Equity Fund** – The International Equity Fund invests primarily in common stocks and other equity securities of non-U.S. companies (including common stocks, securities convertible into common stocks and warrants to acquire common stocks). Up to 10 percent of the fund can be invested in equity securities of issuers located in emerging markets. The fund is designed to outperform its benchmark, the Morgan Stanley Capital International World ex-U.S. Index, over a full-market cycle, primarily through active stock selection. Portfolio holdings will typically range from 150 to 300 equity securities. The investment is valued at net asset value per share and has no unfunded commitments or significant redemption restrictions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of differing methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Edinboro University Foundation**  
**Notes to the Financial Statements (continued)**

**4. Fixed Assets**

Fixed assets consist of the following as of June 30:

	<b>2023</b>	<b>2022</b>
Furniture and fixtures	\$ 4,832	\$ 4,832
Equipment	213,912	213,912
Total	218,744	218,744
Less: Accumulated depreciation	216,910	215,075
Total fixed assets, net	\$ 1,834	\$ 3,669

Depreciation expense was \$1,835 for the years ended June 30, 2023 and 2022.

**5. Net Assets with Donor Restrictions**

All net assets that have a donor restriction are restricted for the benefit of scholarships for students of PennWest Edinboro. The individual scholarships vary vastly based on the types of degrees, majors, and extracurricular activities. As such, net assets with donor restrictions for the benefit of scholarships are comprised of the following as of June 30:

	<b>2023</b>	<b>2022</b>
Various Edinboro University Foundation scholarships and related programs	\$ 3,472,758	\$ 3,271,771
Investments to be held in perpetuity by donor stipulations or by Pennsylvania law, the income from which is generally available for scholarships and programs	8,844,968	8,177,948
Cash surrender value of donated life insurance policies to benefit scholarship and programs	118,824	112,365
	\$ 12,436,550	\$ 11,562,084

**6. Board Designated Net Assets**

The Foundation's Board of Directors is able to approve segregations of net assets without donor restrictions to be utilized for specific programs, projects and operational expenses. Such items would be reported as board designated net assets within the net asset category without donor restrictions. At June 30, 2023 and 2022, there were no board designated assets.

**Edinboro University Foundation**  
**Notes to the Financial Statements (continued)**

**7. Endowment Funds**

The Foundation's endowment consists of approximately 200 individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted Pennsylvania law 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 Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated fund. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various indices such as the S&P 500, Russell 2000, Barclays Capital U.S. Aggregate Bond and EAFE index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide favorable results against these benchmark comparative indexes. Actual returns in any given year may vary from this amount.

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

Over the long term, the Foundation expects the current spending policy to allow its endowment to continue to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**Edinboro University Foundation**  
**Notes to the Financial Statements (continued)**

**7. Endowment Funds (continued)**

Endowment net asset composition by type of fund as of June 30, 2023:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Total endowment net assets	<b>\$ (37,220)</b>	<b>\$ 12,116,131</b>	<b>\$ 12,078,911</b>

Changes in endowment net assets for the year ended June 30, 2023:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	<b>\$ (63,895)</b>	<b>\$ 10,878,311</b>	<b>\$ 10,814,416</b>
Investment return	-	<b>847,724</b>	<b>847,724</b>
Contributions	-	<b>651,935</b>	<b>651,935</b>
Appropriation of endowment assets for expenditure	<b>(234,920)</b>	-	<b>(234,920)</b>
Other changes:			
Gifts and transfers to University	<b>(6,703)</b>	-	<b>(6,703)</b>
Change in cash surrender value of life insurance	-	<b>6,459</b>	<b>6,459</b>
Other	<b>268,298</b>	<b>(268,298)</b>	-
Endowment net assets, end of year	<b>\$ (37,220)</b>	<b>\$ 12,116,131</b>	<b>\$ 12,078,911</b>

Endowment net asset composition by type of fund as of June 30, 2022:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Total endowment net assets	<b>\$ (63,895)</b>	<b>\$ 10,878,311</b>	<b>\$ 10,814,416</b>

Changes in endowment net assets for the year ended June 30, 2022:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	<b>\$ (13,900)</b>	<b>\$ 12,715,008</b>	<b>\$ 12,701,108</b>
Investment return	-	<b>(1,750,908)</b>	<b>(1,750,908)</b>
Contributions	-	<b>159,351</b>	<b>159,351</b>
Appropriation of endowment assets for expenditure	-	<b>(305,392)</b>	<b>(305,392)</b>
Other changes:			
Gifts and transfers to University	-	<b>(5,739)</b>	<b>(5,739)</b>
Change in cash surrender value of life insurance	-	<b>6,411</b>	<b>6,411</b>
Other	<b>(49,995)</b>	<b>59,580</b>	<b>9,585</b>
Endowment net assets, end of year	<b>\$ (63,895)</b>	<b>\$ 10,878,311</b>	<b>\$ 10,814,416</b>

**Edinboro University Foundation**  
**Notes to the Financial Statements (continued)**

**7. Endowment Funds (continued)**

**Underwater Endowment Funds**

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 Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in donor-restricted endowment funds, which together have an original gift value of \$492,737, a current fair value of \$455,517, and a deficiency of \$37,220 as of June 30, 2023 and as of June 30, 2022, an original gift value of \$549,954, a current fair value of \$486,059, and a deficiency of \$63,895. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

**8. Portfolio Management Fees**

The Foundation assesses an asset management fee on managed scholarship and other endowment funds to be used to support the programs and mission of the University and Alumni Association. This fee, which is calculated based on a percentage of the total fair value of the investments, amounted to \$430,852 and \$519,434 for the years ended June 30, 2023 and 2022, respectively.

**9. Related Party Transactions**

The Foundation manages scholarship assets received from the University and Alumni Association under an endowment custodial relationship (Note 1). These contributing organizations did not grant the Foundation variance power (the ability to redirect the corpus) and retained the ownership of the assets.

The Foundation receives and manages contributions from donors of assets intended for the benefit of the University. Direct contributions of these assets are recorded on the Foundation's records as contribution income and held in donor-restricted net assets until the donors' requirements have been satisfied, at which time the assets are released from restrictions and paid to the University for various initiatives. These gifts to the University were \$392,953 and \$334,098 for the years ended June 30, 2023 and 2022, respectively.

**10. Concentration of Credit Risk**

The Foundation maintains its cash and cash equivalents in bank deposit accounts, which at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to its cash and cash equivalents.

**11. Liquidity and Availability of Resources**

The Foundation manages its liquidity and reserves following three guiding principles:

1. Operating within a prudent range of financial soundness and stability;
2. Maintaining adequate liquid assets to fund near-term operating needs; and
3. Maintaining sufficient reserves to provide reasonable assurance that obligations will be discharged.

**Edinboro University Foundation**  
**Notes to the Financial Statements (continued)**

**11. Liquidity and Availability of Resources (continued)**

The Foundation's liquidity policy structures its financial assets to be available as general expenditures, liabilities and other obligations become due. In order to adhere to this policy, the Foundation forecasts future cash flows, monitors liquidity, and monitors its reserves. During the years ended June 30, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment fund for the following year.

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 777,369	\$ 1,109,660
Due from affiliated entities	3,021	4,933
Other current assets	162,449	391,068
Investments	35,190,807	31,822,916
	36,133,646	33,328,577
Less:		
Assets under donor restrictions	11,975,380	11,123,238
Assets held on behalf of others	23,276,278	21,446,151
	35,251,658	32,569,389
 <b>Financial assets available to meet cash needs for general expenditures within one year</b>	 <b>\$ 881,988</b>	 <b>\$ 759,188</b>