

**PENNSYLVANIA'S STATE SYSTEM OF
HIGHER EDUCATION FOUNDATION**
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023
AND
INDEPENDENT AUDITOR'S REPORT

HAMILTON & MUSSER, P.C.
Certified Public Accountants

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

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For the Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pennsylvania's State System of Higher Education Foundation
Harrisburg, Pennsylvania

Opinion

We have audited the accompanying financial statements of Pennsylvania's State System of Higher Education Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pennsylvania's State System of Higher Education Foundation as of June 30, 2023, and the changes in its net assets and its cash flows for the year 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. 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 Pennsylvania's State System of Higher Education 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.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, the Organization changed its basis of accounting from Modified Cash Basis of Accounting to Accounting Principles Generally Accepted in the United States of America. Beginning net assets on the Statement of Activities has been adjusted in order to conform with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 Pennsylvania's State System of Higher Education Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Members of the American and Pennsylvania Institutes of CPAs

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 generally accepted 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 generally accepted 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 Pennsylvania's State System of Higher Education Foundation'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 Pennsylvania's State System of Higher Education 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.

September 7, 2023

Mechanicsburg, Pennsylvania



Certified Public Accountants

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

Statement of Financial Position

June 30, 2023

Assets	
Cash and Cash Equivalents	\$ 5,224,565
Investments (Note 4)	3,462,317
Accounts Receivable	38,500
Grants Receivable	106,700
Pledges Receivable, Net (Note 7)	62,084
Investment Restricted for Endowment (Note 6)	1,492,887
Fixed Assets (Note 8)	528,595
Cash and Cash Equivalents – Agency Funds	<u>18,199</u>
 Total Assets	 <u>\$ 10,933,847</u>
Liabilities	
Accounts Payable	\$ 79,685
Accrued Wages	11,958
Compensated Absences	6,220
Agency Payables	18,199
Unearned Revenue (Note 9)	<u>4,472,126</u>
 Total Liabilities	 <u>4,588,188</u>
Net Assets	
Without Donor Restrictions	
Undesignated	3,084,944
Designated (Note 10)	1,103,184
With Donor Restrictions (Note 11)	<u>2,157,531</u>
 Total Net Assets	 <u>6,345,659</u>
 Total Liabilities and Net Assets	 <u>\$ 10,933,847</u>

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

Statement of Activities
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Contributions	\$ 99,022	\$ 720,939	\$ 819,961
Contributed Nonfinancial Assets (Note 16)	44,500	512,400	556,900
Grants	768,048	-	768,048
Charges for Services	216,000	-	216,000
Sponsorships	18,000	-	18,000
Investment Income (Note 4)	526,449	19,283	545,732
Net Assets Released from Restrictions	<u>624,324</u>	<u>(624,324)</u>	<u>-</u>
Total Revenue	<u>2,296,343</u>	<u>628,298</u>	<u>2,924,641</u>
Expenses			
Program Services			
Scholarships	1,188,278	-	1,188,278
Program Support	349,919	-	349,919
Supporting Services			
Management and General	164,279	-	164,279
Fundraising	<u>66,001</u>	<u>-</u>	<u>66,001</u>
Total Expenses	<u>1,768,477</u>	<u>-</u>	<u>1,768,477</u>
Change in Net Assets	527,866	628,298	1,156,164
Net Assets, Beginning of Year (Note 17)	<u>3,660,262</u>	<u>1,529,233</u>	<u>5,189,495</u>
Net Assets, End of Year	<u>\$ 4,188,128</u>	<u>\$ 2,157,531</u>	<u>\$ 6,345,659</u>

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

Statement of Functional Expenses

For the Year Ended June 30, 2023

	<u>Program Services</u>		Total	<u>Supporting Services</u>		Total Program
	<u>Scholarships</u>	<u>Program Support</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>and Supporting Services</u>
Wages	\$ 189,703	\$ 19,580	\$ 209,283	\$ 19,582	\$ 39,933	\$ 268,798
Employee Benefits	25,395	2,621	28,016	2,619	5,346	35,981
Payroll Taxes	15,694	1,620	17,314	1,619	3,304	22,237
Scholarships	950,401	63,400	1,013,801	-	-	1,013,801
Professional Fees	7,085	247,506	254,591	77,205	3,542	335,338
Chancellor's Office Expense	-	13,876	13,876	-	13,876	27,752
Supplies	-	-	-	21,377	-	21,377
Insurance	-	-	-	3,193	-	3,193
Conferences	-	-	-	4,000	-	4,000
Travel and Entertainment	-	1,316	1,316	3,458	-	4,774
Dues and Subscriptions	-	-	-	819	-	819
Board of Directors	-	-	-	2,735	-	2,735
Information Technology	-	-	-	<u>27,672</u>	-	<u>27,672</u>
Total Expenses	<u>\$ 1,188,278</u>	<u>\$ 349,919</u>	<u>\$ 1,538,197</u>	<u>\$ 164,279</u>	<u>\$ 66,001</u>	<u>\$ 1,768,477</u>

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

Statement of Cash Flows
For the Year Ended June 30, 2023

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 1,156,164
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:	
Realized Loss on Sale of Investments	2,673
Unrealized Gain on Investments	(461,172)
Contributions Received Restricted for Perpetual Endowment	(4,500)
Donation of Building	(512,400)
(Increase) Decrease in:	
Accounts Receivable	(2,500)
Grants Receivable	(30,031)
Pledges Receivable	33,628
Increase (Decrease) in:	
Accounts Payable	(231,199)
Accrued Wages	893
Compensated Absences	(7,897)
Agency Payables	(586)
Unearned Revenue	<u>4,472,126</u>
Net Cash and Cash Equivalents Provided by Operating Activities	<u>4,415,199</u>
Cash Flows from Investing Activities:	
Purchase of Investments	(100,142)
Proceeds from Sale of Investments	30,000
Purchase of Fixed Assets	<u>(16,195)</u>
Net Cash and Cash Equivalents Used by Investing Activities	<u>(86,337)</u>
Cash Flows from Financing Activities:	
Contributions Received Restricted for Perpetual Endowment	<u>4,500</u>
Net Cash and Cash Equivalents Provided by Financing Activities	<u>4,500</u>
Net Increase in Cash and Cash Equivalents	4,333,362
Cash and Cash Equivalents, Beginning of Year	<u>909,402</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,242,764</u>
<u>Supplemental Disclosures of Non-Cash Activities:</u>	
Donation of Building	\$ 512,400
<u>Supplemental Disclosures:</u>	
Cash Paid for Interest	\$ -
Cash Paid for Taxes	-
<u>Reconciliation of Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents	\$ 5,224,565
Cash and Cash Equivalents – Agency Payable	<u>18,199</u>
Total Cash and Cash Equivalents	<u>\$ 5,242,764</u>

The Accompanying Notes are an Integral Part of the Financial Statements

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The Pennsylvania's State System of Higher Education Foundation (Foundation) is a non-profit corporation established to support the educational mission and activities of Pennsylvania's State System of Higher Education (State System) by generating private sector financial support and engaging in other activities to advance the State System. The Foundation is primarily supported through contributions.

Basis of Accounting:

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation:

Financial statement presentation follows the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which requires the Foundation to report information regarding its assets, liabilities, net assets, support, revenue, and expenses according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Contributions:

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. However, if restrictions expire for net assets with donor restrictions in the same year that the contribution is received, then the contribution is recorded without donor restrictions on the Statement of Activities.

Grant Revenue:

Grant revenue that is deemed to be an exchange transaction is classified as revenue without donor restrictions. Such grant revenue is not deemed to be a contribution, since the proceeds thereof are used to pursue objectives of the grantor.

Cash and Cash Equivalents:

For the purpose of the Statement of Financial Position, cash and cash equivalents include all monies in financial institutions with an initial maturity of three months or less.

Fair Value Measurements:

Financial instruments are valued at fair value on a recurring basis in the Statement of Activities.

Fair Value Reporting requires an establishment of a hierarchy that ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices in active markets for identical assets and liabilities
- Level 2 – Directly or indirectly observable inputs other than Level 1 quoted prices
- Level 3 – Unobservable inputs not corroborated by market data

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued):

For financial instruments that have quoted market prices in active markets, the Foundation uses the quoted market prices as fair values and includes those financial instruments in Level 1 of the fair value hierarchy. When quoted market prices in active markets are not available, various pricing services are used to determine the fair value of financial instruments that are included in Level 2 of the fair value hierarchy. Level 3 represents financial assets whose fair value is determined based upon inputs that are unobservable and include the Foundation's own determinations of the assumptions that a market participant would use in pricing the asset. The Foundation considers its financial instruments to be Level 1.

Financial instruments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of financial instruments, it is at least reasonably possible that changes in risks in the near term would materially affect financial instruments assets reported in the Statement of Financial Position and Statement of Activities.

Promises to Give:

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Fixed Assets:

It is the policy of the Foundation to record purchased fixed assets at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

New acquisitions of fixed assets having a low acquisition cost, or which are not expected to last for more than a year, are expensed in the year of acquisition. Repairs and maintenance charges are capitalized and depreciated when they materially extend the useful life of the related asset. During 2014, new tangible property regulations were implemented by the Internal Revenue Service. The Foundation modified its capitalization policy to be in compliance with the tangible property regulations.

Donated Assets:

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable:

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of outstanding balances, it has concluded that losses on balances outstanding at year-end will be immaterial. Therefore, an allowance has not been established.

Unearned Revenue and Refundable Advances:

The Foundation is the recipient of grants that require expenditure for specified activities before the Foundation is reimbursed by the grantor for the costs incurred. Documentation showing actual costs expended is included when submitting a monthly or quarterly report for reimbursement. Certain grantors pay in advance of incurring the specified costs; in those cases, the amount received in excess of amounts spent on reimbursable costs is reported as a unearned revenue.

Functional Allocation of Expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Taxation:

The Foundation is exempt from federal income tax as provided by Code Section 501(c)(3) of the Internal Revenue Code. Donors are entitled to deductions for federal income tax purposes for contributions made to the Foundation in accordance with the Internal Revenue Code. Accordingly, no income tax is incurred unless the Foundation earns income considered to be unrelated business income. The Foundation conducted no activities which were subject to unrelated business income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation. Management evaluated the tax positions taken and concluded that the Foundation had taken no uncertain tax positions that require recognition or disclosure in the financial statements. No provision or benefit for income taxes has been included in these financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before June 30, 2020.

Donated Services:

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Volunteers also provided other services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842). The ASU introduces a lessee's model that brings most leases onto the Statement of Financial Position and aligns many of the underlying principles of the new lessor model with those in the new revenue recognition standard (ASU No. 2014-09). ASU No. 2016-02 is effective for annual periods beginning after December 15, 2021. The Foundation has no agreements that meet the qualifications for implementation.

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE 3 AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at June 30, 2023:

Financial Assets:	
Cash and Cash Equivalents	\$ 5,242,764
Investments	4,955,204
Accounts Receivable	38,500
Grant Receivable	106,700
Pledges Receivable, Net	<u>62,084</u>
 Total Financial Assets	 <u>10,405,252</u>
 Less Amounts Not Available to be Used	
Within One Year	
Unearned Revenue	4,472,126
Agency Payables	18,199
Net Assets with Donor Restrictions	2,157,531
Designated Net Assets	<u>1,103,184</u>
 Total Amounts Not Available to be Used	 <u>7,751,040</u>
 Total Amounts Not Available to be Used	 <u>7,751,040</u>
 Within One Year	 <u>7,751,040</u>
 Financial Assets Available to Meet Expenses	
Over the Next Year	<u>\$ 2,654,212</u>

A donor's restriction and board designations require resources to be used in a particular manner or in a future period. The Foundation must maintain sufficient resources to meet those responsibilities to its donor and for board designations. Thus, financial assets may not be available for general expense within one year. The Foundation has a goal of maintaining 25% of its annual expenses in cash in the bank. The balance of available cash is to be invested in low-risk investments.

NOTE 4 INVESTMENTS

Investments at June 30, 2023 are as follows:

	<u>Cost</u>	<u>Market Value</u>
Mutual Funds		
Intermediate Term Bond Funds	\$ 175,814	\$ 147,953
Foreign Large Blend Funds	451,033	478,675
Large Blend Funds	1,822,259	3,171,400
Total Bond Market	775,920	671,874
Long-Term Bonds	185,818	141,604
Short-Term Bonds	<u>376,742</u>	<u>343,698</u>
 Total	 <u>\$ 3,787,586</u>	 <u>\$ 4,955,204</u>

Investment income for the year ended June 30, 2023 is as follows:

Interest and Dividends	\$ 117,233
Investment Fees	(30,000)
Unrealized Gain	461,172
Realized Loss on Sale of Investments	<u>(2,673)</u>
 Total	 <u>\$ 545,732</u>

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE 5 FAIR VALUE OF INVESTMENTS

Fair values of investments are summarized as follows at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual Funds	\$ 4,955,204	\$ _____	\$ _____	\$ 4,955,204
Total Investments	\$ 4,955,204	\$ _____	\$ _____	\$ 4,955,204

NOTE 6 ENDOWMENT

The Foundation's endowment consists of 11 individual funds established to provide scholarships for students attending certain of the 10 universities of Pennsylvania's State System of Higher Education (State System). The funds, including two funds designated by the Board of Directors with the consent of the donor to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions. There are two funds that are board-restricted scholarship funds comprised entirely of monies without donor restrictions. Gifts to the funds are generally given with the donors' expectations that the funds will stay intact and will grow from earnings, which can then be used for current or long-term needs of the Foundation.

The Foundation's investment philosophy for the endowment funds is to manage the endowment portfolio with the intention of obtaining the highest possible "total return" (current income plus net realized and unrealized appreciation expressed as a percentage of market value) of the portfolio, while maintaining a prudent level of risk and maximizing income to satisfy the needs of the various endowment funds.

Handling of Income from Endowment Fund Investments:

Concurrent with passage of Commonwealth of Pennsylvania Act 141 of 1998 (Act 141), the Association established a formal spending policy regarding perpetually endowed assets. Act 141 permits an annual distribution from perpetually endowed assets equal to a board approved percentage not less than 2% or more than 7% of the average fair market value of the assets over a three-year period, as defined. The spending target for June 30, 2023 was 5% of the funds' assets each year.

Changes to endowment net assets for the year ended June 30, 2023 are as follows:

	<u>Board Designated Quasi- Endowment</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 1,063,508	\$ 385,405	\$ 1,448,913
Contributions/Transfers In	-	4,500	4,500
Investment Income, Net	53,176	19,283	72,459
Transfer Out	-	(13,985)	(13,985)
Expenditures	<u>(13,500)</u>	<u>(5,500)</u>	<u>(19,000)</u>
Endowment Net Assets, End of Year	<u>\$ 1,103,184</u>	<u>\$ 389,703</u>	<u>\$ 1,492,887</u>

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE 7 PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give:

Amounts Due In:	
Less Than One Year	\$ 55,000
One to Five Years	10,000
More Than Five Years	<u>-</u>
Total	65,000
Discount (3.82%)	<u>(2,916)</u>
Pledges Receivable, Net	<u>\$ 62,084</u>

Unconditional pledges receivable that will be paid in more than one year are measured in the aggregate using present value techniques that consider the promised cash flows and the 10-year Treasury bill rate of 3.82% at June 30, 2023. Total pledges receivable prior to discount are shown net of allowance for pledges receivable. The allowance for pledges receivable was \$0 at June 30, 2023 because management expects a 100% collection rate.

NOTE 8 FIXED ASSETS

Fixed Assets are summarized as follows at June 30, 2023:

Building	<u>\$ 528,595</u>
Fixed Assets	<u>\$ 528,595</u>

NOTE 9 UNEARNED REVENUE

The change in the Foundation's unearned revenue account for the year ended June 30, 2023, is comprised of the following:

Balance at Beginning of Year	\$ -
Additions:	
Grants Received in Advance	5,000,000
Reductions:	
Grant Revenue Earned	<u>(527,874)</u>
Balance at End of Year	<u>\$ 4,472,126</u>

NOTE 10 DESIGNATED NET ASSETS

The Board of the Foundation has elected to designate a portion of their net assets without donor restrictions for future scholarships. The amount of the designations at June 30, 2023 is as follows:

Board Designated Quasi-Endowment (Note 6)	<u>\$ 1,103,184</u>
Total	<u>\$ 1,103,184</u>

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2023 are as follows:

Purpose Restricted:	
Scholarships	\$ 216,450
Industry-Specific Scholarships	541,728
Strategic Initiatives	302,908
Workforce Initiatives	<u>706,742</u>
Total Purpose Restricted	1,767,828
Perpetually Restricted:	
Endowment (Note 6)	<u>389,703</u>
Total Net Assets with Donor Restrictions	<u>\$ 2,157,531</u>

NOTE 12 RETIREMENT PLAN

The Foundation established a pension plan with TIAA-CREF covering all eligible employees. Employees contribute 5% of their salaries to the plan, with the Foundation providing a match of up to a maximum 5%. The Foundation's contributions for the year ended June 30, 2023 were \$10,697. In addition, the Foundation sponsors a non-contributory salary-deferral 403(b) plan for electing employees. No employer contributions were made to the 403(b) plan during the year ended June 30, 2023.

NOTE 13 RELATED PARTY TRANSACTIONS / CONTRIBUTED SERVICES

The Pennsylvania State System of Higher Education (State System) contributes employee time and other services to the Foundation. The value of these contributed services is not reflected in these statements since it is not susceptible to objective measurement or valuation. Memorandums of understanding are regularly entered into between the Foundation and the State System providing for support services, staff, facilities and other services to the Foundation.

A summary of cash transactions between the Foundation and the State System that are reflected in these statements for the year ended June 30, 2023, is as follows:

Funds Received from the State System:	
Contributions for Fundraising, Development Funding and Programs	\$ 216,000
Funds Paid to the State System:	
Information Technology Expenses	\$ 19,560

NOTE 14 CONCENTRATIONS OF REVENUE

The Foundation had three contributors who contributed 72% of total contributions for the year ended June 30, 2023. A significant reduction in these contributions could have a significant effect on the operations of the Foundation.

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE 15 CONCENTRATION OF CREDIT RISK

The Foundation maintains its bank deposits in several local financial institutions. At June 30, 2023, the balances are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) up to \$250,000 at each institution. The Foundation's bank balances may periodically exceed these limits, which management considers to be a normal business risk. The amount in excess of the FDIC limit was \$4,388,191 at June 30, 2023. There were no amounts in excess of the NCUA limit at June 30, 2023.

The Foundation maintains a portion of cash in money market fund accounts which are not insured by the FDIC or NCUA. The uninsured amounts totaled \$600,326 at June 30, 2023.

NOTE 16 NONFINANCIAL CONTRIBUTIONS

The Foundation received nonfinancial contributions for the year ended June 30, 2023 as follows:

Professional Services	\$ 10,400
TV Studio and Production Space	38,000
Memberships	6,000
Building	<u>502,500</u>
Total Nonfinancial Contributions	<u>\$ 556,900</u>

The Foundation's policy related to nonfinancial contributions is to utilize the assets given to carry out the mission of the Foundation. If an asset is provided that does not allow the Foundation to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

Of the nonfinancial contributions received by the Foundation for the year ended June 30, 2023, \$44,500 were considered without donor restrictions and able to be used by the Foundation as determined by the board of directors and management.

Nonfinancial contributions of \$512,400 were received related to the donation of a building and legal services for the building transfer. These services have been capitalized in accordance with the Foundation's capitalization policy.

NOTE 17 CHANGE IN ACCOUNTING PRINCIPLES

The Statement of Activities has been restated to correct for the change in accounting principles from modified cash basis of accounting to accounting principles generally accepted in the United States of America.

In previously issued financial statements, the Foundation did not record fair value of investments, accounts receivable, grants receivable, pledges receivable, assets held for sale, accounts payable, accrued wages, compensated absences, agency payables and unearned revenue. Correcting for the change in accounting principles increased net assets without donor restrictions by \$709,350 at June 30, 2022. Correcting for the change in accounting principles decreased net with donor restrictions by \$149,373 at June 30, 2022.

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION FOUNDATION

Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE 17 CHANGE IN ACCOUNTING PRINCIPLES (CONTINUED)

These corrections resulted in the following restatement in the Statement of Financial Position for June 30, 2022:

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	Total <u>Net Assets</u>
Balance, June 30, 2022, as Previously Stated	\$ 2,950,912	\$ 1,678,606	\$ 4,629,518
Fair Value of Investments	706,447	-	706,447
Accounts Receivable	36,000	-	36,000
Grants Receivable	76,669	-	76,669
Pledges Receivable, net	-	95,712	95,712
Accounts Payable	(84,584)	(226,300)	(310,884)
Accrued Wages	(11,065)	-	(11,065)
Compensated Absences	(14,117)	-	(14,117)
Agency Payables	<u>-</u>	<u>(18,785)</u>	<u>(18,785)</u>
Balance, June 30, 2022, as Restated	<u>\$ 3,660,262</u>	<u>\$ 1,529,233</u>	<u>\$ 5,189,495</u>

NOTE 18 COMMITMENTS AND CONTINGENCIES

The Foundation has been operating in an environment that has been economically impacted by the COVID-19 pandemic. The full impact of the pandemic on the Foundation is not known as of the release of these financial statements. However, management is monitoring the current conditions and their potential impact.

NOTE 19 SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 7, 2023, which is the date the financial statements were available to be issued.